

What the President's FY 2015 Budget Means for Low-Income Housing Programs

Webinar

March 7, 2014



Agenda

1. Highlights of FY 2015 HUD funding request
2. Restoring HCV Sequestration Cuts in 2015 – Budget and alternatives
3. Policy Recommendations
4. Implications of the Budget for 2014
5. Timeline for Congressional Action
6. New state HCV fact sheets
7. Q&A

Panelists: Doug Rice, Barbara Sard, Will Fischer and Kathy Saile



HIGHLIGHTS OF HUD 2015 BUDGET PROPOSAL



Overview of HUD FY 2015 Request

- 1) \$46.7 billion for HUD programs in FY15, \$1.2 billion, or 2.6% above FY14 (net of FHA premiums and other receipts, the proposal totals \$32.6 billion, less than in FY14)
- 2) Increases funding to renew and expand rental assistance for vulnerable families, seniors, people with disabilities, and fight homelessness
- 3) Given austere caps and priorities, reduces funding in some housing/CD block grants
- 4) See HUD funding chart for proposed program funding levels



Housing Choice Vouchers

- 1) 70,000 fewer families assisted at end of 2013 due to sequestration. (See Resources at end)
- 2) Increased funding in 2014 will restore less than half of cuts, risking permanent loss of vouchers for 40,000 low-income families
- 3) Good news: President's budget explicitly adopts the goal of restoring 40,000 vouchers to use in 2015



Housing Choice Vouchers (cont.)

- 1) HUD proposes \$18.0 billion for renewals, \$641 million above 2014
- 2) Bases PHA renewal eligibility on estimated CY 2014 costs, adjusted for inflation and “first-time renewals” (except for MTW agencies)
- 3) HUD could reduce renewal eligibility at PHAs with “excess” reserves
- 4) HUD could take into account the impact of the targeting and utility allowance changes enacted in 2014, and the medical deduction change proposed for 2015



Housing Choice Vouchers (cont.)

- 1) \$150 million for tenant protections (TPVs)
- 2) Proposes to prohibit reissuance of TPVs to new families, except when voucher qualifies as a permanent replacement for a HUD-assisted unit
- 3) \$75 million for ~10,000 new veterans' supportive housing (VASH) vouchers



Housing Choice Vouchers (cont.)

- 1) Request should be sufficient to fully renew in 2015 all vouchers in use in 2014
- 2) Pending further explanation from HUD, we doubt that the request is sufficient to restore to use 40,000 vouchers cut under sequestration
- 3) \$205 million increase in administrative fees should raise the proration to range of (roughly) 83-86% in 2015



Section 8 Project-Based Rental Assistance

- 1) Proposed funding should be sufficient to cover payments to owners through December 2015
- 2) HUD proposes to “reset” program to calendar-year funding schedule, in which annual appropriation will cover contract payments from January to December
- 3) CY funding policy promises to be more transparent, predictable than current policy
- 4) CY funding policy reduces funding required in 2015, but will require large one-time increase in 2016



Public Housing

- 1) Proposes operating funding at \$4.6 billion; this should raise the proration well above the 89% level anticipated in 2014
- 2) Capital funding at \$1.925 billion, \$50 million higher than 2014, but far less than needed to make capital repairs that accrue each year
- 3) Proposes full fungibility of operating and capital funds, except for “troubled” agencies
- 4) \$120 million for Choice Neighborhoods
- 5) \$10 million for RAD; proposes to eliminate cap
- 6) \$25 million for Jobs-Plus out of Capital Fund



Homeless Assistance

- 1) Proposes \$2.4 billion, \$301 million above 2014
- 2) Includes \$215 million for ESG, \$35 million less than in 2014
- 3) Includes \$2.18 billion for CoC grants, \$369 million more than in 2014
- 4) CoC funding should be sufficient to cover program renewals and fund additional permanent supportive housing



RESTORING HCV SEQUESTRATION CUTS IN 2015 – BUDGET AND ALTERNATIVES



Restoring 40,000 Vouchers Cut by Sequestration

- 1) Critical to fully fund 2015 renewal of vouchers and restore 40,000 vouchers to use
- 2) HUD proposes to restore 30,000 vouchers via HCV renewal formula and add 10,000 new VASH vouchers
- 3) Better approach: fund 40,000 new targeted vouchers to address severe needs -- homelessness, integrating people with disabilities into the community (Olmstead), and victims of domestic violence
- 4) Allow PHAs in each state to compete for available vouchers so vouchers are used effectively (with a priority to those that had to cut vouchers due to sequestration)
- 5) Cost: \$320 million in 2015 (not counting funding for VASH, which HUD/Congress would likely do anyway)



SIGNIFICANT POLICY RECOMMENDATIONS



Cross-cutting Cost Savings: Medical and Handicapped Assistance Deductions

- Now: expenses above 3% of income deducted from income of—
 - elderly and disabled families for medical care; and
 - Any family with a disabled individual for handicapped assistance.
- Proposed: change threshold to 10% of annual income
- Savings: nearly \$1 billion over 5 years, about 2/3 in PBRA account
 - Even if still accurate, first year difficult to capture
- Congress rejected same proposal in 2014
- Compromise package may have broader support:
 - Add AHSSIA increase in standard deduction from \$400 to \$525
 - Add hardship limitation
 - Increase administrative savings with 3-year recertification for fixed income households



Expansion of FSS Eligibility to PBRA Tenants

- Family Self-Sufficiency program enables families that increase earnings to accumulate savings. 5-year plan with coordinator assistance to achieve families' goals
- Budget proposes for first time to make tenants of PBRA-assisted units eligible
- Owners would elect to have tenants participate
- No details – may follow policies of S. 454 (Reed/Blunt)



IMPLICATIONS FOR 2014



HCV: Maximize Use of Available Funds

- HUD will notify PHAs by mid-March of 2014 renewal funding allocations
- Likely to be nearly or at 100% of CY2013 HAP spending + inflation
- For most PHAs, funding will be sufficient to increase the number of families served (and reverse harmful cost-reduction policies), in addition to reissuing vouchers as they turn over
- ***Increased spending in 2014 will increase funding eligibility in 2015***
 - increase in number of vouchers in use will increase administrative fees in 2014
- PHAs will help themselves and their communities, and make higher HCV funding in 2015 more likely, by maximizing use of HCV funds
 - Offset policy likely to continue so no gain from excess reserves



Rental Assistance Demonstration (RAD)

- RAD allows conversion of public housing to project-based vouchers and PBRA
- Currently capped at public housing subsidy level, but provides more reliable funding and greater ability to leverage private investment
- Requires long-term affordability and protections for tenants
- Limited capital and operating funds heighten importance of RAD to public housing preservation



More Public Housing Could Be Converted Under RAD in Future

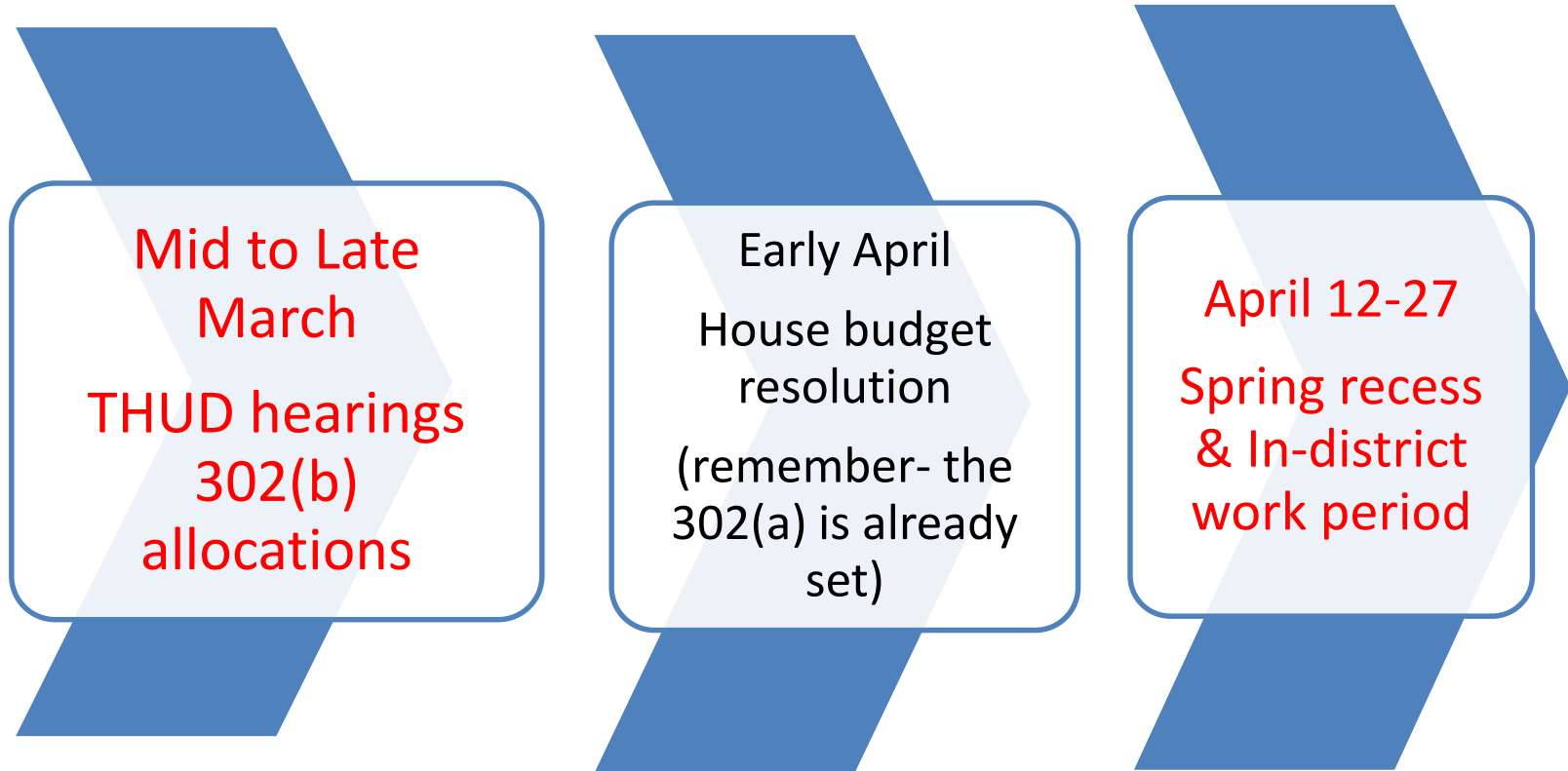
- HUD has received RAD applications for about 180,000 units, well above current 60,000 unit cap
- Many more units could be preserved through RAD if subsidies were funded above public housing level
- Budget would eliminate cap and provide \$10 million for supplemental subsidies in high-poverty areas
- HUD will continue to accept applications and maintain waiting list for use if cap is raised or eliminated



TIMELINE FOR CONGRESSIONAL CONSIDERATION OF 2015 APPROPRIATIONS



Prognosticating the Congressional Timeline for Appropriations





Congressional Appropriations Timeline Con't.

May-June

THUD

Subcommittee
Mark-ups and

Full Committee
Mark-ups

July? Sept? Dec?

House-Senate
Conference to
negotiate
differences in \$\$
and policies

September-
Continuing
Resolution

FY15 begins Oct. 1

Late November &
December

(Lameduck) -
Omnibus



Which Members are the primary decision makers?

- Senate THUD Subcommittee on Appropriations
 - Senator Patty Murray (D-WA), Chair
 - Senator Susan Collins (R-ME), Ranking Member
 - www.appropriations.senate.gov/sc-transportation.cfm
- House THUD Subcommittee on Appropriations
 - Congressman Tom Latham (R-IA), Chair
 - Congressman Ed Pastor (D-AZ), Ranking Member
 - appropriations.house.gov/about/members/transportationhud.htm



RESOURCE MATERIALS



How to Use CBPP HCV State Fact Sheets

New fact sheets with state-specific HCV program and other data:

- Who do Housing Choice Vouchers help?
- What have been the effects of sequestration to date?
 - Reduction in the number of families using vouchers by the end of 2013 due to sequestration
 - Number of PHAs that reduced the number of families served
- How big are the problems of homelessness and unaffordable housing costs for poor families?
- How do vouchers help communities in other ways?
- Help to make the case for why it is important to restore to use the Housing Choice Vouchers cut because of sequestration



Resources

- [State fact sheets](#) on federal rental assistance and Housing Choice Vouchers
- [State table](#) on voucher cuts in 2013
- [Memo and table](#) on HUD 2015 budget
- [Report](#) on veterans' use of federal rental assistance
- [Report](#) on benefits of housing vouchers
- [Chartbook](#) on budget deficits, the economy, and the budget negotiations
- CBPP [webinar](#) materials
- CHCDF [materials](#) (and [here](#))