

NAHMAanalysis

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

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

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President Trump's FY20 budget: "A Budget for a Better America"

In March, President Trump sent Congress his Fiscal Year (FY) 2020 budget request, "[A Budget for a Better America](#)." Similar to previous budget requests, the administration's FY20 budget proposes steep cuts to affordable housing and community development programs, beginning October 1, 2019. This NAHMAanalysis highlights the proposed budget, including funding levels and policy proposals for affordable housing programs.

NAHMA opposes the budget request; we will continue to work with Congress to increase investments in affordable housing and community development programs, and we encourage our members to join our advocacy efforts through meetings with legislators, property visits with elected officials, and other advocacy opportunities.

Administration's Fiscal Year 2020 Budget Request - HUD

Eliminations The Administration's FY20 budget requests \$44.1 billion for HUD programs, \$8.6 billion below the current FY19 enacted level. The cuts are achieved primarily by eliminating the Public Housing Capital Fund, HOME, Community Development Block Grant (CDBG), Housing Trust Fund (HTF), and Choice Neighborhoods programs. These programs play a critical role in supporting the preservation of existing affordable housing, and NAHMA strongly opposes the elimination of HOME, Choice Neighborhoods, and CDBG.

Decreases Similar to last year, the budget proposes funding reductions to the Housing Choice Voucher program, Public Housing Operating Fund, Family Self-Sufficiency Program, Section 202 Housing for the Elderly, and Section 811 Housing for Persons with Disabilities.

Increases While the budget requests a small increase in funding for Project-Based Rental Assistance, this level is insufficient for renewals. The budget also proposes increases to HUD's Lead Remediation program; \$100 million for the Rental Assistance Demonstration (RAD) program; and an additional \$20 million to modernize information technology.

Lastly, the budget request also proposes the same "rent reform" provisions from last year. Below is a program breakdown of key rental assistance programs and comparison to the FY19 enacted funding levels for this current FY19:

- **Tenant-Based Rental Assistance (vouchers):** The budget proposes over \$22 billion for the voucher program, a 2% decrease from the funding level provided in FY19. This includes slightly over \$20 billion for voucher renewals. The budget provides \$260 million to renew Section 811 Mainstream Vouchers and proposes to fund tenant protection vouchers at \$130 million to cover an anticipated increase in demolitions, dispositions, and streamlined voluntary conversions.
- **Project-Based Rental Assistance (PBRA):** The budget proposes around \$12 billion for PBRA, including around \$11.5 billion to renew all expiring contracts. This PBRA request includes \$345 million for performance-based contract administrators' (PBCA) administrative fees, \$100 million more than appropriated in FY 2019. In regards to this proposed \$100 million increase, HUD states:

The estimated annual appropriation needed in 2020 to maintain the contract administration program is \$345 million. These funds may be combined with up to \$20 million from Housing Certificate Fund (HCF) to cover the full program cost. This level of funding will ensure that regardless of the timing or outcome of new procurements, critical contract administration services will continue without interruption. Given that protests and litigation may slow the execution of new contract awards, the request takes into account multiple budgetary scenarios.

Continued extension of the existing PBCA agreements is estimated to cost up to \$365 million in 2020. Actual cost is dependent on changes in Fair Market Rents and the number of Housing Assistance Payment (HAP) contracts assigned to each PBCA. Should the Department successfully execute new awards, the request will allow for a partial year extension of existing PBCA agreements, with remaining funds anticipated to be placed on the base-year of the new contracts. In recent years, this program has utilized residual funding in HCF to supplement needs not provided by annual appropriations. In 2020, HCF availability will be largely exhausted, resulting in a \$60 million increase in appropriations relative to the 2018 enacted level.

- **Section 202 Housing for the Elderly:** The budget requests \$644 million for Section 202 housing, a decrease of \$34 million from the FY19 enacted levels. This includes \$551 million for contract renewals and \$90 million to fund service coordinators.
- **Section 811 Housing for Persons with Disabilities:** The budget requests \$157 million for Section 811 housing, a decrease of \$27 million from the FY19 enacted levels. The budget justifications state:

The request will allow HUD to use offsetting collections of excess residual receipts to fund new Capital Advances and State Project Rental Assistance awards, thereby modestly increasing the number of disabled, very low-income persons living in safe, decent, and affordable housing. In addition, these funds may be supplemented through the transfer of recaptures from the Project-Based Rental Assistance account should recapture not be needed to support contract renewals and amendments in 2020. The award of these funds will provide construction funding or operating assistance for additional project-based Section 811 units. The program design will build on the updated Section 811 notice of funding availability (NOFA) now under development to award the \$82.6 million appropriated in 2018 to expand assistance and may utilize either Project Rental Assistance (PRA) awards to state housing finance agencies (HFAs) or the traditional capital advance model.

Fiscal Year 2020 President's Budget Request (HUD)

HUD Program (\$ in millions)	FY19 Enacted	FY20 Request
Tenant-Based Rental Assistance	22,598	22,244
Project-Based Rental Assistance	11,747	12,021
Section 202 Housing for Elderly	678	644
Section 811 Housing for Disabled	184	157
Public Housing Capital Fund	2,775	0
Public Housing Operating Fund	4,653	2,863
CDBG	3,300	0
HOME	1,250	0

Rent Reforms

Similar to HUD's FY19 budget request, the FY20 budget sets forth the same rent reforms under the Making Affordable Housing Work Act (MAHWA), which Congress previously rejected. The proposed reforms include increasing the percentage of rent assisted tenants would be required to pay, raising minimum rents, and establishing work requirements. With regard to rent reforms, the President's Budget states:

In April 2018, the Administration proposed the Making Affordable Housing Work Act (MAHWA), which would fundamentally reform HUD's rental assistance programs. These reforms include increasing tenant rent contributions and minimum rents; in the first significant change to tenant rent structures since 1981, MAHWA would increase the amount of rent paid by tenants from 30 percent of adjusted income to 35 percent of gross income for all work-able households, but would mitigate this increase for the elderly and persons with disabilities.

In addition to re-proposing MAHWA, the Budget further promotes self-sufficiency by proposing a requirement for non-elderly and non-disabled tenants to work a minimum of 20 hours per week, or engage in other qualified work activities.

In addition to the proposed rent reforms, the Budget would reduce the overall Federal footprint of housing assistance. While continuing to assist current residents, the Budget proposes to decrease the Public Housing portfolio through locally determined options, including strategically releasing certain housing assets to local control. In this effort, the Federal Government recognizes the need for greater contributions from State and local governments and the private sector to help address affordable housing needs for low-income families.

Below is an in-depth look at the rent reforms proposals, as previously detailed in a 2018 NAHMA analysis on the Administration's "Making Affordable Housing Work Act of 2018" (MAHWA). For further analysis on the Administration's proposed rent reforms, please view our NAHMA analysis [here](#).

Reform	“Making Affordable Housing Work Act of 2018”: HUD Legislative Proposal
Tenant Rent Contribution	<p><u>For all rental assistance programs (excludes elderly and disabled households):</u> Increase tenant rent contribution from 30% of adjusted income to 35% of gross income (not adjusted by deductions)</p> <p><u>For Elderly or Disabled Households:</u> 30% of gross income (not adjusted by deductions), or minimum rent. For currently-assisted elderly or disabled households, phased increases over two triennial recertifications (temporary “hold harmless” provision)</p>
Minimum Tenant Rent	<p><u>For all rental assistance programs (excludes elderly and disabled households):</u> Set minimum as amount earned from working at least 15hrs per week at federal minimum wage (approximately \$150) → number of hours per week used in calculation can be adjusted higher by Secretary</p> <p><u>For Elderly or Disabled Households:</u> Set minimum rent contribution at \$50 per month → can be adjusted higher by HUD Secretary</p>
Income Verifications	<p><u>For all Rental Assistance Programs:</u> In order to incentivize increased tenant earnings and reporting accuracy, make the following changes:</p> <ul style="list-style-type: none"> • Reduce frequency of family income reviews used to calculate tenant rent contributions from annual to triennial • Prohibit interim reexaminations that result in higher family rents, providing incentives for increased earnings and for adding additional family members to the lease; increase threshold for interim reexamination at family’s request to a minimum decrease of 20% <p>For elderly, disabled, or other households as defined by the Secretary, maintain 10% decrease threshold for at-request reexaminations</p>
Alternative Rent Structures	<p><u>For all Rental Assistance Programs:</u> Allow for the creation of the following rent structures (and allow the Secretary to change frequency of income reviews to facilitate alternative rent structures):</p> <ul style="list-style-type: none"> • Secretary-established rents (non-exhaustive examples include tiered rents, stepped rents, timed escrows); must serve at minimum the same number of people and include hardship provisions • PHA/Owner-established rents (of their own design); subject to HUD approval through criteria and standards established by the Secretary, which must include hardship exemptions
Rent and Income Calculations	<p><u>For all Rental Assistance Programs:</u></p> <ul style="list-style-type: none"> • Use current income as the default to ensure accurate information in calculating rents; remove ability to use prior year income determinations (due to the switch to triennial certification cycles, which would render income information out-of-date); exceptions available for income that is seasonal or sporadic, matching current policy • Exclude from income amounts and benefits from ABLE accounts and grants/scholarships for school and training • Exclude currently imputed return on assets valued at under \$50,000

	<ul style="list-style-type: none"> Exclude actual returns on net family assets under \$25,000; lowers threshold for self-certification of assets for assets under \$25,000 (current policy is assets under \$50,000) Defines monthly income as family's annual income divided by 12
Work Requirements	<p><u>For all Rental Assistance Programs:</u></p> <ul style="list-style-type: none"> Allow PHAs and owners to impose work requirements on families and individuals, subject to criteria and standards established by the Secretary (excluding families or individuals that are disabled, 65 years or older, or criteria defined by the Secretary)
Definition of Certain Households	<p><u>For all Rental Assistance Programs:</u> For rent setting purposes, interim income examinations, and work requirement purposes, redefine elderly/disabled households to require all adult household members to be 65 years or older/disabled, excluding caregivers (not for determining eligibility for assistance)</p>
Impact on Elderly and Disabled Households	<p><u>For all rental assistance programs:</u> Moving to a rent structure of 30% of gross income for senior and disabled households excludes all deductions, including deductions for high medical expenses and for a being a senior. Currently-assisted seniors and disabled households would see phased-in rent changes over two triennial recertifications</p>
Impact on new vs. existing assisted households	<p><u>For all Rental Assistance Programs:</u> No "hold harmless" provision for newly-assisted seniors. Owners would need to maintain two sets of rent-setting rules.</p>
Hardship Exemptions	<p>Move hardship exemptions currently in place for public housing and voucher programs to the PBRA program; apply hardship provisions to family rents and elderly, disabled, and other families as defined by the Secretary</p>

**Administration's Fiscal Year 2020 Budget Request –
USDA Rural Housing Service**

Similar to the Administration's FY19 budget request, this year's USDA FY20 budget proposes to "zero out" funding for all rural housing programs except Section 502 guarantees, Section 538 guarantees for rental housing production, and renewals of existing Section 521 Rental Assistance and Section 542 vouchers. This year's budget again proposes a minimum rent, requiring tenants in USDA-assisted rental housing to pay at least \$50 per month with a hardship exemption from USDA. The budget proposes to rescind \$40 million from the Section 521 Rental Assistance program, which accounts for funding carried over from one year to the next to avoid potential shortfalls in funding availability to renew RA contracts at the beginning of the fiscal year.

The budget proposes to combine to Section 542 Voucher funding with RA in a single account. USDA's budget summary shows a \$1.407 billion-line item for Rental Assistance, which includes \$32 million for vouchers.

Fiscal Year 2020 President's Budget Request (USDA-RHS)

USDA Rural Dev. Prog. (dollars in millions)	FY19 Enacted	FY20 Request
Section 521 Rental Assistance	1,331.4	1,335
Section 515 Rental Hsg. Direct Lns.	40	0
Rental Prsrv. Demo. (MPR)	24.5	0
Section 542 Rural Hsg. Vouchers	27	32
Sectoin 538 Rental Hsg. Guar.	230	250

Conclusion

Recently, HUD Secretary Ben Carson testified at hearings before the House and Senate Appropriation Subcommittees on Transportation, Housing and Urban Development, and Related Agencies (THUD). In both chamber hearings, committee members from both parties criticized Secretary Carson on the funding cuts proposed in the Trump Administration's FY20 budget and indicated there is little chance that it will pass. NAHMA was encouraged to hear the bipartisan support for affordable housing programs. NAHMA strongly opposes the drastic cuts to federal affordable housing programs. NAHMA will continue to work with Congress to ensure the requested cuts are not implemented and full funding for all federal rental assistance and community development programs is provided.