

NAHMAanalysis

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

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President Biden's FY24 Budget Request: HUD and USDA

On March 9th, 2023, President Biden submitted to Congress his Administration's Fiscal Year 2024 (FY24) budget. The budget request totals \$6.9 trillion and provides the Biden administration's spending and policy priorities. *"The Budget reflects our values as a Nation—a Nation of good people, growing in a new age of possibilities, and standing as a beacon to the world. Together, let us put those values into practice and prove that democracy delivers as we keep building a stronger, fairer economy that leaves no one behind."* said President Biden in a statement.

Of this amount, a request for \$73.3 billion is made for the U.S. Department of Housing and Urban Development (HUD), and a request for \$30.1 billion is made for the U.S. Department of Agriculture (USDA). This NAHMA Analysis will highlight affordable housing and community development programs from [both agencies' FY24 budget request](#).

FY24 Budget Request – HUD Programs

The Administration's [FY24 HUD budget](#) requests \$73.3 billion, which is a \$1.1 billion increase above the current FY23 level. Below is a breakdown of key HUD programs with proposed FY24 funding levels:

HUD Program (\$ in millions)	FY23 Enacted	FY24 Request
Tenant-Based Rental Assistance	27,599	32,700
Project-Based Rental Assistance	13,938	15,900
Section 202 Housing for Elderly	1,075	1,023
Section 811 Housing for Disabled	360	356
Public Housing Capital Fund	3,405	3,225
Public Housing Operating Fund	5,064	5,133
CDBG	3,300	3,400
HOME	1,500	1,800

Tenant-Based Rental Assistance (vouchers): The FY24 budget proposes over \$32.7 billion for the voucher program, a \$1.4 billion increase from the funding level provided in FY23 enacted levels. This includes \$27.8 billion for Contract Renewals (HAP), \$385 million for Tenant Protection Vouchers (TPV), \$686 million for Section 8 Mainstream Renewals, \$25 million for Mobility Services, a new program that will assist families to move to high-opportunity neighborhoods, and \$565 million for Incremental Vouchers, a new effort that could result in 200,000 additional families receiving support, including those who are homeless or fleeing from domestic violence.

Project-Based Rental Assistance (PBRA): The budget proposes about \$15.9 billion for PBRA, including \$15.3 billion to renew all expiring contracts. This PBRA request includes \$448 million for performance-based contract administrators (PBCAs), and \$31 million for Budget-Based Rent Increases (BBRIs) to cover the cost of service coordinators. The budget also includes \$28 million to support BBRIs for at risk-Mark-to-Market properties (\$25 billion) and other PBRA properties that have health and safety deficiencies. This funding would allow HUD to increase the contract rents for 10-15 properties to address their deficiencies. The Budget also requests several legislative proposals for the PBRA Program. A few notable policy proposals include:

- **Align M2M with Section 8 for MOR Schedule:** This proposal would allow HUD to conduct Management and Occupancy Reviews (MORs) for Mark-to-Market (M2M) properties on the same schedule as other PBRA properties. Currently, M2M properties must be reviewed annually, while other PBRA properties are subject to a risk-based schedule (e.g., low risk properties reviewed less frequently, up to once every 3 years).
- **Permanent Authority for Performance-Based Contract Administrators (PBCA) Modifications:** This proposal would permanently allow HUD to make the PBCA solicitation process a Notice of Funding Opportunity (awarding cooperative agreements) rather than a FAR procurement.
- **Rental Assistance Demonstration (RAD):** This provision makes programmatic changes to the Rental Assistance Demonstration, including making the program permanent, expanding funding access, and other technical changes. Overall, the budget includes a total of \$62 million for RAD activities: \$50 million in RAD conversion subsidy in the PBRA account (as well as \$50 million in RAD conversion subsidy in the TBRA account) to support the cost-effective conversion of 30,000 public housing properties that are unable to convert using only the funds provided through existing appropriations, \$10 million in RAD conversion subsidy to support the cost-effective conversion of 3,000 Section 202 PRAC properties that could not otherwise participate in a RAD conversion to support a more sustainable long-term operation, and \$2 million to provide direct support to lower capacity and small property owners for the due diligence requirements of the RAD conversions under both components of RAD.
- **Tenant Complaint CRM system (\$1.5 million):** The budget request states, “HUD does not have a system to enable Multifamily Housing Asset Management staff, Performance-Based Contract Administrators, the Multifamily Clearinghouse call center, and Field Program Management staff, to conduct unified intake, tracking and resolution of tenant contacts related to unsafe and unsanitary property conditions or exigent health and safety conditions in Multifamily-assisted properties. The various parties maintain multiple systems with uncoordinated logging and tracking of information, which significantly limits MFH’s ability to understand, track, and address complaints in a coordinated manner.”

Section 202 Housing for the Elderly: The budget requests \$1.023 billion for Section 202 housing, a decrease of \$52 million from the FY23 enacted levels. This includes \$797 million for contract renewals, \$110 in new Capital Advance funding to increase the supply of affordable housing for seniors by approximately 1,000 units, and \$112 million to fund service coordinators. In addition, to support HUD's focus on climate resilience, Section 202 property owners who seek to improve their properties may be eligible to receive grants or loans under the forthcoming Green and Resilient Retrofit (GRRP) program, funded by the Inflation Reduction Act (IRA).

Section 811 Housing for Persons with Disabilities: The budget requests \$356 million for Section 811 housing, a decrease of \$4 million from the FY23 enacted levels. This also includes \$148 million in Capital Advance to support approximately 1,200 new Section 811 units. Additionally, Section 811 property owners that seek to improve their properties may be eligible to receive grants or loans under the forthcoming GRRP program funded by the IRA.

Energy Efficiency, Climate Resilience and Preservation: The budget provides \$3.2 billion for public housing modernization and \$300 million to improve the energy efficiency, climate resilience, and physical condition of the public housing stock. To complement these investments, the budget provides \$7.5 billion in mandatory funding for comprehensive preservation of distressed public housing communities.

HOME Investment Partnerships Program: The budget requests \$1.8 billion for the HOME Investments Partnerships Program, which is \$300 million more than the FY23 enacted level. This request includes \$100 million for the FirstHOME Downpayment Assistance initiative to states and insular areas to better ensure sustainable homeownership.

Community Development Block Grant (CDBG): The President's FY24 budget requests \$3.8 billion for the Community Development Fund, which is \$295 million more than the FY23 enacted level. The budget also proposes \$10 billion to help states and local jurisdictions expand supply and increasing housing choice by reducing barriers to the development of affordable housing through planning and housing capital grants.

Family Self-Sufficiency (FSS): The President proposed \$125 million for the FSS program, \$15 million for Jobs Plus, and \$35 million for ROSS. With funding at the requested level, FSS will be able to fund approximately 1,450 FSS coordinators to support at least 74,000 families in public housing, voucher housing, and Multifamily housing. Additionally, the budget includes the new budget-neutral Resident Health Equity Demonstration program, which will encourage PHAs to partner with local qualified health centers using their current Public Housing Fund resources to focus on improving access to health resources for HUD assisted residents.

REAC - Operational Performance Evaluations and Risk Assessments (OPERA): The budget also includes \$61 million for the new OPERA account. Operated by the Real Estate Assessment Center (REAC), the OPERA program funds HUD's ability to evaluate physical, financial, and other operational conditions impacting HUD-assisted housing, residents, and their communities. The proposed funding would support the following key activities in 2024:

- Creating an enterprise assessment model that will enhance housing evaluations.
- Expanding work started under NSPIRE to align HUD's assessments and associated analytics across rental housing assistance programs.
- Performing, analyzing, and scoring physical inspections under the NSPIRE program for properties in Public Housing and Multifamily programs.

- Performing, analyzing, and scoring financial assessments of approximately 7,000 Public Housing properties and 30,000 Multifamily properties.
- Improving scheduling and planning of inspections and increasing capacity for timely follow-up.
- Performing on-site and remote quality assurance and risk-based follow-up reviews of inspection and assessment activities.
- Enhancing the equity, quality, and accuracy of HUD's performance evaluations and risk assessments by including additional inputs that provide enhanced information tied to health, safety, and viability, such as feedback from residents of HUD housing, and by adopting new data sources and modern data analytics capabilities.

For all programs under OPERA, physical inspection activities will have transitioned to NSPIRE by 2024 and HUD anticipates that up to approximately 7,000 Public Housing properties and 9,000 Multifamily properties will receive a scored inspection of record or non-scored, informational inspection.

Mandatory Affordable Housing Programs

The 2024 President's Budget requests over \$100 billion in mandatory funding over 10 years for programs at HUD as well as tax credits to provide affordable housing. This is a new proposal for 2024, and would have the following HUD components:

- Extremely Low-Income Housing Supply Subsidy - \$15 billion
- New Project-Based Rental Assistance Contracts - \$7.5 billion
- Preserve Distressed Public Housing - \$7.5 billion
- Grants to Reduce Barriers to Affordable Housing Production - \$10 billion
- Housing Vouchers for Vulnerable Low-Income Populations - \$22 billion
- All Youth Aging Out of Foster Care - \$9 billion
- Extremely Low-Income Veterans - \$13 billion
- First Generation Homebuyer Down Payment Assistance - \$10 billion
- Sustainable Eviction Prevention Reform - \$3 billion
- LIHTC Expansion - \$28 billion to expand LIHTC to boost supply by permanently increasing the allocation of tax credit states receive, reducing the private activity bond financing requirement from 50 percent to 25 percent, and repealing the qualified contract provision and right of first refusal provision

FY24 Budget Request – USDA Rural Housing Service

The President's [FY24 Rural Housing Service \(RHS\) budget request](#) includes \$30.1 billion, a \$3.8 billion increase from the FY23 enacted level. This includes \$1.650 billion for 521 Rental Assistance and to make permanent the Pandemic Emergency Rental Assistance contracts, \$200 million for Section 515 Rental Housing Direct Loans, \$38 million for Section 542 vouchers, \$39 million for MPR program, and \$400 million for the Section 538 multifamily loan guarantee program.

FY24 President's Budget Request (USDA-RHS)

USDA Rural Dev. Programs (dollars in millions)	FY23 Enacted	FY24 Request
Section 521 Rental Assistance	1,488	1,650
Section 515 Rental Hsg. Direct Lns.	70	200
Rental Prsrv. Demo. (MPR)	36	39
Section 542 Rural Hsg. Vouchers	48	38
Section 538 Rental Hsg. Guar.	400	400

Service Coordinator/Congregate Housing Services: The budget includes \$112 million in funding to renew approximately 1,600 existing Service Coordinator/Congregate Housing Services grants that support independent living and guard against premature transitions to nursing home care.

Decoupling Request: The budget continues to propose new appropriation language requesting to decouple rental assistance from a multi-family mortgage. The decoupling request will allow the RHS to continue to provide rental assistance to certain properties that no longer have MFH direct loans (Section 515). The additional rental assistance ensures safe and affordable housing for tenants and helps with rehabilitating and preserving housing properties in rural areas. For paid off properties that do not decouple, instead of new Rural Development vouchers for the affected tenants, the budget continues to include \$20 million within the HUD Tenant Protection Vouchers.

Proposal to Eliminate the Low-Income Borrower Penalty: The budget also includes a new proposal to eliminate the existing low-income borrower penalty that requires individuals to repay subsidy costs for Single-Family Direct loans—a requirement that only exists for rural housing. This initiative would reduce rent burdens for low-income borrowers while also increasing the resiliency of rural housing to the impacts of climate change through a proposal to require energy and water efficiency improvements and green features in USDA's rural housing programs that include construction.

Improving Energy Efficiency and Climate Resilience: The budget recommends \$34.5 million for the Rural Energy Savings Program to implement cost-effective energy efficiency measures in rural areas to advance clean energy and decrease energy use or costs for rural families and small businesses. Furthermore, the budget includes \$15 million in new administrative and technical assistance funding to support the Rural Clean Energy Initiative. This initiative will increase coordination between USDA, Department of Energy, and Department of Interior to achieve the President's clean energy goals and ensure funding reaches rural areas.

Broadband and Connectivity Programs: The budget also includes \$400 million for the Broadband ReConnect Program that provides loans, grants, and a loan/grant combination. In addition, the budget continues to include \$35 million for broadband grants to support new or improved broadband access in communities with populations of up to 20,000.

Conclusion

Presidential budget requests serve as a symbolic document that outlines an Administration's funding and policy priorities for future fiscal years. Republicans have already expressed opposition to President Biden's proposed FY24 budget request. Congress controls the power to fund the government. Current government funding expires on September 30, 2023. Due to divided government, there remains a high possibility that Congress will be unable to meet the September deadline to pass a budget for FY24. NAHMA will work with Congress to increase investments in affordable housing and community development programs. Later this summer, NAHMA will encourage our members to join our advocacy efforts through meetings with legislators and other grassroots opportunities.