

Project-Based Section 8 Budget Cuts and Calendar Year Funding

For fiscal year 2015, HUD has requested serious budget cuts and a continuation of partial contract funding for the Project-Based Section 8 program (PBS8). HUD has justified this substantial reduction through their proposal to switch all contracts to a “calendar year” funding schedule running from January 1 – December 31, rather than the current fiscal year funding cycle, which runs from October 1 – September 30. NAHMA is skeptical of the benefits of altering the contract renewal cycle and strongly opposes any cuts to the Project-Based Section 8 program.

NAHMA urges Congress to fully-fund the Project-Based Section 8 program at \$11.9 billion, the estimated level to ensure full 12-month contract funding in the final version of the FY 2015 Transportation-HUD Appropriations bill.

- HUD’s FY 2015 budget requests \$9.75 billion for the Project-Based Section 8 account, including \$9.54 billion for contract renewals.
 - HUD’s request is \$170 million BELOW the FY 2014 appropriations levels.
 - It is also more than \$2 billion short of the \$11.9 billion necessary in FY 2015 to fully fund the 12-month contract terms upfront at the time of renewal.
- The Department believes that its request will be sufficient to fund all remaining contracts in FY 2015 as they transition to the calendar year schedule.
 - However, senior HUD officials informed industry stakeholders that \$11.5 billion would be necessary **in FY 2014** for upfront funding of 12-month PBS8 contracts.
- NAHMA is concerned this calendar-year funding proposal amounts to a budget-gimmick that will not save money.
 - HUD is basically proposing to divorce the contract anniversary date (which will still fall during any of the 12 months in the calendar year for the 17,400 existing contracts) from the contract funding date.
 - This transition is essentially another form of contract “short-funding”.
- HUD argues that a calendar year schedule will minimize funding disruptions under continuing resolutions, provide the “true cost” of the program, and lead to consistent 12 month funding for contracts in FY 2016 and beyond.
 - The necessary funding will still fall over two different fiscal years as it does now when HUD short funds contracts.
 - This proposal leaves HUD absolutely no room for contingencies if Congress does not provide the necessary funding for 12 months of renewals in future fiscal years.
 - Sequestration may also resume in FY 2016 unless Congress repeals or replaces it with other spending cuts.
- HUD’s FY 2015 budget request to cut Section 8 and transition to a calendar year funding schedule shifts program costs into FY 2016 and potentially jeopardizes HUD’s ability to pay the PBS8 contracts.
 - HUD would either have to prorate funding or stop making contract payments if the predicted full funding for renewals in later fiscal years is not provided.
 - Taxpayers will face a greater risk of draws on FHA insurance if a property defaults on its FHA mortgage.
 - The efficient management, financial solvency, and physical health of PBS8 properties may be jeopardized.