

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

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Status of Appropriations for Fiscal Year 2005

Background

The Federal fiscal year begins on October 1. Ideally, the 13 individual appropriations bills are supposed to be signed into law and have funding in place prior to October 1. When these annual spending bills are not enacted prior to the beginning of the new fiscal year, federal agencies are funded through temporary stop-gap spending bills known as continuing resolutions (CRs).

At this time, only the Department of Defense Appropriations bill has been enacted into law. HUD and RHS programs are currently being funded through a CR, which runs through November 20. As Congress prepares to adjourn, which could happen as early as this week, it is all but certain that the 2005 appropriations process will not be resolved until after the November elections. Likewise, it is likely that the remaining bills will be packaged together in a large “omnibus” measure rather than considered individually.

This NAHMAanalysis examines the proposed funding levels for federal housing programs and describes differences in the approach taken by the Senate and House of Representatives. Where discrepancies existed between House and Senate recollection of the 2004 appropriations and the budget request, the NAHMAanalysis used the numbers provided in the House Committee reports.

Summary

HUD Appropriations

HUD receives its money through the VA-HUD appropriations bill. This legislation funds the Department of Veterans Affairs, HUD, and Independent Agencies, such as the Environmental Protection Agency and NASA.

Status: Both the House and Senate Appropriations Committee have approved their own versions of the FY 2005 VA-HUD bill. The bill numbers are HR 5041 and S 2825, respectively. Neither bill has been voted on by the full House or Senate.

Key VA-HUD Accounts:

Housing Certificate Fund

House: The House split the Housing Certificate Fund into the Tenant-Based Rental Assistance Account and the Project-Based Rental Account, as explained below.

Senate: \$20,707,804,000

Administration Request: \$18,465,800,000

2004 Appropriation: \$19,257,190,000

According to a press release issued by the House Appropriations Committee, the Housing Certificate Fund was split into two separate accounts for project-based Section 8 and tenant-based Section 8, “to provide better accountability and oversight.” The House bill proposed \$14,677,055,000 for the Tenant-Based Rental Assistance account, which would fund the Section 8 voucher program and related programs or activities. The Project-Based Rental Assistance account would fund the project-based Section 8 contracts and related programs such as Section 8 moderate rehabilitation, single room occupancy contracts, and the contract administration program. For this account, appropriations of \$5,340,745,000 were proposed.

HOME

House: \$1,920,000,000

Senate: \$2,050,000,000

Administration Request: \$2,084,200,000

2004 Appropriation: \$2,005,597,000

Section 202

House: \$741,000,000

Senate: \$773,800,000

Administration Request: \$773,300,000

2004 Appropriation: \$773,728,000

The House and Senate differ on the degree of specificity laid out for the distribution of the total Section 202 funds.

The House was highly specific in its distribution of total funds for Section 202:

- \$654,550,000 for new capital grants and PRACs;
- \$3,000,000 for one-year PRAC renewals;
- \$48,000,000 for service coordinators;

- \$20,000,000 for assisted living conversion;
- \$15,000,000 for predevelopment grants;
- At least \$450,000 for the Working Capital Fund.

Of the appropriations in the Senate bill:

- \$53,000,000 is for service coordinators;
- \$30,000,000 can be used for assisted living conversion and for emergency capital repairs;
- \$20,000,000 is provided for the predevelopment grants (architectural and engineering work, site control, planning);
- Limited funds are provided for capital repairs of Section 202 properties.

Section 811

House: \$238,000,000

Senate: \$250,000,000

Administration request: \$248,700,000

2004 Appropriation: \$249,092,000

Once again there is a significant difference in the degree of detail for the Committees' intended distribution of the total account funding.

The House Committee recommended the following allocation:

- \$146,311,000 for new capital grants and PRACs;
- \$50,000,000 for renewals of expiring tenant-based rental assistance
- \$2,349,000 for PRAC renewals;
- \$10,000,000 for incremental tenant-based 811 assistance;
- \$28,890,000 for amendments to tenant-based voucher contracts entered into before FY 2004. Authority was also provided to amend \$14,610,000 in tenant-based contracts with FY 2004 appropriated funds
- \$450,000 for the working capital fund

The Senate did not lay out its recommendation for distribution of Section 811 monies.

RHS Appropriations

Resources for the Rural Housing Service are provided through the Agriculture Appropriations bill. This legislation funds the U.S. Department of Agriculture.

Status: The Senate Appropriations Committee passed its FY 2005 Agriculture Appropriations bill (S 2803). The House approved its version of the bill (HR 4766) by a vote of 389-31.

Key Agriculture Appropriations accounts

Section 515

House: \$116,063,000

Senate: \$90,000,000

Administration Request: \$60,000,000

2004 Appropriation: \$115,857,000

The Senate bill allows for new construction. The House bill provides greater funding, but limits use of the appropriations to repair and rehabilitation. The Administration had requested no funding for new construction accompanied by a substantial reduction in funds.

Rental Assistance

House: \$592,000,000

Senate: \$585,900,000 million

Administration Request: \$592,000,000

2004 Appropriation: \$580,554,000

Section 538 Loan Guarantee Program

House: \$100,000,000

Senate: \$85,960,000

Administration Request: \$100,000,000

2004 Appropriation: \$99,410,000

Issues of Concern to NAHMA

1. In making an effort to fully fund the Section 8 program, the House VA-HUD bill cut most other programs by 4 percent. HOME, Section 202, and Section 811 were among those slated for cuts.
2. While neither the House nor the Senate VA-HUD bill authorized the proposed Flexible Voucher Program, each directs HUD to continue a "budget-based" Section 8 voucher allocation to PHAs. In other words, the Appropriators are not interested in resuming the practice of reimbursing the PHAs based on cost. The House did not specify a renewal formula. The Senate specifies a renewal formula which is capped at the,

"cost of vouchers in use as of October 1, 2004 with rent adjustments based on an annual adjustment factor determined by HUD which can be appealed by a landlord based on the

cost of comparable unsubsidized units in the same census tract or a larger market area if appropriate. All rents would still be subject to a rent reasonableness test."

NAHMA is hopeful that the chaos which accompanied HUD's implementation of the 2004 budget-based Section 8 renewal formula can be avoided.

3. Both the House and Senate Appropriations Committees continue to express concern about cost increases in the Section 8 voucher program. Each has called on the authorizing committees (the House Financial Services and Senate Banking Committees) to consider ways to control costs within the program. NAHMA anticipates there will be substantial discussion about how to control costs. Members can be assured that NAHMA will continue to advocate for the importance of the Section 8 Housing Choice Voucher Program. NAHMA will participate in discussions about Section 8 tenant-based assistance, and will oppose measures that will undermine the success of this program.

4. NAHMA is concerned that the House Agriculture Appropriations bill does not permit Section 515 appropriations to be used for new construction. This is a difference that must be addressed between House and Senate negotiators when they meet to finalize the bill.

Positive Aspects of This Policy/Proposal

1. NAHMA commends the House and Senate appropriators for wisely rejecting the Flexible Voucher Program (FVP). The Administration proposed the FVP in its 2005 budget request to Congress. The FVP would convert the Section 8 Housing Choice Voucher Program to a block grant program to PHAs. It would have cut funding substantially and made major programmatic changes to the program.

The Senate committee report to accompany its bill (S. Report 108-353) delivered a scathing indictment of the FVP. The Committee noted the FVP fails because the proposal is inadequately funded, eliminates the current requirement to target 75 percent of all vouchers to extremely low income families, and would allow PHAs to set maximum payment standards that would likely result in higher rent burdens for families or reconcentration of the poorest families in the poorest neighborhoods.

The House Appropriations Committee noted their decision not to include the FVP was based on jurisdictional issues. The Committee noted in its report to accompany the bill (H. Report 108-674, page 20), "The Committee has taken this action without prejudice toward the merits of the individual proposal but strictly because such changes fall outside the Committee's jurisdiction."

2. There is legitimate hope that the cuts to HUD programs proposed in the House bill will be restored when House and Senate negotiators resolve differences between the two VA-HUD bills. The Senate and House VA-HUD Appropriations Subcommittee worked with the same level total funding for their programs. The Senate avoided budget cuts by designating some appropriations as "emergency spending" (which does not have to be paid for with commensurate cuts) and by requiring public housing agencies to convert to a calendar year budget for all costs related to PHA operating funding.

3. The Senate Appropriations Committee Report questions whether the project-based Section 8 contract administration saves money or improves resident services. Page 30 of the Committee Report states, "The Committee urges the Department to reconsider the decision to contract our Section 8 contract administration, and to conduct an appropriate benefit-cost analysis to determine whether the practice should be continued." NAHMA cited this language in comments submitted to HUD regarding its draft Performance Work Statement for administration of the non-Section 8 rental subsidy programs. NAHMA

argued HUD should not seek further contracting out of rental subsidy administration and oversight when the costs and benefits of the current program are being questioned by key members of Congress.

4. The Senate Agriculture Appropriations bill includes a \$6 million revolving loan program for preservation of rural housing. The program will provide a loan of up to 1 percent interest with the ability to defer interest and principal. A key committee staff person believes this program will leverage up to \$12 million for rural housing preservation.

5. NAHMA has received indications from a knowledgeable staff person involved with the Senate Agriculture Appropriations Subcommittee that the Senate is likely to accept the higher House figures for Section 515 and Section 538. The Senate is also interested in permitting the use of Section 515 for new construction.

NAHMA's position

NAHMA strongly opposes cuts to federal affordable housing programs. We will continue to work in good faith with House and Senate Appropriations Committee members to ensure these important programs receive sufficient funding.

Interested members who wish to read the appropriations documents will find a link to the Library of Congress website on NAHMA's Legislative News webpage, which is accessible through <http://www.nahma.org/content/news.html>.