



To: Interested Parties
From: CBPP Housing staff
Date: December 18, 2015
Re: Final Omnibus funding for HUD programs in 2016

Congress approved an omnibus bill today to fund the federal government in fiscal year 2016. This memo summarizes the key provisions for housing and community development programs administered by the Department of Housing and Urban Development (HUD).

Overall, the omnibus bill appropriates \$38.3 billion for HUD, \$2.7 billion more than policymakers provided in 2015. However, \$1.1 billion of the added funding simply fills a gap created by the expected decline in HUD mortgage credit program receipts in 2016. The funding increase for the remaining HUD programs is thus \$1.6 billion, or 3.9 percent above the 2015 level.

The bill includes sufficient funds to fully renew rental assistance for the current number of families served by the major HUD programs, including the Housing Choice (“Section 8”) Voucher and Section 8 Project-Based Rental Assistance Programs. It also expands rental assistance modestly by providing \$60 million for roughly 8,000 new vouchers for homeless veterans (VASH), and increases homeless assistance grant funding by \$115 million, which includes \$38 million for new initiatives to address youth homelessness.

Housing voucher administrative fees, the Public Housing Capital Fund, the Choice Neighborhoods Initiative, the HOME block grant, and the Section 202 and 811 programs for the elderly and disabled also receive modest increases in funding. (A table showing omnibus funding levels for major programs is appended.)

While there are bright spots among the omnibus’ HUD provisions, there are also significant disappointments in light of the recent agreement to raise the Budget Control Act (BCA) spending cap for non-defense discretionary programs, which paved the way for a \$34 billion (6.5 percent) increase for non-defense discretionary programs in 2016. As noted above, HUD program funding increased by just 3.9 percent in the bill; if HUD programs had instead received a 6.5 percent increase, they would have received an additional \$1 billion in 2016 funding. It is particularly disappointing that Congress did not restore more of the housing vouchers cut under sequestration or provide more substantial funding for voucher program administration, public housing, or homeless assistance.

The only major new policy change included in the bill directs HUD to expand the Moving to Work (MTW) demonstration by adding 100 public housing agencies over seven years. (Currently 39 PHAs participate in MTW; the Senate bill had proposed expanding the demonstration by 300 agencies.) The bill gives HUD new authority, and responsibility, to structure the expansion to facilitate rigorous research on key housing policy questions, to be identified by HUD in consultation

with a research advisory committee. This is an important opportunity; realizing its potential, however, will require adequate funds in future budgets to support the research.

Housing Choice (Section 8) Vouchers

Communities are still feeling the effects of the 2013 sequestration cuts in housing vouchers: while state and local housing agencies restored 30,000 housing vouchers to use over the past year, they were still assisting some 60,000 fewer families as of September 2015 due to the sequestration cuts.

Sequestration may be having other effects, too. Since sequestration was implemented in March 2013, nominal per-voucher subsidy costs have declined 0.5 percent, despite strong increases in rental housing costs across the country. This trend — which has likely been caused at least in part by agency cost-cutting actions in response to sequestration — raises concerns that voucher subsidies are not keeping pace with rental costs, which would entail that cost burdens are growing for assisted families, or the range of housing options available to families is shrinking, or both. While further analysis is needed to determine the extent of these impacts, there have been a number of anecdotal reports about the growing difficulty of using vouchers in communities where rents are rising, and these are probably due at least in part to inadequate voucher payment standards.

The omnibus includes \$19.6 billion for housing vouchers in 2016, \$324 million above the amount that policymakers provided in 2015. The bill includes \$17.68 billion for renewals, \$195 million (1.1 percent) above the 2015 level. According to our estimates, this amount should be sufficient to meet agencies' funding eligibility under the renewal formula (under which most agencies' eligibility will be based on voucher leasing and costs during calendar year 2015, adjusted for inflation and other factors), assuming that the average formula inflation factor falls between zero and one percent. Because the method that HUD uses to estimate renewal inflation factors relies heavily on recent per-voucher cost trends, the average inflation factor has been close to zero over the past several years. There are reasons to expect that this will be the case again in 2016.

The bill sets aside \$75 million of the renewal amount for four types of adjustments to agencies' funding: (1) for significant cost increases due to "unforeseen circumstance"; (2) for project-based vouchers that have been committed but not fully leased during 2015; (3) for costs associated with VASH vouchers; and (4) to prevent terminations of assistance due to insufficient funding. In contrast to 2015, the bill provides no authorization for HUD to adjust allocations for agencies with end-of-year leasing that is significantly higher than the calendar-year average. Some agencies may be forced to reduce the number of vouchers in use during 2016 if they don't have sufficient reserves to support higher end-of-year leasing.

As noted above, the bill also includes \$60 million for new VASH vouchers. This is \$15 million less than the Senate bill included, despite the fact that the Senate bill was drafted under the much more severe fiscal constraints that existed prior to the recent budget deal. The omnibus includes no funding for new Family Unification Program vouchers; the Senate bill had included \$20 million for approximately 2,600 new FUP vouchers. While any expansion of rental assistance is welcome, the modesty of the omnibus' provisions is disappointing. The President had requested \$512 million to restore 67,000 housing vouchers and fully reverse the sequestration cuts. With the recent budget agreement, policymakers had an opportunity to meet this request, yet they chose not to do so.

The omnibus includes a significant increase in funding for agency administrative expenses, a bright spot. The bill provides \$1.65 billion for administrative fees in 2016, \$120 million (7.9 percent) above the 2015 level. The substantial increase in funding implies that the administrative fee proration will shrink in 2016 relative to the final 2015 level of 81 percent; however, as the 2015 proration was reduced considerably by HUD's distribution of supplemental carryover funds, and the availability of such funds in 2016 is uncertain, it is difficult to infer with any precision where the 2016 proration is likely to fall. The omnibus makes no changes in the administrative fee formula.

Finally, the omnibus also includes \$130 million for new tenant protection vouchers and \$107 million to renew and administer Section 811 mainstream vouchers in 2016.

Section 8 Project-Based Rental Assistance (PBRA)

In its 2015 budget request, HUD proposed to shift the annual renewal of funding for PBRA contracts to a calendar year cycle. It did this for two reasons: to put in place a simpler and more predictable funding process; and to reduce — for one year only — the amount of new funding required to renew contracts in 2015. The omnibus completes the transition to a calendar-year funding cycle by providing \$10.6 billion for PBRA in 2016, an increase of \$890 million. According to HUD, the proposed funding levels, together with carryover funds, will be sufficient to cover all funding renewals and contract amendments through calendar year 2016.

Public Housing

The omnibus provides \$4.5 billion for the Public Housing Operating Fund, \$60 million (1.4 percent) above the 2015 level, and \$1.9 billion for the Capital Fund, \$25 million (1.3 percent) above the 2015 level. Both provisions are well below the amounts requested by the President. The Capital Fund amount includes \$35 million for supportive services (ROSS) and \$15 million for an initiative modeled on the Jobs-Plus demonstration.

The bill also includes \$125 million for the Choice Neighborhoods Initiative (CNI), \$45 million above the 2015 level. At least \$75 million of the CNI amount must be allocated to public housing agencies.

The bill does not increase the number of public housing units allowed to convert to a section 8 funding stream under the Rental Assistance demonstration, or make other new policy changes relevant to public housing.

Homeless Assistance Grants

Homeless assistance grants received a \$115 million increase in the omnibus, to \$2.25 billion. Of the increase, \$38 million is set aside for youth homelessness initiatives, including technical assistance and a new 10-city demonstration on comprehensive approaches to reducing youth homelessness. The remaining \$77 million in additional funds should be sufficient to cover any increased cost of continuum of care (CoC) program renewals, and it may include a modest amount for new CoC grants. But the bill falls far short of the President's request for a \$345 million increase, which would have funded some 25,000 new units of supportive housing. As in 2015, the bill allocates at least \$250 million for homelessness prevention and rapid rehousing.

Housing for the Elderly and People with Disabilities

The omnibus provides \$433 million for Section 202 elderly housing and \$151 million for Section 811 housing for people with disabilities. These funding levels will be sufficient to renew current units, but will not expand assistance for seniors or people with disabilities. It also includes \$335 million for the Housing Opportunities for Persons with AIDS program, a modest increase above the 2015 level.

HOME and CDBG

HOME is funded at \$950 million, \$50 million above the 2015 level, while CDBG formula grants are level funded at \$3.0 billion. The omnibus' HOME provisions were a welcome relief, as the Senate bill would have slashed HOME funding to just \$66 million, while the House bill would have cut funding by \$133 million and raided the National Housing Trust Fund to fill the gap created by the cuts.

Table 1
HUD Program Funding for FY 2016 (in millions)

Program	2015	President's Budget 2016	House 2016	Senate 2016	Omnibus 2016
Housing Vouchers	\$19,304	\$21,123	\$19,919	\$19,935	\$19,629
<i>Renewals</i>	\$17,486	\$18,334	\$18,151	\$17,982	\$17,681
<i>Admin fees</i>	\$1,530	\$2,020	\$1,530	\$1,620	\$1,650
<i>Tenant protections</i>	\$130	\$150	\$130	\$130	\$130
<i>VASH</i>	\$75	-	-	\$75	\$60
<i>FUP/restoration</i>		\$512	-	\$20	-
<i>811 Mainstream</i>	\$83	\$108	\$108	\$108	\$107
Section 8 PBRA	\$9,730	\$10,760	\$10,654	\$10,826	\$10,620
Public housing operating	\$4,440	\$4,600	\$4,440	\$4,500	\$4,500
Public housing capital	\$1,875	\$1,970	\$1,681	\$1,743	\$1,900
Family Self-Sufficiency	\$75	\$85	\$75	\$75	\$75
Choice Neighborhoods	\$80	\$250	\$20	\$65	\$125
Homeless Assistance	\$2,135	\$2,480	\$2,185	\$2,235	\$2,250
HOPWA	\$330	\$332	\$332	\$330	\$335
Section 202 elderly	\$420	\$455	\$414	\$420	\$433
Section 811 disabilities	\$135	\$177	\$152	\$137	\$151
HOME	\$900	\$1,060	\$767	\$66	\$950
Native American grants	\$650	\$660	\$650	\$650	\$650
CDBG formula	\$3,000	\$2,800	\$3,000	\$2,900	\$3,000