

# **Update on HUD Program Funding in 2014 and the Future**

**Webinar**

**January 22, 2014**



# Agenda

- 1) Background: What does the December budget deal mean for funding in FY 2014 and 2015?
- 2) Omnibus funding levels and their implications for rental assistance programs in 2014
- 3) Omnibus policy provisions
- 4) Program implementation in 2014 and outlook for future
- 5) Q&A

*With Panelists: Doug Rice and Barbara Sard*

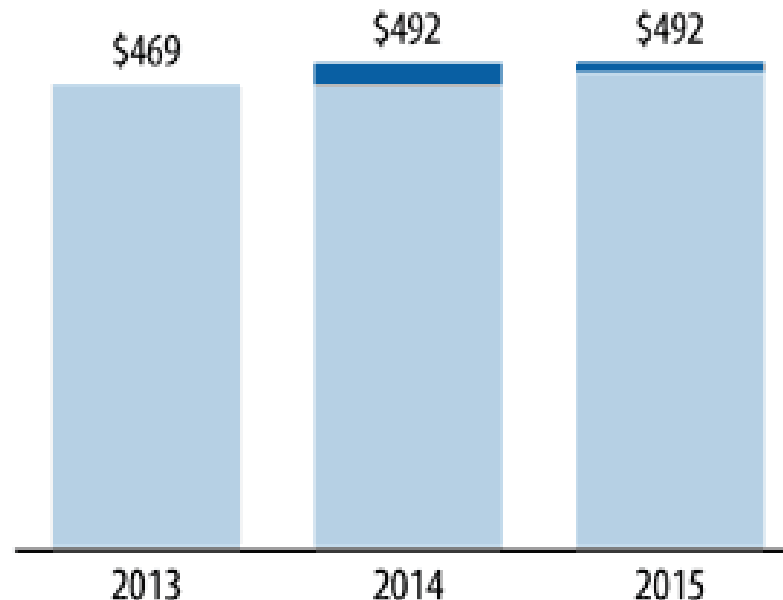
# The Budget Control Act of 2011 (BCA)

1. **Binding discretionary funding limits** in each fiscal year from 2012 to 2021, with separate sub-caps for defense and non-defense programs.
2. **Sequestration**, triggered when Congress failed to agree on \$1.2 trillion more in deficit reduction:
  - i. In FY 2013, automatic, across-the-board cuts;
  - ii. In FY 2014 – 2021, lowered defense and nondefense discretionary funding caps (and cuts in non-exempt entitlement programs);
  - iii. December budget deal raised discretionary funding caps modestly for FY 2014 and 2015.

## Funding for Non-Defense Discretionary Programs Will Remain Tight Under Budget Deal

Non-defense discretionary funding in nominal dollars (billions)

■ Increased funding over post-sequestration level



Notes: 2013 figure represents Congressional Budget Office's scoring of actual fiscal year 2013 appropriation legislation, reduced by the 2013 automatic sequestration. All amounts exclude funding for disasters, emergencies, program integrity, and Overseas Contingency Operations.

Source: Congressional Budget Office



# Omnibus Rolls Back HUD Housing Assistance Cuts, But Funding Still Below 2010 Level

Percent change in HUD housing assistance program funding, relative to 2010, adjusted for inflation

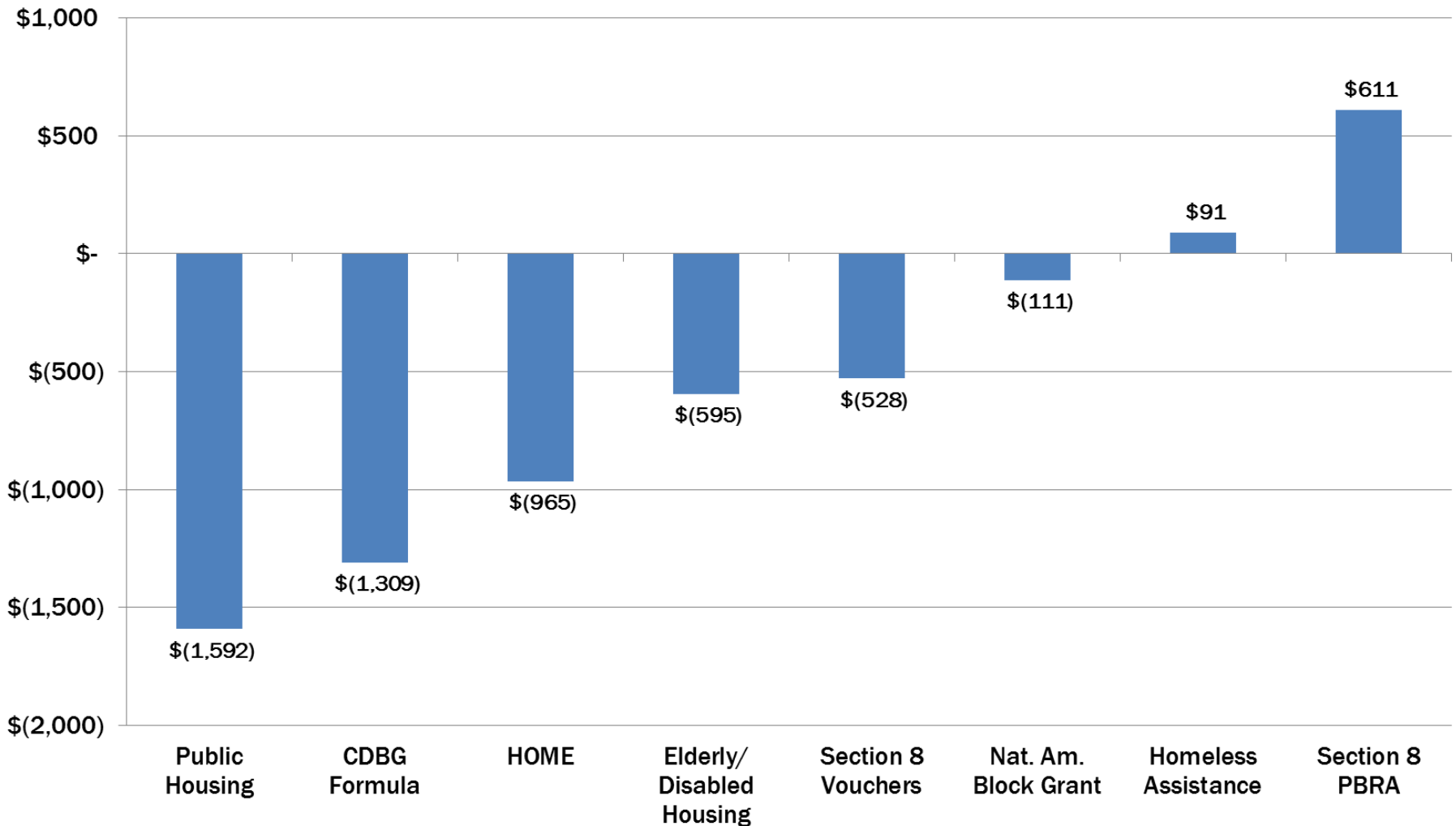


Source: OMB and CBO. Figures include funding for public housing, the Section 8 programs, homeless assistance, HOME, and other HUD discretionary housing assistance programs, but not mortgage credit or community development programs.



# HUD Program Cuts Since 2010

Change in annual funding, 2010 – 2014, in millions of 2014 dollars



Source: OMB and CBO.



# HUD Program Funding, FY 2010 - FY 2014

(Millions of nominal dollars)

	2010	2012	2013, Post-sequestration	2014
Housing Choice Voucher Renewals	\$16,339	*\$17,242	\$16,349	\$17,366
Housing Choice Voucher Admin	\$1,575	\$1,350	\$1,306	\$1,500
Public Housing Operating	\$4,775	\$3,962	\$4,054	\$4,400
Public Housing Capital	\$2,500	\$1,875	\$1,777	\$1,875
Section 8 Project-Based Rental Asst.	\$8,558	\$9,340	\$8,851	\$9,917
Homeless Assistance	\$1,865	\$1,901	\$1,933	\$2,105
HOME	\$1,825	\$1,000	\$948	\$1,000
Section 202 Elderly Housing	\$825	\$375	\$355	\$384
Section 811 People with Disabilities**	\$300	\$165	\$156	\$126
Native American Housing Grants	\$700	\$650	\$616	\$650
CDBG Formula Grants	\$3,990	\$2,948	\$3,078	\$3,030

\* Includes \$650 million reserve offset. \*\* 811 voucher renewals shifted to HCV account in FY12.



# Housing Choice Vouchers

- 1) Funding likely to be sufficient, or close to sufficient, to renew all vouchers in use (i.e., 100% of eligibility at CY 2013 average leasing/costs plus inflation, or under MTW agreement )
- 2) HUD may offset up to \$200M in reserves to reduce renewal proration or prevent terminations
- 3) Should enable PHAs to restore to use roughly half of the >50,000 vouchers cut by the end of 2013
- 4) 15% increase in admin fee funding should raise proration to range of 75 - 80%





## Section 8 Project-Based Rental Assistance

- 1) Funding will be sufficient to cover payments to owners at least through FY 2014
- 2) Some contracts will be “short-funded,” i.e., contracts will not be funded forward for full 12 months at funding renewal (“anniversary date”)



# Public Housing

- 1) Capital funding restored to nominal 2012 level, roughly half of cost of repair needs that will accrue
- 2) Choice Neighborhoods reduced from \$120M to \$90M, at least \$55M of which must go to PHAs
- 3) Operating funding increased by 9% to \$4.4 billion, but still well below 2010 nominal level. Should cover roughly 86% of costs



# Policy Changes to Save Costs and Streamline Rental Programs

- Public housing “**flat rent**” floor of at least 80% of FMR
- **Targeting:** definition of “extremely low-income” for 3 major rental assistance programs changed to *higher of 30% of AMI or the federal poverty line*
- **HCV utility allowance** limited to unit size covered by voucher
- **Biennial inspections** for HCV units and use of comparable inspections by other agencies
- Enable HUD to contract with a **consortia** of PHAs to administer public housing
- Merge HCV and PH **FSS** programs
- HUD can implement these changes initially by Federal Register notice, and begin rulemaking 6 months later



# Implementation

- Funding levels for FY 2014 are retroactive to the Oct. 1, 2013 start of the fiscal year, or, for HCV and PH, Jan. 1, 2014
- HUD is required to notify PHAs of their HCV renewal funding by mid-March
  - PHAs can estimate their annual funding based on their spending in CY2013 and 2013 inflation factor. Likely but not certain that HUD will offset funds allocated by reserves in excess of one month of 2014 funding eligibility
  - HUD may but is unlikely to reduce HCV renewal funding by estimated savings from targeting and utility allowance changes
  - MTW agencies likely to be fully funded for HCV part of contract
- PH operating subsidy eligibility will be reduced to account for estimated savings from change in flat rents at affected agencies



## Maximize HCV Use in 2014

- Risk of insufficient renewal funds in 2015 very low
  - Congress likely to repeat offset policy so PHAs with adequate reserves at risk of “use or lose”
- Using more authorized vouchers in 2014 will increase admin fees this year and renewal funding eligibility in 2015
  - Helps demonstrate urgent needs for additional HCVs
- PHAs also can increase eligibility for funding in 2015 by undoing harmful savings policies and by committing vouchers for project-based contracts
- PHAs need to start planning *now* for how to ramp up so increased funding can be fully utilized this year.



## Making the Case to Fully Restore Lost Vouchers in 2015

- Critical to document and publicize real harm of sequestration in 2013
  - Number of vouchers lost and consequences
  - Likely only partial restoration possible in 2014
  - Both data and stories are important – key is to show impact on vulnerable people in local communities and difference full restoration in 2015 would make
- Also important to highlight program success stories, to paint a picture of how rental assistance matters



# Public Housing

- Overall, public housing funding remains at historically low levels.
- Congress declined to expand or fund RAD, as HUD had requested, so only 60,000 units will be able to convert to long-term section 8 contracts, at level funding.
- Expanding and funding RAD in 2015 seems only potential path to preservation of units. Authorizing changes (including MTW expansion) unlikely.



## Resources

- [State fact sheets](#) on federal rental assistance, Housing Choice Voucher usage, and unmet need
- [Report](#) on veterans' use of federal rental assistance
- [Chart Book: Federal Housing Spending Is Poorly Matched to Need](#)
- CBPP [webinar](#) materials and initial [memo](#) on HUD provisions of FY 2014 omnibus





# Q&A