



To: Interested Parties  
From: CBPP Housing staff  
Date: May 2, 2017  
Re: Final HUD program funding for FY 2017

Yesterday, Congress unveiled an omnibus bill to finalize fiscal year 2017 funding for HUD and other federal programs, which have been operating under a temporary funding resolution since October 1. The bill provides \$48.1 billion for HUD housing and community development programs, nearly \$1.1 billion (2.2 percent) more than policymakers provided for 2016, but \$855 million less than the Obama Administration requested.<sup>1</sup>

In general, the bill's provisions adhere closely to the bills that the House and Senate appropriations committees approved last summer. The bill's highlights include:

- \$18.36 billion to renew Housing Choice Vouchers (HCV), a \$674 million (3.8%) increase over 2016, but about \$450 million less than is required to fully renew all vouchers in use;
- \$40 million for approximately 5,400 new vouchers for homeless veterans (VASH); \$10 million for roughly 1,000 new vouchers for families participating in the Family Unification Program (FUP); and \$120 million for Section 811 "mainstream" vouchers for people with disabilities, which is sufficient to create 700-800 new vouchers, as well as renew current vouchers;
- \$1.65 billion for HCV administrative expenses, equal to 2016 funding;
- \$10.8 billion for Section 8 project-based rental assistance, which is adequate to renew all contracts in 2017;
- \$6.34 billion for public housing operations and capital repairs, a \$59 million reduction below 2016;
- Authority to expand the Rental Assistance Demonstration from 185,000 to 225,000 units;
- \$2.38 billion for homeless assistance grants, \$133 million above the 2016 level; and
- \$502 million for Section 202 and \$146 million for Section 811, both of which are sufficient to renew current rental assistance contracts.

Congress is expected to approve, and President Trump is expected to sign into law, the bill later this week. (A summary table appears below.)

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<sup>1</sup> These figures exclude estimated net mortgage insurance receipts. Including mortgage insurance receipts, the bill provides \$38.8 billion in net new funding for HUD. The bill (HR 244) and explanatory statement are available here: <https://rules.house.gov/bill/115/hr-244>.

## Housing Choice (Section 8) Vouchers

The omnibus bill provides \$20.3 billion for Housing Choice Vouchers (HCVs) in 2017. This includes \$18.4 billion to renew vouchers, \$674 million (3.8%) above the 2016 level.<sup>2</sup> While this is a strong increase in funding, particularly in a very tight budget, it is about \$450 million less than the amount agencies require to renew all 2.2 million housing vouchers that families are using.

More specifically, while most agencies will receive *more* renewal funding in 2017 than they did in 2016, they will receive about 2.5% *less* than they require to renew all vouchers in use, after rent inflation and other factors are taken into account. (Put another way, agencies will receive about 97.5% of the renewal funds for which they are eligible under the HUD formula, which for most agencies is based on 2016 voucher leasing and costs, adjusted for inflation and other factors).<sup>3</sup> A 2.5% shortfall is equivalent to funding for about 50,000 vouchers.

Excluding 2013, the year in which sequestration forced deep, across-the-board cuts, this is the deepest renewal funding shortfall that agencies have faced in more than a decade.<sup>4</sup> Some housing agencies will be able to draw on reserves to close the shortfall and renew all vouchers in use. But reserve levels at many agencies are likely to be too low to close the gap, and they will be forced to reduce assistance for families, either by cutting the number of households they assist (primarily by not reissuing vouchers when families exit the program, i.e., through attrition) or reducing payment standards (which raises tenants' rents or limits their housing choices), or both.<sup>5</sup> In the absence of reliable data on agencies' funding reserves, it is difficult to predict how many vouchers agencies will cut, but we anticipate that the losses will be in the tens of thousands this year.

At the same time, the omnibus bill provides \$40 million for approximately 5,400 new vouchers for homeless veterans (VASH), and \$7 million for VASH vouchers administered by Native American tribes. It also includes \$10 million for roughly 1,000 new Family Unification Program vouchers.

The omnibus bill also includes \$120 million to renew Section 811 "mainstream" vouchers for people with disabilities, \$10 million more than the Obama Administration requested. According to appropriations committee staff, this amount will fund an additional 700-800 vouchers in 2017.

For housing agencies' administrative expenses, the omnibus bill includes \$1.65 billion, the same as in 2016 but less than the Senate bill level of \$1.8 billion. In 2016, housing agencies received just 84%

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<sup>2</sup> The bill authorizes HUD to offset 2017 allocations for housing agencies with excess funding reserves (unspent funds from prior years), if HUD deems it necessary to reduce renewal funding shortfalls at other agencies. Under a renewal offset, HUD reduces renewal funding for agencies with excess reserves, thereby requiring such agencies to spend reserves to cover a portion of their renewal costs. However, HUD is not likely to implement a reserve offset halfway through the funding year.

<sup>3</sup> In a March notice to agencies, HUD explained that the House and Senate bills would provide 97.5% of the renewal funding for which agencies will be eligible in 2017. The omnibus provides the same amount of renewal funding as the Senate-passed bill.

<sup>4</sup> From 2007 to 2016 (excluding 2013), agencies received an average of 99.9% of the renewal funds for which they were eligible under the formula.

<sup>5</sup> Many agencies spent reserves in 2016 to restore vouchers that had been cut following sequestration in 2013. Many agencies have also drawn down reserves during the first half of 2017, as funding has been frozen at the 2016 level pending final decisions about the 2017 budget. Indeed, the temporary funding freeze has likely caused some agencies to reduce already the number of families they are assisting this year.

of the administrative funds for which they were eligible under the HUD formula. This proration will likely deepen in 2017 under the omnibus bill level because more vouchers are in use and the cost of formula factors has increased.

Finally, the omnibus includes no funding for the mobility demonstration that the Obama Administration proposed, and the Senate bill funded. This demonstration would have encouraged housing agencies to implement and test new strategies to enable families to successfully relocate to low-poverty neighborhoods with good schools and better opportunities.

## **Section 8 Project-Based Rental Assistance**

Section 8 project-based rental assistance is funded at \$10.8 billion in the omnibus bill, equal to the President's request. This funding level should be sufficient to renew all rental assistance contracts for calendar year 2017.

### **Public Housing**

For 2017, the omnibus provides \$4.4 billion for public housing operations, a reduction of \$100 million below the 2016 level, and \$1.94 billion for capital repairs, \$42 billion above the 2016 level. The amount for capital repairs includes \$15 million for the [Jobs-Plus demonstration](#), equal to the amount appropriated for 2016. Jobs-Plus provides grants to support employment services and earnings incentives for public housing residents. The capital repairs funding also includes \$35 million for the Resident Opportunities and Supportive Services (ROSS) program, and \$25 million for competitive grants to reduce lead paint hazards.

The Senate bill provision authorizing a new utilities conservation pilot, which would have encouraged 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), was not included in the final bill.

The omnibus bill also includes \$138 million for the Choice Neighborhoods Initiative (CNI), \$13 million above the 2016 level. CNI provides grants to revitalize distressed public and privately owned assisted housing. At least \$50 million of the new funds must be awarded to public housing agencies.

### **Rental Assistance Demonstration**

While the omnibus bill reduces direct funding for public housing in 2017, it authorizes HUD to expand the Rental Assistance Demonstration (RAD) from 185,000 to 225,000 units. RAD is a successful initiative that helps preserve public and other assisted housing developments by converting them to long-term project-based Section 8 contracts.

The Senate bill, consistent with President Obama's request, would have allowed Section 202 Project Rental Assistance Contract (PRAC) units for the elderly to be converted to Section 8 contracts under RAD. The final bill does not include this authorization; nor does it provide additional funding for RAD conversions, as the President requested.

### **Homeless Assistance Grants**

The omnibus bill includes \$2.38 billion for homeless assistance, an increase of \$133 million over 2016. The total includes not less than \$310 million for Emergency Solutions Grants (ESG) — \$40 million more than HUD awarded in 2016 — and \$43 million in additional funds for the youth homelessness initiative created under the 2016 funding law. The amount also includes \$2.02 billion for Continuum of Care grants, about \$65 million more than HUD awarded in 2016.

Housing Opportunities for People with HIV/AIDS (HOPWA) receives \$356 million in the omnibus bill, a \$21 million increase over the 2016 level, facilitating the conversion to the new formula Congress approved in the Housing Opportunity Through Modernization Act.

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

The Section 202 elderly housing program receives \$502 million in the omnibus, \$70 million more than in 2016. Most of the increase is required to renew existing rental assistance contracts for 121,000 Section 202 units, but the amount includes \$10 million to expand rental assistance or provide new capital advances. The Section 811 housing for people with disabilities program would receive \$146 million, \$4 million below the 2016 level. These funds should be sufficient to continue assistance for 27,000 Section 811 units, but will enable no expansion.

### **HOME/CDBG/Native American Block Grant**

The omnibus bill provides \$950 million for HOME and \$3 billion for CDBG formula grants, both of which are equal to 2016 funding levels. It also includes \$654 million for the Native American Housing Block Grant program, \$4 million above the 2016 level.

**Table 1**  
**HUD Program Funding, 2016 - 2017**

<b>Program</b>	<b>2016</b>	<b>House 2017</b>	<b>Senate 2017</b>	<b>Omnibus 2017</b>
Housing Vouchers	\$19,629	\$20,189	\$20,432	\$20,292
<i>Renewals</i>	\$17,681	\$18,312	\$18,355	\$18,355
<i>Admin fees</i>	\$1,650	\$1,650	\$1,759	\$1,650
<i>Tenant protections</i>	\$130	\$110	\$110	\$110
<i>VASH</i>	\$60	-	\$57	\$47
<i>Family unification</i>	-	-	\$20	\$10
<i>811 Mainstream</i>	\$107	\$110	\$110	\$120
Section 8 PBRA	\$10,620	\$10,901	\$10,901	\$10,816
Public housing operating	\$4,500	\$4,500	\$4,675	\$4,400
Public housing capital	\$1,900	\$1,900	\$1,925	\$1,942
Family Self-Sufficiency	\$75	\$75	\$75	\$75
Choice Neighborhoods	\$125	\$100	\$80	\$138
Homeless Assistance	\$2,250	\$2,487	\$2,330	\$2,383
HOPWA	\$335	\$335	\$335	\$356
Section 202 elderly	\$433	\$505	\$505	\$502
Section 811 disabilities	\$151	\$154	\$154	\$146
HOME	\$950	\$950	\$950	\$950
Native American grants	\$650	\$655	\$714	\$654
CDBG formula	\$3,000	\$3,000	\$3,000	\$3,000