

## Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

National Affordable Housing Management Association – 400 N. Columbus Street, Suite 203 - Alexandria, VA 22314  
Phone 703-683-8630 - Fax 703-683-8634 - [www.nahma.org](http://www.nahma.org)



July 17, 2015

NAHMAanalysis 2015-0717

### Proposed Appropriations for HUD Affordable Housing Programs in FY 2016

#### Background

The tight fiscal restraints imposed by previous budget agreements have presented numerous challenges in drafting the appropriations legislation for fiscal year 2016. In 2011, Congress enacted the Budget Control Act, which set strict budget caps for each fiscal year. If these budget caps were exceeded, then arbitrary spending cuts known as sequestration would be implemented. The idea at the time was that sequestration would be such bad policy that lawmakers would have to work towards a long-term budget agreement to control expenses and lower the national debt.

Congress failed to enact a budget agreement, and sequestration was implemented in 2013. All federal discretionary programs received a 5 percent cut. The impact and backlash from these budget cuts prompted Congress to act, and the Bipartisan Budget Act was signed into law on December 26, 2013. The Bipartisan Budget Act provided budgetary relief and postponed the threat of sequestration for 2014 and 2015. Again lawmakers sought to use this two year relief to accomplish a broad, long-term budget solution.

However, since the Bipartisan Budget Act, no comprehensive agreement on federal spending has been reached, and with the budget relief for 2014 and 2015 now expired, the funding situation for FY 2016 is especially tight. Lawmakers on the Senate and House Appropriations Committees drafted their funding legislation for FY 2016 under the previously set budget caps, and the resulting bills contain steep cuts for affordable housing programs.

#### House and Senate T-HUD Appropriations Bills

On April 28, 2015, the House Transportation, Housing and Urban Development (T-HUD) Appropriations Subcommittee released its draft funding bill for fiscal year 2016. The Senate T-HUD Appropriations Subcommittee followed on June 23. The House bill would provide a total of \$42 billion for HUD in FY 2016 while the Senate bill would provide a total of \$37.56 billion. Nearly all of the proposed funding levels for HUD's affordable housing programs in the House and Senate bills were below the Obama Administration's budget request for the upcoming fiscal year. Beginning on the next page is a chart comparing the House and Senate bills with the Administration's budget request and the FY 2015 enacted level.

Program	FY 2016 House Bill	FY 2016 Senate Bill	FY 2016 Budget Request	FY 2015 Enacted (Current Level)
<b>Tenant-Based Rental Assistance</b>	\$19,919	\$19,935	\$21,124	\$19,304
Contract Renewals	[18,151]	[17,982]	[18,334]	[17,486]
<b>Project-Based Rental Assistance</b>	\$10,654	\$10,826	\$10,760	\$9,730
Contract Renewals	[10,504]	[10,611]	[10,545]	[9,520]
Contract Administrators	[150]	[215]	[215]	[210]
<b>Supportive Housing for the Elderly (Sec. 202)</b>	\$417	\$420	\$455	\$420
Service Coordinators	[77]	[77]	[77]	[70]
<b>Supportive Housing for Persons with Disabilities (Sec. 811)</b>	\$152	\$137	\$177	\$135
<b>Community Development Block Grant</b>	\$3,000	\$2,900	\$2,800	\$3,000
<b>HOME</b>	\$767	\$66	1,060	\$900

### **Project-Based Section 8**

For the Project-Based Section 8 program, the House bill provides a total of \$10.654 billion for FY 2016, an amount which is \$924 million above the enacted level for FY 2015 and \$106 million below the President's budget request. The Senate bill's figure of \$10.826 billion is \$1.09 billion more than the amount provided in FY 2015 and is \$66 million more than the budget request.

Throughout 2015, HUD began the process of transferring all PBS8 contracts to the calendar year funding model. Under the calendar year funding model, all contracts would be funded once on January 1 regardless of the contract's anniversary date. Essentially, the contract anniversary date would be divorced from the single contract funding date. Contracts would be funded from January 1 through December 31, but renewal anniversary dates will still fall throughout the year.

HUD and the Administration believe that a calendar year schedule will minimize funding disruptions that occur during end-of-year budget delays, and that it would lead to consistent 12 month funding in FY 2016 and beyond. NAHMA remains highly skeptical of the benefits of altering the contract renewal cycle and we strongly oppose this transition. The necessary funding to renew contracts will still fall over two different fiscal years as it does now when HUD short-funds contracts, so the transition to a calendar year funding schedule simply shifts these program costs into FY 2016, and potentially jeopardizes HUD's ability to pay all PBS8 contracts. NAHMA's main concern with the transition to the calendar year funding model is that there is no contingency plan should the FY 2016 appropriations be insufficient to provide the full 12 months of funding upfront on January 1.

The current figures in the two bills are disappointing, and only the Senate's number matches HUD's estimate for what is needed to fund all contracts in FY 2016. The Senate report mentions in passing that this figure will ensure full funding: "The Committee recommendation completes the process of shifting the funding cycle for contract renewals to a calendar year basis." However, the Senate figure includes a cost "of up to \$250 million" for contract administrators, and NAHMA remains concerned that the \$10.8 billion figure would still be inadequate for the

program. In previous estimates, the Department had pegged the cost of the program in FY 2016 as high as \$11.9 billion.

In the Senate Committee Report, lawmakers touched on this series of litigations and indirectly provided support of Performance-Based Contract Administrators (PBCAs), as procurement agreements:

“The Committee notes that PBCAs are integral to the Department's efforts to be more effective and efficient in the oversight and monitoring of this program. The Committee believes that fair and open competition is the best way to ensure that the taxpayer receives the greatest benefit for the costs incurred. Now that the previous litigation has been resolved, the Department is directed to ensure that the PBCA selection process is, to the greatest extent legally permissible, full, open, and fair.”

The House Report similarly rejected HUD's argument: “The Committee once again rejects the budget proposal to administer PBCA funds as grants or cooperative agreements, and assumes that HUD will realize cost savings in fiscal year 2015 and fiscal year 2016 by procuring contracts for PBCA services as required by law.” NAHMA is encouraged that this disagreement has been resolved and that HUD will restart PBCA NOFA Awards in the 42 contested states. However, there is no specific timeframe for restarting the Awards.

### **Tenant-Based Rental Assistance (Housing Choice Vouchers)**

For the Tenant-based Rental Assistance program, the House bill would provide \$19.919 billion, an amount which is \$614 million above the FY 2015 enacted level and \$1.2 below the budget request. The Senate figure of 19.935 billion \$1.18 billion less than the budget request and \$630 million more than the FY 2015 enacted level.

After sequestration was implemented due to federal spending exceeding the set limit agreed to in the BCA, funding for all discretionary federal programs was cut by 5 percent. In the Tenant-Based Rental Assistance Program (overseen by the Office of Public and Indian Housing (PIH)), 67,000 Housing Choice Vouchers had to be recalled by Public Housing Authorities (PHAs).

In the President's Budget for FY 2016, the Obama administration aimed to restore all of the lost vouchers through increased funding. However, the Senate and House bills would only provide slight increases over the FY 2015 enacted level, which will do little to restore vouchers in the program. Instead, lawmakers in Congress recommend better oversight and management of the voucher program.

The Senate Committee Report outlines its concerns with how HUD manages the funding for vouchers: “The Committee reiterates its concerns with PIH's cash management practices, particularly since it limits understanding of the true funding needs in the voucher program. The Committee stresses the importance of resolving this swiftly and implementing a cash management process that complies with Generally Accepted Accounting Principles (GAAP) and Treasury requirements, and also provides greater transparency into voucher renewal needs.”

Similarly, the House Committee Report instructs HUD to implement better oversight of the voucher program: “The Committee is fully supportive of reforms that relieve administrative

burdens, enable housing authorities to serve more families, and promote work opportunities and self-sufficiency.” Neither Committee report addresses the vouchers lost to sequestration.

Additionally, the House did not adopt the President’s request for additional voucher funding to target needy populations: “The Committee recommendation does not include bill language proposed in the budget request for new special purpose vouchers, including targeted vouchers for the Family Unification Program, homeless veterans, and vouchers authorized by the Violence Against Women Act (VAWA). However, the Committee encourages HUD to facilitate the issuance of vouchers for these and other vulnerable populations as vouchers become available to PHAs upon turnover”

Like the funding figures for Project-Based Section 8, the House and Senate bills provide little relief for the constraints in the voucher program.

### **Rental Assistance Demonstration Program**

The Senate Committee Report recommends a modest expansion of the Rental Assistance Demonstration (RAD) unit conversion cap from 185,000 units to 200,000. The demand for RAD continues to increase – the Obama Administration supports the program and had requested that the unit conversion cap be eliminated as part of its budget request for FY 2016. The House Committee Report does not include the recommended expansion of RAD.

### **Section 202 Supportive Housing for the Elderly**

The House T-HUD Appropriations bill for FY 2016 provides a total of \$417 million for the Section 202 program, which is \$6 million below the FY 2015 enacted level and \$41 million below the budget request. The Senate’s figure of \$420 million is slightly higher than the House bill number and is equal to the level provided in FY 2015, but is \$35 million less than the budget request.

In 2014, Congress provided HUD with funding for a demonstration program to test different models of housing with services for the elderly. Called ‘Housing with Services Models for the Elderly’, the demonstration sought to improve property-centered health services for seniors such as “enhanced service coordinator” positions. The Senate noted its concerns that this demonstration program is failing to meet the needs of seniors in rural areas or smaller properties:

“The Committee is concerned that the Department’s demonstration program may have the unintended consequence of excluding properties that are not located in large metropolitan areas. Such properties tend to be smaller, and according to the Department, only 18 percent of HUD-assisted multifamily properties for the elderly in rural areas have a service coordinator. For these reasons, the Committee urges HUD to partner with other Federal agencies in order to pursue a demonstration design on service coordination that is adapted to non-metropolitan areas...the Committee does not direct the Department to delay the current demonstration design until a non-metropolitan component is designed.”

In contrast, the House seeks to redirect the funding for the ‘Housing with Services Models for the Elderly’ demonstration program (and other program funding items) into the total funding allotment for Section 202: “HUD shall use a total of \$47,000,000 in uncommitted funds from prior year appropriations for the program. This includes \$20,000,000 available from an elderly demonstration program, \$20,000,000 available from supportive housing capital advance

program funds, and \$7,000,000 of the \$16,000,000 available in fiscal year 2015 residual receipt recaptures.”

### **Section 811 Supportive Housing for Persons with Disabilities**

For the Section 811, Housing for Persons with Disabilities program, the House number of \$152 million is \$17 million above the FY 2015 enacted level and \$25 million below the budget request. The Senate’s \$137 million is \$40 million less than the budget request and is \$2 million more than the FY 2015 enacted level.

### **Community Development Block Grant**

The Senate figure for the Community Development Block Grant Program (CDBG) of \$2.9 billion is \$100 million over the budget request and \$100 million below the FY 2015 enacted level. The House T-HUD Appropriations bill’s number of \$3 billion would be consistent with the FY 2015 enacted level, and would exceed the president’s budget by \$200 million.

### **HOME Investment Partnerships**

One of the most alarming provisions in the Senate’s T-HUD Appropriations bill was the dramatic cut to the HOME Investment Partnerships program. The targeted figure of \$66 million represents a **93 percent cut** from the FY 2015 enacted level. Since HOME is used as gap financing for the construction/rehabilitation of multifamily properties under the Low-Income Housing Tax Credit (LIHTC), this cut would greatly impact the construction of new affordable units.

The House T-HUD Appropriations bill also severely cuts HOME. In the House Committee Report it is stated that a total of \$900 million will be made available for HOME, and that the difference between the \$767 million and the total of \$900 million will come from the Housing Trust Fund (HTF): “The Committee recommends \$900,000,000 for activities funded under this account, which is the same as fiscal year 2015 enacted and \$160,000,000 below the budget request. Of the total amounts provided, \$767,000,000 is directly appropriated and the remainder is derived from a transfer of budgetary resources from the housing trust fund.” NAHMA rejects this cut and combination of HOME and the HTF in the House bill. These programs should continue to exist as separate funding streams for affordable housing development.

NAHMA also strictly opposes the cut to HOME in the Senate draft bill. The Senate Appropriations Committee Report recognizes the importance of HOME, but it fails to provide an explanation for such an extreme cut:

“The Committee notes the substantial gains made by HOME in increasing the supply and affordability of housing for low-income families. According to the April 2015 HOME National Production Report, since 1992 States and localities have used HOME funds to produce 497,368 homebuyer homes, 468,990 rental homes, and 232,785 rehabilitated owner-occupied homes. Another 300,708 families have received tenant-based rental assistance through the HOME program. HOME has been particularly successful in helping extremely low-income families (at or below 30 percent of area median income) who have received 40 percent of assistance for affordable rental housing during the past 5 years.”

In its ongoing advocacy efforts with lawmakers for FY 2016 funding, NAHMA will highlight its opposition to these proposed cuts to HOME.

## **Conclusion**

Overall, the appropriations legislation introduced by the House and Senate T-HUD Subcommittees is disappointing and, if enacted, would harm affordable housing administration and development. The underlying issue for the FY 2016 appropriations process remains the tight discretionary spending caps imposed by the Budget Control Act of 2011 and the threat of additional cuts through sequestration, should these caps be exceeded.

There are also additional concerns which NAHMA members should consider. Under normal order, appropriators from both chambers will have to convene in a Conference Committee to reconcile the different funding levels and design a finalized bill. However, Congress has failed to pass all 12 annual appropriations bills in a single year since 1994. The usual course is that a continuing resolution (CR) is enacted to maintain the previous fiscal year's funding levels past the deadline of September 30, then lawmakers would have more time to finalize new funding levels for the new fiscal year.

Since a CR continues the previous year's funding levels, a CR heading into FY 2016 would be disastrous for the Project-Based Section 8 program. The FY 2015 funding level of 9.73 billion will certainly not cover all contracts for their full 12 months. "Anomalies" may be included in a CR to prevent major problems that would be caused if an otherwise uniform approach were used to provide funding. However, the PBS8 program would need over \$1 billion provided through an anomaly, an amount which would be difficult to achieve with other competing federal items.

NAHMA hopes that lawmakers will soon work together on a bipartisan budget agreement to lift the tight budget caps and eliminate the possibility of sequestration. Our advocacy efforts with members of Congress continues, and we will be sending out additional grassroots action alerts in the coming weeks.

## **Additional Resources**

[House Appropriations Committee Report](#)

[Senate Appropriations Committee Report](#)

[President's FY 2016 Budget Request for HUD](#)

[NAHMA Analysis on the Obama Administration's Budget Request for Fiscal Year 2016](#)