# cid:image001.jpg@01D03FAD.1B1C3570

# Budget Update: HUD’s Request for FY16

## February 3, 2015

The White House released its FY16 budget request on February 2. Overall, the request seeks $49.3 billion for HUD, the largest amount this Administration has ever requested for the agency and $4 billion above HUD’s enacted FY15 level.

The increase is possible because the Administration has presented an overall federal budget request that would breach discretionary spending caps imposed by the 2011 Budget Control Act (BCA) by $74 billion, replacing them with a mix of health program savings and changes in the tax code. If the BCA spending caps remain in place, they dictate essentially flat funding with FY15 levels in FY16. HUD’s requested funding increases described below will only be possible if Congress agrees to lift the BCA’s spending caps.

## Housing Choice Vouchers

* In its request, HUD asks Congress for funds to renew existing vouchers and to restore 67,000 vouchers lost because of the BCA’s sequester cuts in 2013. As spearheaded by the Center on Budget and Policy Priorities’ voucher restoration campaign, in which NLIHC participates, HUD would target 30,000 of these vouchers to special populations: 22,500 for homeless families, veterans, tribal families, and survivors of domestic or dating violence; 5,000 to implement the Violence Against Women Act’s emergency housing transfer provision; and 2,500 for the Family Unification Program. Another 37,000 requested vouchers would not be specifically targeted beyond allocating them “based on relative need.” The restoration of these vouchers is long overdue. The voucher request from HUD would also mark the end of the Veterans Affairs Supportive Housing voucher program, whose programmatic goals would be carried out through the restored 67,000 vouchers.
* The request would also significantly increase funding for voucher administration, from $1.530 billion in FY15 to $2.020 billion in FY16, increasing administrative funding from 74% to 90% of what HUD believes is necessary to administer the voucher program. In a statement dated January 30, the Council of Large Public Housing Agencies (CLPHA) said it will advocate for $2.179 billion for administrative fees for FY16.

## Project-Based Rental Assistance

* All eyes have been focused on Project-Based Rental Assistance (PBRA) funding. In FY15, HUD convinced Congress to switch PBRA funding to a calendar-year cycle, providing significant one-year savings for the program in FY15. The one-year savings maneuver in FY15 also meant a large increase would be needed for FY16. HUD’s request seeks $10.76 billion in FY16, almost $1 billion more than FY15. HUD says this amount is “complete year” funding, sufficient for 12 months of PBRA contract renewals and amendments.
* The request would continue various housing preservation policies adopted by Congress, including those for the transfer of project-based assistance and use restrictions from one multifamily project to another, the “Schumer amendment” language to preserve project-based contracts on troubled properties before or during the foreclosure process, and the mandatory HUD enforcement protocol for assisted properties with low Real Estate Assessment Center scores. The request would not extend the Mark to Market program beyond its current sunset date of October 1, 2017. Without the authority provided by the Mark to Market program, owners would still be required to adjust rents down to market values but would lack the authority to restructure their loans so that the new lower rents would be sufficient to cover their debt service.
* The request would also set aside up to $3 million for the Tenant Resource Network to provide preservation-related tenant advocacy and capacity building technical assistance. These funds would “fund tenant groups, nonprofit groups, and public entities to support their efforts to preserve affordability and improve tenant services,” the request says.
* The White House’s request would also allow PBRA properties to compete for Family Self-Sufficiency (FSS) program funding. The FY15 HUD appropriations bill allowed PBRA residents, for the first time, to participate in FSS in programs run by public housing agencies (PHAs) or by PBRA owners who use their own funds to hire service coordinators. HUD’s FY16 request continues this policy but would also allow PBRA owners to compete for FSS funding. HUD seeks an additional $10 million for the FSS program in FY16, for $85 million in total FSS funding.
* A “pay for success” demonstration is also included in the request, which would allow HUD to enter multi-year agreements to repay private owners who provide upfront funding for energy efficiency retrofits of HUD-assisted housing.

## Public Housing

* The Administration’s request would increase funding for the public housing operating fund, from $4.440 billion in FY15 to $4.600 billion in FY16. This will provide PHAs with 86% of what HUD’s operating fund formula says PHAs need to operate the nation’s 1.1 million public housing units. The request seeks $1.975 billion for the public housing capital fund, a $100 million increase over FY15.
* The request seeks to increase the amount that PHAs with more than 250 units can transfer from their capital accounts to their operating accounts from 20% to 30%.
* The request also seeks to establish a Capital Fund Replacement Reserve to be held by the Treasury in LOCCS (a line of credit control system). This out-of-HUD reserve would not be subject to current spending timelines and would “allow PHAs to accumulate funds for large-scale capital expenditures,” according to the request. The proposal would apply to 791 PHAs. HUD also estimates that up to $162 million could be set aside in these LOCCS accounts in FY16 alone.
* Once again, the Administration requests removing the current 185,000 unit cap on the number of public housing and Section 8 Mod Rehab units that can be converted to project-based rental assistance contracts or project-based vouchers under the Rental Assistance Demonstration (RAD). Also for the RAD program, HUD requests $50 million for the conversion of about 25,000 public housing units that cannot feasibly convert to a new subsidy stream at existing funding levels or are located in high-poverty neighborhoods.

## Cost-Savings Provisions Impacting Voucher, Public Housing, and PBRA Programs

* HUD requests an increase to the threshold for deducting medical and health-related costs from incomes for purposes of computing rent payments, from 3% to 10% of income. But, HUD does not also request an increase to the standard deduction for elderly and disabled households, which would mediate most of the negative impacts of the threshold increase. Because the standard deduction is not increased, NLIHC does not support HUD’s proposal to only increase the deduction threshold.
* The request would also allow fixed-income families to recertify their incomes every three years, instead of annually. Such households would have their incomes increased by an inflation factor for purposes of computing rent payments.

## Moving to Work

* The FY16 HUD request would expand the Moving to Work demonstration program, now capped at 39 PHAs, to another 15 PHAs with a total of 150,000 public housing and voucher units over the next three years. The 15 new agencies would have to be high performing PHAs with voucher utilization rates of at least 90% of voucher funds, and would have to comply with “all reporting and evaluation requirements, as established by the Secretary.”

## Homeless Assistance Grants

* HUD requests $2.480 billion for homeless assistance grants, through the Emergency Solutions Grant and Continuum of Care programs, well above FY15’s $2.135 billion level. The request also seeks to continue annual appropriations language allowing nonprofits to administer rental assistance.

## HOME and CDBG

* The White House request would increase funding for HOME, from FY15’s $900 million level, to $1.060 billion in FY16. As it has in previous requests, HUD proposes to eliminate the $335,000 qualification threshold for years when the HOME appropriation is below $1.5 billion, and hopes instead to set $500,000 as a single qualification threshold for jurisdictions regardless of the amount appropriated for HOME. HUD also proposes changing the current “grandfathering” provision so that participating jurisdictions that fall below the threshold three years out of a five-year period are ineligible for direct formula funds.
* The request seeks less funding for Community Development Block Grants (CDBG) in FY16 ($2.8 billion) than was provided in FY15 ($3 billion). For CDBG, the Administration describes a set of legislative proposals, packaged as “Moving CDBG Forward,” that will “focus on reforms that … help grantees target funding resources to areas of greatest need; enhance program accountability; synchronize critical program cycles with the consolidated plan cycle; reduce the number of small grantees; and provide more options for regional coordination, administration, and planning,” according to the request.
* HUD also proposes to increase the amount of CDBG funds that must be set aside for colonias from 10% to 15%, “to allow more funding to be directed to these rural border communities, many of which lack adequate water, sewer, decent housing, or a combination of the three.” The set-aside increase would affect state CDBG programs in Texas, New Mexico, Arizona, and California.
* The request also notes that CDBG and HOME are part of a broader “Upward Mobility Project,” a White House initiative to allow 10 states or localities the ability to merge CDBG and HOME funds with two Department of Health and Human Services block grants, the Social Services Block Grant and the Community Services Block Grant, in order to promote opportunity and reduce poverty.

## Housing for Persons with Disabilities, Section 811

* For the Section 811 program, HUD seeks a $42 million increase to $177 million for FY16. According to HUD, such a funding level would provide $150 million for the renewal and amendments of existing Section 811 operating subsidy contracts, and provide $25 million for new Project Rental Assistance awards to state housing agencies to fund units that serve extremely low income tenants with disabilities transitioning out of institutions, tenants with disabilities at high risk of institutionalization, or tenants with disabilities experiencing homelessness or at high risk of homelessness.

## Housing for the Elderly, Section 202

* For the Section 202 program, HUD requests a $19 million increase to $455 million for FY16. These funds would provide $365 million for the renewal and amendments of existing Section 202 operating subsidy contracts, as well as $77 million for on-site service coordinators.

## HOPWA

* The Housing Opportunities for Persons with AIDS program would receive a $2 million increase under HUD’s request, to $332 million for FY16.

## Fair Housing and Equal Opportunity

* In the administrative part of HUD’s request, HUD seeks a $13 million increase for salaries and expenses for the Office of Fair Housing and Equal Opportunity, in part for additional staff to help ensure the success of the anticipated Affirmatively Furthering Fair Housing final rule. On the program side of HUD’s request, HUD seeks a $5 million increase for the Fair Housing Initiatives Program, to $45 million in FY16, and flat funding of $23 million for the Fair Housing Assistance Program.

## Housing Counseling

* HUD seeks an increase for Housing Counseling in FY16, from FY15’s $47 million to $60 million in FY16. These funds are used by HUD-approved housing counseling agencies for direct services.

## Lead Hazard and Healthy Homes

* HUD requests an increase for its Office of Lead Hazard Control and Health Homes, from an FY15 level of $110 million to $120 million for FY16. Of the request, $93 million is for HUD’s Lead Hazard Control Program and $25 million is for the Healthy Homes Program.

## Policy Development and Research

* HUD seeks an increase of $13 million for the Office of Policy Development and Research, to $50 million in FY16.

## Next Steps

* The House and Senate Budget Committees hold hearings this week to hear from Office of Management and Budget Director Shaun Donovan on the Administration’s overall budget request. By sometime in March, the House and Senate are expected to consider their respective FY16 budget resolutions, which will set discretionary spending caps. The caps set by the House and Senate budget resolutions are expected to be at least as low, if not lower, than those set by the 2011 Budget Control Act for non-defense discretionary programs.
* After the House and Senate agree on spending caps for FY16, appropriators will divide the maximum spending amount among the 12 appropriations subcommittees in what is referred to as “302b allocations.” Then, the members of the House and Senate Appropriations Subcommittees on Transportation, Housing and Urban Development, and Related Agencies will set to work to craft their FY16 spending bills, likely sometime in late April, May, or June.