

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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FY 2014 Budget Request for Affordable Rental Housing Programs

Effective Date or Deadline

Funding levels in the budget request are proposed for Fiscal Year 2014, which begins on October 1, 2013. The budget request is subject to the approval of Congress.

Background

On April 10, 2013, President Obama submitted his Fiscal Year (FY) 2014 budget request to Congress. This budget was delayed by two months. It is normally delivered in February. Under regular order, submission of the budget would begin the budget discussions for the upcoming fiscal year.

Congress would adopt a non-binding “budget resolution” by April 15, which would set spending caps for the upcoming fiscal year. Each chamber has passed its own budget resolution, but it is unclear if Congress will resolve differences between the two versions and pass a final version. For the next steps, Congress must also hold hearings addressing the President’s budget and begin the FY 2014 appropriations process.

Summary

For FY 2014, the Obama Administration is proposing a HUD budget of \$47.6 billion dollars. This is \$2.8 billion more than was proposed in FY 2013 and a \$932 million increase over the FY 2012 final appropriation. However, this amount for FY 2014 assumes that sequestration will be reversed.

According to testimony given by Secretary Shaun Donovan before the Senate Appropriations T-HUD Subcommittee on April 11, an objective of the budget is to simplify, align, and reform programs to reduce administrative burdens and increase efficiency. He said this drive can be seen in HUD’s partnership with the Treasury Department. The two agencies cooperated to identify

ways to make the LIHTC program more flexible and manageable. The Budget introduces a new proposal for Private Activity Bond Conversion authority that will allow states to convert a portion of their tax-exempt Private Activity Bond authority into allocated LIHTCs. This conversion will reduce transaction costs by eliminating the need for unnecessary bond issuance procedures.

Homeless veterans also receive a much needed safety net under through this budget. The budget calls for \$75 million for the HUD-VASH program, which combines tenant-based voucher assistance with case management and clinical services for veterans. Overall, this funding will provide 10,000 new vouchers to help veterans.

Below is a list compiling HUD programs of interest to NAHMA members:

	FY 2013 Appropriations after Sequestration	FY 2014 HUD Budget Request
Tenant-Based Rental Assistance	\$17.9 billion	\$19.9 billion
Project-Based Section 8	\$8.8 billion	\$10.27 billion
HOME	\$948 million	\$950 million
Section 202	\$377 million	\$400 million
Section 811	\$166 million	\$126 million
Community Development Fund	\$3.3 billion	\$3.14 billion*
Choice Neighborhoods	\$120 million	\$400 million

*\$2.8 billion will be dedicated to the Community Development Block Grant Program.

The full 12 month funding of Project-Based Section 8 contract renewals will occur under the \$10.27 billion sum if sequestration is repealed. Otherwise, roughly \$11.5 billion will be needed for full funding of FY 2014 renewals and for closing the funding gap caused by the FY 2013 shortfall. The funding request for HOME is below the FY 2013 level. HUD's budget claims the funding reduction in the HOME program is mitigated by an investment of \$1 billion in mandatory funding for the Housing Trust Fund to finance the development, rehabilitation, and preservation of affordable housing for extremely-low income families.

In the Section 202 funding, \$310 million will be dedicated to Project Rental Assistance Contract (PRAC) renewals. This will be couple with additional funds for operating assistance contracts, and HUD is predicting these funds will support approximately 3,400 new households. In the Section 811 program \$126 million request, Project Rental Assistance Contracts is slated to receive \$106 million. However, this total for Section 811 is \$40 million bellow what was allocated in FY 2013. HUD has decided that Section 811 assistance will come in the form of project rental assistance alone and that no funds are available for construction or rehabilitation.

The budget further proposes \$146 billion for the USDA. Please note that the FY 2013 appropriations levels after sequestration are currently unavailable for Rural Development:

	FY 2013 Appropriation	FY 2014 RD Budget Request
Section 515	\$22 million	\$28 million
Section 521	\$910 million	\$1 billion
Section 538	\$130 million	\$150 million
Multifamily Revitalization Program	\$27.8 million	\$32.6 million
Multifamily Housing Choice Voucher	\$10 million	\$12.6 million

In the coming weeks, Congress will continue to hold hearings on the President's budget. Again, opposition towards some of the provisions within the budget are still controversial, and it is unlikely that the budget will be adopted in its current form. Democrats are opposed to the reforms proposed to Social Security, while Republicans refuse any increase in taxes. Afterwards the appropriations process for FY 2014 must begin.