

# 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 FY21 Budget: "A Budget for America's Future"

In February, President Trump sent Congress his Fiscal Year (FY) 2021 budget request, "[A Budget for America's Future](#)." Similar to previous budget requests, the administration's FY21 budget proposes steep cuts to affordable housing and community development programs, beginning October 1, 2020. 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 2021 Budget Request - HUD

**Eliminations** The Administration's FY21 budget requests \$47.9 billion for HUD programs, \$8.6 billion below the current FY20 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 these programs.

**Decreases** Similar to last year, the budget proposes funding reductions across HUD programs, including the Housing Choice Voucher program and Public Housing.

**Increases** The budget requests a small increase in funding for Project-Based Rental Assistance, Section 202 Housing for the Elderly, Section 811 Housing for Persons with Disabilities, and Family Self-Sufficiency. Similar to last year, the budget also proposes increases to HUD's Lead Remediation program and \$100 million for the Rental Assistance Demonstration (RAD) program; and an additional investment to modernize HUD's information technology systems.

Lastly, the budget request also proposes the same "rent reform" provisions from previous years. Below is a program breakdown of key rental assistance programs and comparison to the FY21 enacted funding levels for this current FY21:

- **Tenant-Based Rental Assistance (vouchers):** The budget proposes over \$18.833 billion for the voucher program, a 21% decrease from the funding level provided in FY20. This deep cut is based on a new change to create a new Moving to Work (MTW) account, which transfers around \$4.2 billion for contract renewals from the overall voucher account. When the two accounts are combined, the FY 2021 proposal includes over \$21 billion for voucher renewals, around a 2 percent decrease than the FY20 enacted level. The budget also provides \$310 million to renew Section 811 Mainstream Vouchers and proposes to fund tenant protection vouchers at \$100 million to cover anticipated demolitions, dispositions, and streamlined voluntary conversions.
- **Project-Based Rental Assistance (PBRA):** The budget proposes around \$12.642 billion for PBRA, including around \$12.4 billion to renew all expiring contracts. This PBRA request includes \$350 million for performance-based contract administrators' (PBCA) administrative fees, \$5 million more than appropriated in FY 2020. In regards to PBCAs, HUD states:

*The budget provides for Performance-Based Contract Administrators (PBCAs) and other supportive services contractors, which are integral to the Department's efforts to be more effective and efficient in the oversight and monitoring of the PBRA program and are typically responsible for conducting on-site management reviews of assisted properties; adjusting contract rents; and reviewing, processing, and paying monthly vouchers submitted by owners. This program will use the funding from within the Housing Certificate Fund (HCF) to supplement needs not provided by annual appropriations in the PBRA account. Currently, HUD estimates this need as at least \$10 million, but will access the level of funding that 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 considers multiple budgetary scenarios. Continued extension of the existing PBCA agreements is estimated to cost up to \$370 million in 2021. Actual cost is dependent on changes in Fair Market Rents, the number of Housing Assistance Payment (HAP) contracts assigned to each PBCA, and the number of management and occupancy reviews completed. Should the Department successfully execute new awards in 2021, 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.*

- **Section 202 Housing for the Elderly:** The budget requests \$853 million for Section 202 housing, an increase of \$60 million from the FY20 enacted levels. This includes \$641 million for contract renewals, \$100 in new Capital Advance funding, and \$95 million to fund service coordinators. The budget also includes a new request of \$14 million for an extension of the Supportive Services IWISH Demonstration and to strengthen the evaluation the demonstration. NAHMA supports this extension and will work to get it enacted.
- **Section 811 Housing for Persons with Disabilities:** The budget requests \$252 million for Section 811 housing, an increase of \$50 million from the FY21 enacted levels. This also includes \$80 million for capital advance and project rental assistance.

## Fiscal Year 2021 President's Budget Request (HUD)

HUD Program (\$ in millions)	FY21 Enacted	FY21 Request
<b>Tenant-Based Rental Assistance</b>	23,874	18,333 5,200 (MTW)
<b>Project-Based Rental Assistance</b>	12,570	12,642
<b>Section 202 Housing for Elderly</b>	793	853
<b>Section 811 Housing for Disabled</b>	202	252
<b>Public Housing Capital Fund</b>	2,869	0
<b>Public Housing Operating Fund</b>	4,549	3,572
<b>CDBG</b>	3,425	0
<b>HOME</b>	1,350	0

### Rent Reforms

Similar to HUD's budget request for past few years, the FY21 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:

*The current rent structure in HUD's rental assistance programs creates disincentives to employment; imposes large administrative burdens for Public Housing Authorities (PHAs), private owners, and tenants; generates significant and increasing costs to the federal government; and ultimately represents a one-size-fits-all approach that cannot reasonably offer the programmatic flexibility to meet the needs of households in communities across the nation.*

1. *Thus, with the Making Affordable Housing Work Act (MAHWA), submitted to Congress in April 2018, HUD has proposed reforming rental assistance to address these notable issues and further the following goals: Simplify program administration: Simplify rent calculations by determining rents using gross rather than adjusted income.*
2. *Reduce federal taxpayer costs by encouraging work and stable family formation: Limit income recertification for all households to once every three years, which encourages work by deferring increases in tenant rent payments as a result of increased wages. In addition, the proposed legislation would establish higher expectations for tenants able to work by setting tenant rent contributions at 35 percent of gross income, while setting a lower rent of 30 percent of gross income for those unable to work, notably the elderly and persons with disabilities. Additionally, current elderly and persons with disabilities would be temporarily held harmless from rent increases as reflected in the proposed legislation. Moreover, HUD would maintain existing hardship exemptions for tenants who, in certain circumstances, are unable to pay their rents.*
3. *Increase local control and choice: Empower PHAs and property owners to choose alternative rent structures, as approved by the Secretary, that would best serve the*

*needs of households in localities across the nation. These alternative rent structures must incur the same overall program costs and would provide a structure for residents to achieve self-sufficiency.*

*In addition, the 2021 Budget continues to propose uniform work requirements for households with non-elderly, non-disabled tenants able to work. HUD will continue exploring ways to leverage existing enforcement and compliance mechanisms without adding burdens on PHAs and private multifamily property owners. HUD also will continue to support work requirement demonstration evaluations to build an evidence base from the experiences of Moving to Work PHAs on effective ways to promote self-sufficiency.*

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
<b>Tenant Rent Contribution</b>	<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>
<b>Minimum Tenant Rent</b>	<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>
<b>Income Verifications</b>	<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"> <li>• Reduce frequency of family income reviews used to calculate tenant rent contributions from annual to triennial</li> <li>• 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%</li> </ul> <p>For elderly, disabled, or other households as defined by the Secretary, maintain 10% decrease threshold for at-request reexaminations</p>
<b>Alternative Rent Structures</b>	<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"> <li>• 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</li> <li>• 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</li> </ul>
<b>Rent and Income Calculations</b>	<p><u>For all Rental Assistance Programs:</u></p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Exclude from income amounts and benefits from ABLE accounts and grants/scholarships for school and training</li> <li>• Exclude currently imputed return on assets valued at under \$50,000</li> <li>• 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)</li> <li>• Defines monthly income as family's annual income divided by 12</li> </ul>
<b>Work Requirements</b>	<p><u>For all Rental Assistance Programs:</u></p> <ul style="list-style-type: none"> <li>• 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)</li> </ul>
<b>Definition of Certain Households</b>	<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>
<b>Impact on Elderly and Disabled Households</b>	<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>
<b>Impact on new vs. existing assisted households</b>	<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>
<b>Hardship Exemptions</b>	<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 2021 Budget Request – USDA Rural Housing Service**

Similar to the Administration's FY20 budget request, this year's USDA FY21 budget proposes to eliminate funding for most 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 (however, the budget combines both the Section 521 and Section 542 programs).

Similar to last year, the budget proposes to combine Section 542 Voucher funding with RA in a single account. USDA's budget summary shows a \$1.410 billion line item for Rental Assistance, and includes \$40 million for 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.

Finally, the budget proposes \$230 million for the Section 538 multifamily loan guarantee program, the same enacted FY20 funding level.

### **Fiscal Year 2021 President's Budget Request (USDA-RHS)**

<b>USDA Rural Dev. Programs (dollars in millions)</b>	<b>FY20 Enacted</b>	<b>FY21 Request</b>
<b>Section 521 Rental Assistance</b>	1,375	1,410
<b>Section 515 Rental Hsg. Direct Lns.</b>	40	0
<b>Rental Prsrv. Demo. (MPR)</b>	24.5	0
<b>Section 542 Rural Hsg. Vouchers</b>	27	40
<b>Section 538 Rental Hsg. Guar.</b>	230	250

### **Conclusion**

NAHMA strongly opposes the drastic cuts to federal affordable housing programs, included in both HUD and USDA FY21 budget requests. Similar to recent years, NAHMA is encouraged to hear the bipartisan support expressed for affordable housing programs and we are hopeful Congress will write funding bills to the levels agreed to in the last year's bipartisan budget agreement. 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.