



To: Interested Parties
From: CBPP Housing staff
Date: February 11, 2016
Re: President Obama's HUD Budget for FY 2017

On Tuesday, President Obama released a fiscal year 2017 budget that requests \$48.9 billion for HUD programs, \$1.6 billion (3.5 percent) more than lawmakers provided for 2016.¹ Highlights of the budget request include:

- An ambitious, groundbreaking, ten-year initiative to end homelessness among families with children by 2020 by significantly expanding housing vouchers and rapid rehousing assistance;
- Significant funding increases for Housing Choice Voucher renewals and administrative fees;
- Funding for 25,500 new units of supportive housing for chronically homeless people, which would enable communities to largely eliminate chronic homelessness next year;
- A proposal to expand the Rental Assistance Demonstration and provide \$50 million for increased subsidies for public housing (and some elderly) developments that cannot be successfully converted at current funding levels; at the same time, however, the budget disappointingly proposes a net reduction in public housing's two primary funding streams; and
- Several important proposals to improve assisted families' access to high-opportunity neighborhoods.

The HUD proposals are only some of the budget's broad range of initiatives to [reduce deep poverty and improve outcomes](#) for poor individuals and families. Moreover, the President's budget advances these proposals within a [broader framework](#) that would reduce projected budget deficits over the coming decade.

With an agreement already in place on overall funding limits for fiscal year 2017, Congress appears poised to begin its budget work unusually early this year. The House Budget Committee may advance a budget resolution in late February, and Appropriations Committee markups are likely to begin in April, or even as early as late March. The Senate is likely to proceed more slowly than the House, but still at an accelerated pace. One motivation for this tight schedule is the truncated calendar created by the forthcoming elections: with the political party conventions convening during the last two weeks of July and the elections approaching in November, Congress will attempt to advance the 2017 appropriations process as far as it can by mid-July. Final action on 2017 appropriations will likely occur after the elections.

¹ These figures refer to discretionary funds, which are those that Congress appropriates annually and are subject to the overall limits established by the Budget Control Act of 2011 (BCA). The figures exclude mortgage insurance receipts, as well as the \$11.3 billion in HUD mandatory funding proposals discussed below.

Housing Choice (Section 8) Vouchers

The President's 2017 budget requests substantial increases in funding for voucher renewals and housing agency administrative expenses. It also proposes a groundbreaking new initiative to eliminate homelessness among families with children that builds on recent successes in reducing veterans' and chronic homelessness.

The budget proposes \$20.9 billion for housing vouchers, including \$18.4 billion for renewals (an increase of \$766 million or 4.3 percent over 2016) and \$2.1 billion for administrative expenses. This request should be sufficient to renew all of the 2.2 million vouchers in use this year. HUD estimates that the administrative fee request, which amounts to a \$427 million (25.9 percent) increase over 2016, will cover 100 percent of agencies' eligibility under a revised allocation formula that it intends to propose later this year. The formula proposal will be grounded in the findings of the rigorous [administrative fee study](#) that HUD released last year.

The President's budget also outlines, for the first time, a compelling strategy to achieve the important goal of eliminating homelessness among families with children by 2020, consistent with the U.S. Interagency Council on Homelessness' strategic plan, [Opening Doors](#). The proposal, "Homeless Assistance for Families," calls for \$11 billion in *mandatory* funding over ten years for housing vouchers and rapid rehousing assistance.² Under the proposal, HUD would allocate funds competitively to partnering housing agencies and Continuums of Care. HUD estimates that about 80 percent of the funds would be used for housing vouchers and 20 percent for rapid rehousing assistance, and that some 550,000 families would be assisted under the program over ten years.

Complementing this proposal — and of greater importance for 2017 — the proposed budget also includes \$88 million in *discretionary* funds for 10,000 new housing vouchers for homeless families with children. These vouchers would be allocated competitively to housing agencies based on "geographic areas of demonstrated need," according to HUD budget documents.

In addition, the budget requests \$7 million for the renewal of tribal VASH vouchers, as well as \$110 million for new "tenant protection" vouchers and \$100 million to renew Section 811 mainstream vouchers in 2017.

Section 8 Project-Based Rental Assistance (PBRA)

The President requests \$10.8 billion for PBRA for 2017, an increase of \$196 million over 2016. The budget indicates that amount will be sufficient to fully fund all PBRA rental assistance contracts for calendar year 2017.

² Rapid rehousing assistance includes short-term rental and other financial assistance, case management, and other services. "Mandatory funding" refers to funds appropriated directly via legislation originating in Congress' authorizing committees (in this case, the House Financial Services and Senate Banking Committees), rather than in the appropriations committees. Mandatory funding is not subject to the BCA discretionary funding caps, but is subject to pay-as-you-go (PAYGO) rules. The President's budget proposes revenue and other measures to fully offset the cost of its mandatory spending proposals.

Public Housing

The budget proposes to reduce public housing capital funding from \$1.900 billion in 2016 to \$1.865 billion, and to raise public housing operating funding from \$4.500 billion to \$4.569 billion. HUD estimates that its operating fund request would cover 87 percent of the subsidies for which agencies will be eligible, about the same as HUD's preliminary estimates for 2016. Overall, the budget would cut funding for these two main public housing funding streams by about 2 percent in inflation adjusted terms.

The budget also proposes to permanently allow non-troubled large and mid-sized agencies to use up to 30 percent of their operating funds (plus any operating reserves) for purposes permitted under the capital fund, and up to 30 percent of their capital funds for purposes permitted under the operating fund. Today, non-troubled agencies with fewer than 250 units can shift unlimited funds between the operating and capital funds, but larger agencies only have permanent authority to shift 20 percent of their operating funds to capital purposes. (The 2016 appropriations act allows large and mid-sized agencies to use up to 25 percent of their capital funds for operating purposes and permits HUD to waive this limit to fund anticrime and antidrug activities, but those provisions only apply to fiscal year 2016 capital fund grants. The budget proposal also differs somewhat from a similar provision in House-passed H.R. 3700.)

Other provisions of the budget would permit agencies to use capital funds to establish replacement reserves and allow HUD to create a new Utilities Conservation Pilot that would encourage housing agencies to adopt conservation measures in public housing by allowing them to retain a portion of any resulting utility cost savings for one to 20 years (depending on the magnitude of the savings).

In addition, the budget proposes to increase funding for the Choice Neighborhoods Initiative (CNI) to \$200 million, from \$125 million in 2016. CNI provides grants to revitalize distressed public and privately owned assisted housing. HUD indicates that this increase would permit six communities to receive CNI implementation grants.

Finally, the budget proposes to set aside \$35 million for the Jobs-Plus program from the \$1.865 billion it requests for the capital fund. This is an increase from the \$15 million set aside for Jobs Plus in 2016. Jobs-Plus provides grants to support employment services and earnings incentives for public housing residents. The budget would also eliminate a capital fund set-aside for the Resident Opportunities and Supportive Services (ROSS) program. The Administration has proposed to eliminate the ROSS set aside in each of its eight budget requests, but Congress has not done so.

Rental Assistance Demonstration

The budget proposes to expand the Rental Assistance Demonstration (RAD), an important initiative that helps preserve developments subsidized through public housing and several smaller rental assistance programs by converting them to long-term project-based Section 8 contracts. The budget would eliminate a cap which currently limits RAD conversions to 185,000 of the nation's 1.1 million public housing units. The program has already reached this cap and by the end of 2015 HUD had placed applications to convert an additional 11,000 units on a waiting list.

In addition, the budget would for the first time allow Section 202 Project Rental Assistance Contract (PRAC) units for the elderly to be converted to Section 8 contracts under RAD. It also requests \$50

million to increase subsidies for 25,000 public housing and Section 202 units that cannot be preserved at their current subsidy level. Other provisions in the budget would prohibit RAD conversions from being used to rescreen or terminate tenants of any converted development (extending a protection that currently applies mainly to converted public housing developments) and broaden somewhat the circumstances under which ownership or control of a public housing development converted under RAD can be shifted to a non-profit organization.

Homeless Assistance Grants

The President's budget requests \$2.7 billion for homeless assistance, an increase of \$414 million (18.4 percent) over 2016. This amount includes \$2.4 billion for Continuum of Care (CoC) grants, \$270 million for Emergency Solutions Grants, and \$25 million to expand the youth homeless initiative that was initiated with \$33 million provided by the 2016 funding law. The CoC grant funding includes funds for the development of 25,500 new units of supportive housing necessary to reach the Administration's goal of ending chronic homelessness by 2017.

Section 202 Elderly Housing and Section 811 Housing for People with Disabilities

The Section 202 elderly housing program would receive \$505 million under the President's request, \$72 million more than in 2016. The Section 811 housing for people with disabilities program would receive \$154 million, \$3 million above the 2016 level. These funds should be sufficient to continue assistance for more than 121,000 Section 202 units and 27,000 Section 811 units, but will enable no expansion of these programs.

HOME/CDBG/Native American Block Grant

The President's budget includes \$950 million for HOME for 2017, the same as lawmakers provided for 2016, but sets aside \$10 million of this amount for Self-Help Homeownership and Assisted Homeownership Opportunity Program (SHHOP). It also recommends \$2.8 billion for CDBG formula grants, a \$200 million reduction from 2016, and \$700 million for the Native American Housing Block Grant program, a \$50 million increase. Finally, the budget proposes a number of reforms to CDBG formula grants, in part to better target assistance to areas with the greatest needs.

Housing Trust Fund

The President's budget indicates that the Housing Trust Fund will deliver an initial allocation of \$170 million to grantees in 2016, and an additional \$136 million in 2017. These funds, which are derived from fee assessments made on Fannie Mae and Freddie Mac (and are not appropriated), will support the development and preservation of affordable housing, particularly for families with extremely low incomes.

Housing Mobility

Citing recent research on the [proven benefits](#) of using housing vouchers to move to low-poverty communities on children's future earnings and educational achievement, the proposed HUD budget includes a three-pronged investment strategy to promote families using vouchers in "areas with lower crime, more job opportunities, and better schools."

1. *\$15 million for Housing Choice Voucher Mobility Demonstration.* The new demonstration, detailed in section 270 of the request, would include up to 10 regional housing mobility programs to be selected through a competitive process. Each regional program could include an unlimited number of public housing agencies (PHAs) as well as local partner organizations. Applicant PHAs would have to submit a Regional Housing Mobility Plan, which must specify the number of existing vouchers they will commit to the demonstration and include a comprehensive approach to enable families to make a successful transition to opportunity areas. At least \$12 million would be available over a three-year period to the selected regional initiatives to meet program costs, which may include counseling and continued support for families, outreach to landlords, portability coordination, security deposits, and other administrative functions. PHAs could supplement these funds with regular administrative fees and private funds. The remaining funds are for evaluation, which HUD must publish within five years of initial implementation. HUD may require that PHAs select participating families on a random assignment basis.
2. *Increased HCV administrative fees.* As noted above, the budget requests a 26 percent increase in funding to cover state and local housing agencies' costs of administering their HCV programs. In addition to providing the funds needed to effectively carry out core program functions such as housing quality inspections and subsidy determinations, HUD justifies the substantial increase as essential to promote housing mobility.
3. *Adjustments for higher voucher subsidy costs associated with housing mobility programs.* The budget proposes to allow PHAs that anticipate higher average voucher subsidy costs in 2017 than in 2016 due to operation of a housing mobility program to qualify for a boost in their voucher renewal funding. These adjustments would be paid out of the \$75 million set aside for renewal funding adjustments, and are in addition to adjustments for additional costs related to portability.

Other Policy Proposals

The budget includes a large number of proposed policy changes in the rental assistance and other HUD programs, a few of which are new this year. In addition to the public housing and housing mobility policy proposals discussed above, the “general provisions” section of the budget includes several proposals to preserve existing housing subsidy streams, including through flexibility in the section 811 program for people with disabilities to transfer subsidies to new properties.

Many of the proposed policy changes overlap with [provisions](#) in the Housing Opportunities Through Modernization Act (H.R. 3700), which the House passed last week by a unanimous vote of 427-0. For example:

- *Rent policy.* Section 229 would modify the deduction available to elderly and disabled families of medical expenses exceeding 3 percent of income, raising the threshold to 10 percent. While H.R. 3700 includes the same change, it combines the threshold increase — which will cause some tenants, typically those with relatively higher incomes, to pay somewhat more in rent, with an increase in the standard deduction that will reduce rents slightly for all elderly and disabled families.

- *Project-based vouchers.* Section 252 includes a provision also in H.R. 3700 that would modestly increase the number of vouchers that PHAs can attach to particular properties, by changing the cap from 20 percent of voucher *funding* to 20 percent of the number of *authorized vouchers*. This is a positive change, but will have less impact than other changes that H.R. 3700 would make in the PBV program, discussed [here](#).
- *Family Unification Program.* Section 268 would increase the time limit on youth using FUP vouchers to five years, from the current 18 months. H.R. 3700 would change the limit to three years.
- *Fair Market Rents.* Section 227 makes similar streamlining changes in the process for issuing annual FMRs, but omits a key protection for tenants in areas where FMRs decrease sharply that is in H.R. 3700.

If the Senate follows the House lead and acts promptly to approve H.R. 3700, Congress would likely ignore conflicting policy changes in the budget proposal. Alternatively, a year-end funding bill could become the vehicle to adopt all or parts of H.R. 3700, making the list of overlapping policy areas of particular interest.

Program	2015	2016	Obama 2017
Housing Vouchers	\$19,304	\$19,629	\$20,854
<i>Renewals</i>	\$17,486	\$17,681	\$18,447
<i>Admin fees</i>	\$1,530	\$1,650	\$2,077
<i>Tenant protections</i>	\$130	\$130	\$100
<i>VASH</i>	\$75	\$60	\$7
<i>Homeless families</i>		-	\$88
<i>811 Mainstream</i>	\$83	\$107	\$110
Section 8 PBRA	\$9,730	\$10,620	\$10,816
Public housing operating	\$4,440	\$4,500	\$4,569
Public housing capital	\$1,875	\$1,900	\$1,865
Family Self-Sufficiency	\$75	\$75	\$75
Choice Neighborhoods	\$80	\$125	\$200
Homeless Assistance	\$2,135	\$2,250	\$2,664
HOPWA	\$330	\$335	\$335
Section 202 elderly	\$420	\$433	\$505
Section 811 disabilities	\$135	\$151	\$154
HOME	\$900	\$950	*\$950
Native American grants	\$650	\$650	\$700
CDBG formula	\$3,000	\$3,000	\$2,800
* Includes \$10 million for SHHOP			