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Department of Housing and Urban Development (HUD): FY2017 Appropriations

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Summary

Most of the funding for the activities of the Department of Housing and Urban Development (HUD) comes from discretionary appropriations provided each year in the annual appropriations acts, typically as a part of the Transportation, HUD, and Related Agencies appropriations bill (THUD). HUD's programs are primarily designed to address housing problems faced by households with very low incomes or other special housing needs.

On May 19, 2016, the full Senate approved FY2017 appropriations for HUD as a part of a substitute amendment to H.R. 2577 (which incorporated both the committee-reported version of the THUD bill (S. 2844) and the committee-reported version of the Military Construction, Veterans Affairs, and Related Agencies bill). It would provide $48.4 billion in gross discretionary appropriations for HUD's programs and activities, which is a 3% increase from the FY2016 level. After accounting for savings from offsets and rescissions, the bill includes $39.2 billion in net discretionary budget authority, which is a 2% increase from the FY2016 level. The bill's largest funding increases would be provided to the tenant-based rental assistance (TBRA) account and project-based rental assistance (PBRA) accounts, largely to maintain current services for the roughly 3 million low-income families who receive housing assistance through the Housing Choice Voucher program and the project-based Section 8 program.

On May 24, 2016, the House Appropriations Committee approved its version of a FY2017 THUD appropriations bill (H.R. 5394). It includes $38.7 billion in net discretionary budget authority for HUD, nearly $1 billion less than was requested and about $500 million less than was included in the Senate version. Like the Senate bill, H.R. 5394 would provide increases to the TBRA and PBRA accounts, but the increases are smaller than those in the Senate bill or requested by the President.

Congressional action followed the release of the Obama Administration's FY2017 budget request to Congress on February 9, 2016. The request included $48.9 billion in gross discretionary appropriations for HUD (4% increase from FY2016) and $39.6 billion in net discretionary budget authority (3.5% increase from FY2016). Like S. 2844, the largest funding increases proposed were for the PBRA and TBRA accounts, the largest accounts in HUD's budget.

Contents

Tables

Appendixes

Contacts

Introduction to HUD

Most of the funding for the activities of the Department of Housing and Urban Development (HUD) comes from discretionary appropriations provided each year in the annual appropriations acts, typically as a part of the Transportation, HUD, and Related Agencies appropriations bill (THUD). HUD's programs are primarily designed to address housing problems faced by households with very low incomes or other special housing needs.

Three rental assistance programs—Public Housing, Section 8 tenant-based rental assistance (which funds Section 8 Vouchers), and Section 8 project-based rental assistance—account for the majority of the department's funding (more than three-quarters of total HUD appropriations in FY2015). Two flexible block grant programs—HOME and the Community Development Block Grant (CDBG) program—help communities finance a variety of housing and community development activities designed to serve low- and moderate-income families. In addition, in some years Congress appropriates funds to CDBG to assist in disaster recovery. Other more specialized grant programs help communities meet the needs of homeless persons, including those living with HIV/AIDS. HUD's Federal Housing Administration (FHA) insures mortgages made by lenders to home buyers with low down payments and to developers of multifamily rental buildings containing relatively affordable units. FHA collects fees from insured borrowers, which are used to sustain the insurance fund. Surplus FHA funds have been used to offset the cost of the HUD budget.

A Note About the Housing Trust Fund. The Housing Trust Fund (HTF)—a formula grant program administered by HUD—is not funded through the appropriations process; rather, it is funded through contributions from two government-sponsored enterprises, Fannie Mae and Freddie Mac. The HTF received its first annual funding in 2016 and is expected to receive funding again in 2017. Since the program is funded outside of the annual appropriations process, it is not reflected in this report.[1]

Table 1 presents total net enacted appropriations for HUD over the past five years, including emergency appropriations, rescissions, offsetting collections, and receipts. (For more information, see CRS Report R42542, *Department of Housing and Urban Development (HUD): Funding Trends Since FY2002*, by Maggie McCarty.)

Table 1. Department of Housing and Urban Development Appropriations, FY2012-FY2016

(Net budget authority in billions of dollars)

FY2012	FY2013	FY2014	FY2015	FY2016
37.43[a]	46.63[b]	32.81	35.62	38.61[c]

Source: Figures for FY2012 and FY2014-FY2016 are taken from tables produced by the House Appropriations Committee. FY2013 figures are from *FY2012 enacted, FY2013, and FY2014 President's Budget funding table*, prepared by HUD.

Notes: Final appropriations levels for any fiscal year include all supplemental appropriations and rescissions. They do not reflect revised estimates of offsetting receipts. Each year includes advance appropriations for the subsequent fiscal year, not advance appropriations from the previous fiscal year.

a. Includes $100 million in disaster funding provided in the regular appropriations act.

[1] For more information on the Housing Trust Fund, see CRS Report R40781, *The Housing Trust Fund: Background and Issues*, by Katie Jones.

b. Includes $15.2 billion in disaster funding provided through P.L. 113-2. The amount appropriated was $16 billion, which was then reduced by sequestration. FY2013 budget authority reflects reductions due to sequestration and a 0.02% rescission required by Section 3004 of P.L. 113-6.

c. Includes $300 million in disaster funding provided in the regular appropriations act.

FY2017 Status

House Action

On May 24, 2016, the House Appropriations Committee approved its version of a FY2017 THUD appropriations bill (H.R. 5394). The bill includes $38.7 billion in net discretionary budget authority for HUD. That total reflects approximately $48 billion in new gross budget authority for HUD's programs and activities and more than $9 billion in savings from offsets and receipts. This is about $1 billion more in new gross budget authority, but about $400 million less in net budget authority, than was provided in FY2016 (the difference attributable to an additional $580 million in offsetting receipts in FY2017 relative to FY2016). It includes about $500 million less than was included in the Senate-passed bill, and nearly $1 billion less than was requested by the President.

Senate Action

On May 12, 2016, the full Senate began consideration of FY2017 appropriations for Transportation, HUD, and Related Agencies. By custom, appropriations legislation originates in the House of Representatives. Because House action on the FY2017 THUD bill had not yet occurred, the Senate took up H.R. 2577, which is the House-passed version of the *FY2016* THUD bill. The Senate Appropriations Committee substitute amendment (S.Amdt. 3896) to the bill included as Division A the text of the FY2017 THUD appropriations bill as reported by the committee (S. 2844). The substitute amendment also included as Division B the text of the Senate Appropriations Committee-reported Military Construction, Veterans Affairs, and Related Agencies bill. It was approved by the full Senate on May 19, 2016.

Earlier, on April 21, 2016, the Senate Appropriations Committee reported its FY2017 Transportation, HUD, and Related Agencies appropriations bill (S. 2844; S.Rept. 114-243). It would provide $48.4 billion in gross discretionary appropriations for HUD's programs and activities, which is a 3% increase from the FY2016 level. After accounting for savings from offsets and rescissions, the bill includes $39.2 billion in net discretionary budget authority, which is a 2% increase from the FY2016 level.

President's Request

On February 9, 2016, the Obama Administration submitted its FY2017 budget request to Congress. It included $48.9 billion in gross discretionary appropriations for HUD (4% more than FY2016) and $39.6 billion in net discretionary budget authority (3.5% more than FY2016). (For more information, see CRS Report R44380, *Department of Housing and Urban Development (HUD): FY2017 Budget Request Overview and Resources*, by Maggie McCarty.)

FY2016

On December 18, 2015, Congress approved and President Obama signed into law a FY2016 omnibus appropriations law (P.L. 114-113). It included $47 billion in appropriations for HUD; $38.3 billion in net budget authority (excluding $300 million in disaster funding). (For more information, see CRS Report R44059, *Department of Housing and Urban Development: FY2016 Appropriations*, coordinated by Maggie McCarty.)

Table 2 presents account-level funding information for HUD, comparing FY2016 with the FY2017 President's budget request and congressional action. It is followed by a discussion of selected issues and accounts.

Table 2. HUD FY2016-FY2017 Detailed Appropriations

In billions of dollars

Accounts	FY2016 Enacted	FY2017 Request	FY2017 House Comm.	FY2017 Senate
Appropriations				
Salaries and Expenses (Mgmt. & Adm.)	1.360	1.365	1.345	1.365
Tenant-Based Rental Assistance (Sec. 8 vouchers)[a]	19.629	20.854	20.189	20.432
Rental Assistance Demonstration	0.000	0.050	0.000	0.004
Public housing capital fund	1.900	1.865	1.900	1.925
Public housing operating fund	4.500	4.569	4.500	4.675
Choice Neighborhoods	0.125	0.200	0.100	0.080
Family Self Sufficiency	0.075	0.075	0.075	0.075
Native American housing block grants	0.650	0.700	0.655	0.714[b]
Indian housing loan guarantee	0.008	0.006	0.006	0.007
Native Hawaiian block grant	0.000	0.001	0.000	0.005
Native Hawaiian loan guarantee	0.000	0.000	0.000	0.000
Housing, persons with AIDS (HOPWA)	0.335	0.335	0.335	0.335
Community Development Fund (Including CDBG)	3.060	2.880	3.060	3.000[c]
HOME Investment Partnerships	0.950	0.950	0.950	0.950
Self-Help Homeownership[d]	0.056	0.000	0.050	0.054
Homeless Assistance Grants	2.250	2.664	2.487	2.330
Project-Based Rental Assistance (Sec. 8)[e]	10.620	10.816	10.901	10.901
Housing for the Elderly	0.433	0.505	0.505	0.505
Housing for Persons with Disabilities	0.151	0.154	0.154	0.154
Housing Counseling Assistance[f]	0.047	0.047	0.055	0.047
Manufactured Housing Fees Trust Fund[g]	0.011	0.012	0.012	0.011
Rental Housing Assistance[h]	0.030	0.020	0.020	0.020
Federal Housing Administration (FHA) Expenses[g]	0.130	0.160	0.130	0.130
Government National Mortgage Assn. (GNMA) Expenses[g]	0.024	0.024	0.024	0.024
Research and technology	0.085	0.065	0.080	0.090
Fair housing activities	0.065	0.070	0.065	0.065
Office, lead hazard control	0.110	0.110	0.130	0.135
Information Technology Fund	0.250	0.286	0.100[i]	0.273

Accounts	FY2016 Enacted	FY2017 Request	FY2017 House Comm.	FY2017 Senate
Inspector General	0.126	0.129	0.128	0.129
Gross Appropriations Subtotal	*46.978*	*48.911*	*47.955*	*48.434*
Rescissions				
Administrative Provisions	-0.014[j]	0.000	-0.027[k]	0.000
Rescissions Subtotal	*-0.014*	*0.000*	*-0.027*	*0.000*
Offsetting Collections and Receipts				
Manufactured Housing Fees Trust Fund	-0.011	-0.012	-0.012	-0.011
FHA	-7.757	-8.028	-7.998	-7.998
GNMA	-0.886	-1.224	-1.224	-1.224
Offsets Subtotal	**-8.654**	**-9.264**	**-9.234**	**-9.233**
Total Budget Authority	38.311	39.647	38.695	39.201
Disaster Relief Funding	*0.300*[l]	*0.000*	*0.000*	*0.000*
Total w/ Disaster Funding	**38.611**	**39.647**	**38.695**	**39.201**

Source: Table prepared by CRS based on the Comparative Statement of New Budget (Obligational) Authority as published in S.Rept. 114-243, beginning on p. 167; and H.Rept. 114-606, beginning on p. 153.

a. The Section 8 tenant-based rental assistance account includes both current-year and advance appropriations. Typically, Congress appropriates about $4 billion for tenant-based rental assistance for the subsequent fiscal year in addition to funds for the current year.

b. The Senate-passed bill would create a new Indian Block Grants account that would include (1) the programs currently funded in the Native American Housing Block Grant account and (2) the Indian Community Development Block Grant, which is currently funded in the Community Development Fund account. The amount in the table reflects the total amount that would be provided for this new account.

c. Funding for the Indian Community Development Block Grant, which is usually provided in the Community Development Fund account, is included in a new Indian Block Grants account in the Senate-passed bill.

d. The Self-Help and Assisted Homeownership Opportunity Program account provides funds for both the Self-Help Homeownership Opportunity Program (SHOP) and certain capacity building activities. The President's budget proposed funding SHOP as a set-aside within the HOME account and capacity building activities within the Research and Technology account, rather than within their own account.

e. The Section 8 project-based rental assistance account includes both current-year and advance appropriations. Typically, Congress appropriates about $400 million for project-based rental assistance for the subsequent fiscal year in addition to funds for the current year.

f. In addition to HUD's housing counseling assistance program, in recent years Congress has provided funding specifically for foreclosure mitigation counseling known as the National Foreclosure Mitigation Counseling Program (NFMCP), administered by the Neighborhood Reinvestment Corporation (also known as NeighborWorks America). NeighborWorks is not part of HUD, but is usually funded as a related agency in the annual HUD appropriations laws. The President's budget did not request funding for the NFMCP in FY2017, and neither the House committee-passed bill nor the Senate-passed bill would provide funding for the NFMCP.

g. Some or all of the cost of funding these accounts is offset by the collection of fees or other receipts, shown later in this table.

h. The Rental Housing Assistance account is used to provide supplemental funding to some older HUD rent-assisted properties and, when funding is provided, it is typically offset by recaptures. Funding is not requested in this account every year.

i. H.Rept. 114-606, on p. 95, notes that maintenance of basic IT-related systems and activities at HUD requires at least $250 million and states that "prior to enactment, the Committee will work to identify sources of funds to maintain and upgrade the Department's systems."

j. Section 233 of the General Provisions included a rescission of $7 million in unobligated balances from the Neighborhood Stabilization Program and a rescission from FHA's General and Special Risk Program account.

k. Section 237 of the General Provisions includes rescissions of unobligated balances from HUD's Management and Administration and Salaries and Expenses accounts, as well as unobligated balances available from certain HUD recaptures.

l. Section 420 of the General Provisions included $300 million in disaster recovery assistance for states and communities impacted by Hurricane Joaquin and Hurricane Patricia and other storms and flooding events occurring in 2015. This amount was provided as "disaster relief" funding, and is thus effectively exempt from the statutory limits on discretionary spending that apply to the remainder of HUD funding in the bill.

Discussion of Selected Accounts and Issues

Assisted Housing Programs

More than three-quarters of appropriations for HUD supports three programs: Section 8 tenant-based rental assistance (which funds Section 8 Housing Choice Vouchers), Section 8 project-based rental assistance, and the Public Housing program. Together, these three programs serve more than 4 million low-income households. The following subsections discuss appropriations for these three programs.

Section 8 Tenant-Based Rental Assistance

The tenant-based rental assistance (TBRA) account funds the Section 8 Housing Choice Voucher program; it is the largest account in HUD's budget. Most of the funding provided to the account each year is for the annual renewal of more than 2 million vouchers that are currently authorized and being used by families to subsidize their housing costs. The account also provides funding for the administrative costs incurred by the local Public Housing Authorities (PHAs) that administer the program. The account is funded using both current-year appropriations and advance appropriations provided for use in the following fiscal year.

Table 3. Tenant-Based Rental Assistance (Housing Choice Vouchers), FY2016-FY2017

(In billions of dollars)

Section 8 Tenant-Based Rental Assistance	FY2016 Enacted	FY2017 Request	FY2017 House Comm.	FY2017 Senate
Total	**19.629**	**20.854**	**20.189**	**20.432**
Budget Authority for Voucher Renewals	17.682	18.447	18.311	18.355
Rental subsidy reserve	*0.075*	*0.075*	*0.075*	*0.075*
Administrative fees	1.650	2.077	1.650	1.769
Additional Fees	*0.010*	*0.010*	*0.010*	*0.010*
Tenant Protection Vouchers	0.130	0.110	0.110	0.110
Incremental Rental Vouchers	0.000	0.088	0.000	0.000
Incremental Family Unification Vouchers	0.000	0.000	0.000	0.020

Section 8 Tenant-Based Rental Assistance	FY2016 Enacted	FY2017 Request	FY2017 House Comm.	FY2017 Senate
Veterans Affairs Supported Housing vouchers (VASH)	0.060	0.007[a]	0.007[a]	0.057[a]
Section 811 Voucher Renewals	0.107	0.110	0.110	0.110
Mobility Demonstration	0.000	0.015	0.000	0.011

Sources: Table prepared by CRS based on information found in HUD FY2017 Congressional Budget Justifications; S. 2844, and S.Rept. 114-243; and H.R. 5394, and H.Rept. 114-606.

a. $7 million of this amount is to fund the cost of renewing existing Tribal VASH vouchers.

Renewal Funding

Arguably, the most contentious issue in the tenant-based rental assistance account every year is the cost of renewing existing vouchers. All of the roughly 2 million vouchers that are currently authorized and in use are funded annually, so in order for families to continue to receive assistance (i.e., renew their leases at the end of the year), new funding is needed each year. How much it will cost to renew those vouchers is difficult to estimate—since the cost of a voucher is driven by changes in market rents and tenant incomes—and estimates can change from the time the President's budget is released until final appropriations are enacted, as newer data are collected by HUD.

The President's budget estimated that the $766 million increase requested would be sufficient to renew all existing vouchers projected to be in use in 2016. The President's estimate assumes $30 million in savings in renewal costs from a policy change related to medical expense deductions that has been proposed in the past several President's budget requests.

Both the House committee-passed bill and the Senate bill would provide less funding for voucher renewals than requested by the President. The House committee-passed bill includes $135 million less than the request and the Senate-passed bill proposes $92 million less than the request. As requested, and permitted in FY2016, both bills would provide the Secretary with the authority to reallocate unused PHA reserve funding.

S.Rept. 114-243 states that the amount of funding provided, paired with the reallocation authority, would be sufficient to support all vouchers in use. The press release accompanying House Appropriations Committee-passage of H.R. 5394 also contends that the bill provides sufficient funding to maintain all vouchers in use.[2]

Administrative Fees

PHAs are paid a per-unit fee to administer the Housing Choice Voucher program. Thus, the total amount of fees a PHA earns in a year is based on how many vouchers it leases. In recent years, the amount of appropriations provided by Congress has not been sufficient to fully fund all of the fees earned by PHAs under the formula, thus they have received reduced, or prorated, fees.

The President's budget requested an increase of $427 million in administrative fee funding relative to FY2016. HUD's Congressional Budget Justifications contend the requested funding

[2] House Appropriations Committee, "Appropriations Committee Releases Fiscal Year 2017 Transportation, Housing and Urban Development Funding Bill ," press release, May 17, 2016, http://appropriations.house.gov/news/documentsingle.aspx?DocumentID=394537.

level would be sufficient to fund all fees under a new formula HUD is developing based on the findings of a recent administrative fee study, which the department states it hopes to have in place for 2017.

The House committee-passed bill includes no increase in administrative fee funding; rather, it would fund fees at the FY2016 level. The Senate-passed bill proposes a smaller increase than requested by the President (+$119 million more than FY2016).

New Vouchers

New vouchers—or “incremental vouchers”—are vouchers that are funded by Congress and distributed by HUD to PHAs to serve additional families.[3] In recent years, the primary source of new vouchers has been the Veterans Affairs Supported Housing (VASH) program, which is administered jointly with the Department of Veterans Affairs and provides vouchers paired with supportive services for homeless veterans. In some years, the Family Unification Program (FUP), which provides vouchers for families involved in the child welfare system and youth aging out of foster care, has also received funding for additional vouchers.

The President’s budget requested $88 million to fund approximately 10,000 new vouchers for families with children who are experiencing homelessness. Additionally, the President’s budget requested $7 million to renew tribal VASH vouchers that were funded for the first time in FY2015.

The House committee-passed bill includes no funding for new incremental vouchers.

The Senate-passed bill proposes funding two categories of incremental vouchers: $20 million for FUP vouchers and $57 million for VASH vouchers. The committee report directs that HUD prioritize the awards of the new FUP vouchers to PHAs that will target them to youth. The bill also includes provisions designed to improve the program for youth, including a lengthening of the existing 18-month time limit to 36 months (or longer, if the youth is participating in economic self-sufficiency activities) and broadening the age of eligibility up to age 24 (from age 21). (Similar FUP policy changes were proposed in the President’s budget request.) Of the funding for VASH vouchers, $7 million is targeted for the renewal of tribal vouchers, as requested by the President.

Mobility Demonstration

One of the key features of the Housing Choice Voucher program is portability; families can move wherever they choose and take their voucher with them. Mobility is a term often used to describe portability moves made by families to communities with lower poverty rates and greater access to educational or economic opportunities. While some older research findings about the impact of mobility moves on family outcomes have been mixed,[4] recent findings have shown that certain mobility moves may have meaningful impacts for children’s outcomes.[5]

[3] Each year, the President requests, and Congress generally provides, funding for tenant protection vouchers. While tenant protection vouchers are also a type of “new” voucher, they are generally provided to households who are being displaced from other assisted housing. Thus, while the vouchers are new, the families who receive them are not newly assisted.

[4] For example, see Ludwig, Jens, et. al., “Long-Term Neighborhood Effects on Low-Income Families: Evidence from Moving to Opportunity,” American Economic Review, American Economic Association, vol. 103(3), pp. 226-231, May 2013, available at http://ideas.repec.org/a/aea/aecrev/v103y2013i3p226-31.html.

[5] For example, see Chetty, Raj, Nathaniel Hendren, and Lawrence Katz. 2016. “The Effects of Exposure to Better (continued...)

The President's budget requested $15 million for a new mobility demonstration to encourage and support mobility moves by families with vouchers. The funds would be awarded to PHAs to provide mobility services to families, including pre- and post-move counseling, and would also fund an impact evaluation.

The House committee-passed bill would not fund the mobility demonstration; the Senate-passed bill would provide $11 million to fund it.

Section 8 Project-Based Rental Assistance

The Section 8 project-based rental assistance (PBRA) account provides funding to administer and renew existing project-based Section 8 rental assistance contracts between HUD and private multifamily property owners. Under those contracts, HUD provides subsidies to the owners to make up the difference between what eligible low-income families pay to live in subsidized units (30% of their incomes) and a previously agreed-upon rent for the unit. No contracts for newly subsidized units have been entered into under this program since the early 1980s.[6] When the program was active, Congress funded the contracts for 20- to 40-year periods, so the monthly payments for owners came from old appropriations. However, once those contracts expire, they require new annual appropriations if they are renewed. Further, some old contracts do not have sufficient funding to finish their existing terms, so new funding is needed to complete the contract (referred to as amendment funding). As more contracts have shifted from long-term appropriations to new appropriations, this account has grown and become the second-largest account in HUD's budget. This account also funds the cost of performance-based contract administrators or PBCAs, entities contracted by HUD to manage the program (generally, state housing finance agencies or public housing authorities).

Renewals and Contract Administrators

The President's budget request includes $10.581 billion for the cost of renewing PBRA contracts (including $4 million for technical assistance for tenant organizations) and $235 million for the cost of contract administrators. The President's budget documents acknowledge that the amount requested is less than would be needed to fully fund either activity. In the case of PBRA contract renewals, the budget assumes approximately $240 million in one-time savings from providing funding for less than 12 months for some contract renewals as a part of a transition to calendar year funding. Further, the renewal estimate assumes cost savings from a requested policy change in calculation of medical deductions for elderly and disabled residents. In the case of PBCA funding, the budget assumes the use of $60 million in recaptured funding as well as cost savings from issuing new, cost-saving contracts.

Both the Senate-passed bill and the House committee-passed bill propose $10.901 billion for PBRA contract renewals, which is $85 million more than was requested by the President. Neither bill includes the President's proposed change to medical expense deductions; S.Rept. 114-243

(...continued)

Neighborhoods on Children: New Evidence from the Moving to Opportunity Project." American Economic Review 106 (4), available at http://scholar.harvard.edu/hendren/publications/effects-Exposure-Better-Neighborhoods-Children-New-Evidence-Moving-Opportunity.

[6] Under the Rental Assistance Demonstration (RAD), units funded through other HUD-assisted housing programs may convert to Section 8 project-based assistance. These include the Rent Supplement program, Rental Assistance Payments, Public Housing, and Section 8 Moderate Rehabilitation program.

states that the Senate committee increased the funding level above the request because it rejected the policy change. Both bills would fund contract administrators at the requested level.

Public Housing

The Public Housing program provides publicly owned and subsidized rental units for very low-income families. Created in 1937, it is the federal government's oldest housing assistance program for poor families, and it is arguably HUD's most well-known assistance program. (For more information, see CRS Report R41654, *Introduction to Public Housing*, by Maggie McCarty.)

Although there has not been permanent authority to build new Public Housing developments for many years, Congress continues to provide funds to the approximately 3,000 PHAs that own and maintain the existing stock of more than 1 million units. Public Housing receives federal funding under two primary accounts, which, when combined, result in Public Housing being the third-highest funded program in HUD's budget (following the two Section 8 programs). Through the operating fund, HUD provides funding to PHAs to help fill the gap between tenants' rent contributions and the cost of ongoing maintenance, utilities, and administration of public housing properties. Through the capital fund, HUD provides funding to PHAs for capital projects and modernization of their public housing properties. Choice Neighborhoods is an Obama Administration initiative to provide competitive grants to revitalize distressed public and assisted housing properties and their surrounding communities. It is similar to its predecessor program, the HOPE VI program; however, Choice Neighborhoods expands the pool of eligible applicants beyond public housing properties to include other HUD-assisted properties and their communities.

Table 4. Public Housing, FY2016-FY2017

(In billions of dollars)

Account	FY2016 Enacted	FY2017 Request	FY2017 House Comm.	FY2017 Senate
Public Housing Capital Fund	**1.900**	**1.865**	**1.900**	**1.925**
Amount Available for Formula Grants, after set-asides	*1.825*	*1.794*	*1.819*	*1.818*
Resident Opportunities for Supportive Services (ROSS)	*0.035*	*0.000*	*0.035*	*0.035*
Jobs Plus Demonstration	*0.015*	*0.035*	*0.015*	*0.015*
Emergency Needs, inc. Safety and Security	*0.017*	*0.020*	*0.020*	*0.022*
Lead paint grants	*0.000*	*0.000*	*0.000*	*0.025*
Connect Home Initiative	*0.000*	*0.005*	*0.000*	*0.000*
Other set-asides	*0.009*	*0.011*	*0.011*	*0.011*
Public Housing Operating Fund	**4.500**	**4.569**	**4.500**	**4.675**
Choice Neighborhoods	**0.125**	**0.200**	**0.100**	**0.080**

Sources: Table prepared by CRS based on information found in HUD FY2017 Congressional Budget Justifications; S. 2844, and S.Rept. 114-243; and H.R. 5394, and H.Rept. 114-606.

Note: Totals may not add due to rounding.

Operating Fund

Operating fund dollars are allocated to PHAs according to a formula that estimates what it should cost PHAs to maintain their public housing properties based on the characteristics of those properties. When the amount of appropriations provided is insufficient to fully fund the amount PHAs qualify for under the formula, their allocation is pro-rated, or reduced proportionally.

According to HUD's Congressional Budget Justifications, the amount requested in the President's Budget for the Operating Fund for FY2017 (a 1.5% increase from FY2016) would be sufficient to fund an estimated 87% of PHAs' formula eligibility.

The House committee-passed bill would fund the account level with FY2016, which would likely mean a proration level lower than 87%.

The Senate-passed bill proposes to increase funding for the Operating Fund above the President's requested funding level (+2.3%) and the FY2016 funding level (+4%). As a result, under the Senate-approved funding level, the estimated proration level should be higher than 87%.

Capital Fund

The President's budget requested $35 million less for the Capital Fund in FY2017 than was provided in FY2016. In terms of formula grants, the reduction is $31 million. The President's budget requested a new set-aside of $5 million for its "ConnectHome" initiative, designed to expand broadband access in public housing. As in past years, the President's budget proposed to eliminate funding for the Resident Opportunities and Supportive Services (ROSS) set-aside, which funds service coordinators in public housing.

The House committee-passed bill would fund the Capital Fund at the FY2016 level. It would provide more for set-asides than FY2016, which means slightly less (<1%) would be available for formula grants. However, the bill would provide slightly more (also <1%) for formula grants than was requested by the President.

The Senate-passed bill proposes a $25 million increase for the Capital Fund relative to FY2016. That amount reflects a decrease of $7 million for formula grants, but it would fund the ROSS set-aside at the FY2016 level. It does not include funding for "ConnectHome," but does include a new set-aside of $25 million for competitive grants for PHAs to evaluate and abate lead-based paint hazards in public housing.

Rental Assistance Demonstration (RAD)

The Rental Assistance Demonstration (RAD) is an Obama Administration initiative, first authorized by Congress in FY2012. Under RAD, a limited number of units funded through other HUD-assisted housing programs may convert to either project-based Section 8 rental assistance or Housing Choice Vouchers. These include the Rent Supplement program, Rental Assistance Payments, Public Housing, and Section 8 Moderate Rehabilitation program. RAD has never received funding, which means that in order to be eligible, projects must be able to undergo a cost-neutral conversion (i.e., receive no increase in federal subsidy as a result of the conversion).

The President's FY2017 budget request included $50 million to fund RAD in order to allow units that cannot undergo a cost-neutral conversion to participate. It also includes proposed program changes to eliminate the cap on the number of units that can convert under RAD and prohibit the rescreening of tenants in public housing units undergoing a RAD conversion. Similar proposals have been included in the past several President's budget requests. Additionally, for the first time in FY2017, the President's budget requests that RAD be expanded to allow for the conversion of units with Project Rental Assistance Contract (PRAC) assistance under the Section 202 Housing for the Elderly program. HUD contends this expanded authority will allow these units to leverage private financing and thus be preserved.

The House committee-passed bill includes no funding and no expansion for RAD.

The Senate-passed bill proposes to expand the RAD demonstration to the Section 202 Housing for the Elderly program, as requested by the President, and includes $4 million to help fund PRAC conversions. The bill does not include additional funding to support other RAD conversions. The Senate-passed bill would make several additional changes to RAD, including, among others, raising the cap on the number of Public Housing units that can participate from 180,000 to 250,000 and prohibiting rescreening of public housing residents, as proposed in the President's budget.

Community Development Block Grants

The Community Development Block Grant (CDBG) program, funded in the Community Development Fund account, is the federal government's largest and most widely available source of financial assistance supporting state and local government-directed neighborhood revitalization, housing rehabilitation, and economic development activities. These formula-based grants are allocated to approximately 1,194 entitlement communities (metropolitan cities with populations of 50,000, principal cities of metropolitan areas, and urban counties), the 50 states plus Puerto Rico, and the insular areas of American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands. Grants are used to implement plans intended to address housing, community development, and economic development needs, as determined by local officials.

For FY2017, the President's budget requested $2.88 billion for the Community Development Fund, including $2.8 billion for grants under the CDBG program and $80 million for grants for Indian tribes. The requested funding level is $200 million less for CDBG and $20 million more for Indian tribes than was provided in FY2016.

As in the past several budget requests, HUD's FY2017 budget documents state that the agency plans to advance a legislative package of CDBG reforms. Specifically, the Administration's grant reforms, as outlined in HUD's Congressional Budget Justifications, included proposals that would, if approved,

- reduce the number of small grantees, including removing grandfathering protections for communities that no longer meet the population threshold for entitlement status and establishing a minimum grant amount;
- reduce the administrative burden on grantees by synchronizing critical program cycles for the submission of plans and reports;
- help grantees target funding resources to areas of greatest need; and
- provide more options for regional coordination, administration, and planning.

The Administration also proposed an administrative provision to increase (from 10% to 15%) the percentage of CDBG funds allocated to the states of Texas, California, New Mexico, and Arizona that must be used in *colonias*; these are blighted and economically distressed unincorporated areas within 150 miles of the border with Mexico.

The House committee-passed bill would fund CDBG and its related set-asides at FY2016 levels ($3 billion for CDBG grants and $60 million for Indian CDBG grants).

The Senate-passed bill would fund CDBG at $3 billion, which is even with the FY2016 funding level. It would also provide level funding ($60 million) for the Indian Community Development Block Grant (ICDBG) program; however, the bill would fund ICDBG, along with Native American Housing Block Grants, in a new Indian Block Grant account instead of the CDF account. The bill does not include the *colonias* set-aside increase that was requested by the President.

The Federal Housing Administration (FHA)

The Federal Housing Administration (FHA) insures private mortgage lenders against losses on certain mortgages made to eligible borrowers. If a borrower defaults on the mortgage, FHA repays the lender the remaining amount that the borrower owes. The provision of FHA insurance helps to make mortgage credit more widely available, and at a lower cost, than it might be in the absence of the insurance.

The FHA insurance programs are administered primarily through two program accounts in the HUD budget. The Mutual Mortgage Insurance Fund (MMI Fund) account includes mortgages for single-family home loans made to eligible borrowers. It also includes FHA-insured reverse mortgages, known as Home Equity Conversion Mortgages (HECMs). The MMI Fund is the largest of the FHA insurance funds, and when there is public discussion of "FHA insurance" or "FHA loans," it is usually related to the MMI Fund and the single-family home loans insured under that fund. (For more information on the features of FHA-insured home mortgages, see CRS Report RS20530, *FHA-Insured Home Loans: An Overview*, by Katie Jones.) The second account, the General Insurance/Special Risk Insurance Fund (GI/SRI Fund), includes mortgages on multifamily buildings and healthcare facilities such as hospitals and nursing homes.

Offsetting Receipts

The costs of federal loan guarantees are reflected in the budget as the net present value of all of the expected future cash flows from the loans that are expected to be insured in a given year. (Cash inflows include fees paid by borrowers to the federal government; cash outflows include claims paid by the federal government when a loan is not repaid by the borrower.) If the estimated cash inflows exceed the estimated cash outflows—that is, if the insured loans are expected to earn more money for the government than they cost—then the program is said to have a negative credit subsidy.[7] A negative credit subsidy results in *offsetting receipts,* which, in the case of FHA, can offset other costs of the HUD budget.

Historically, the MMI Fund has been estimated to have negative credit subsidy.[8] The resulting offsetting receipts are usually the single largest source of offsets in the HUD budget. While the President's budget request estimates the amount of FHA offsetting receipts, the Congressional Budget Office (CBO) does its own estimates, and the CBO estimates are the ones that are used by congressional appropriators to determine budget authority.

For FY2017, CBO estimates that the MMI Fund's single-family mortgage insurance programs, excluding FHA-insured reverse mortgages, will earn $7.4 billion. This is a slight increase from

[7] Credit subsidy rates do not include administrative expenses.

[8] The credit subsidy rates for loans insured in a given year are re-estimated each subsequent year, taking into account updated assumptions and actual loan performance. Given that estimates of the future performance of loans are inherently uncertain, the Federal Credit Reform Act provides permanent and indefinite budget authority to government loan guarantee programs to cover future increases in the costs of loan guarantees based on these re-estimates.

FY2016, when the MMI Fund's single-family programs were estimated to earn just over $7 billion. In total, FHA programs are estimated to generate nearly $8 billion in offsetting receipts in FY2017, compared to nearly $7.8 billion in FY2016.

Appropriations and Commitment Authority

Because the loans insured under the MMI Fund have historically been estimated to have negative credit subsidy, the MMI Fund has never needed an appropriation to cover the costs of loans guaranteed in a given fiscal year. However, FHA does receive appropriations every year for salaries (included in the salaries and expenses account for the overall HUD budget) and administrative contract expenses.

The President's budget requested $160 million for FHA's administrative contract expenses, $30 million more than was provided in FY2016. The President's budget proposed paying for this $30 million increase through a fee that would be charged to lenders on FHA-insured mortgages they originate. The House committee-passed bill and the Senate-passed bill would both provide $130 million for administrative contract expenses, the same amount that was provided in FY2016. Neither bill would provide FHA with the authority to charge lenders a fee to pay for some administrative support expenses, although both the House and Senate committee reports include language indicating support for the goal of improving FHA systems and technology. The Senate committee report language states that it included resources in the Information Technology account to be used for such purposes.

Annual appropriations acts also authorize FHA to insure up to a certain aggregate dollar volume of loans during the fiscal year. This is referred to as "commitment authority." The President's budget requested the authority to insure up to $400 billion in new mortgages under the MMI Fund and up to $30 billion in new mortgages under the GI/SRI Fund in FY2017, the same amount of commitment authority that was provided in FY2016. The House committee-passed bill and the Senate-passed bill would both provide the same amount of commitment authority.

Selected General Provisions

Funding to Implement HUD's Affirmatively Furthering Fair Housing Rule

The Fair Housing Act requires certain grantees, including communities receiving Community Planning and Development (CPD) formula grants—CDBG, HOME, HOPWA, and ESG funding—as well as the PHAs who administer public housing and the Section 8 Housing Choice Voucher program, to affirmatively further fair housing. While not defined in statute, affirmatively furthering fair housing has been found by courts to mean doing more than simply refraining from discrimination, and working to end discrimination and segregation. (For more information about the obligation to affirmatively further fair housing, see CRS Report R44557, *The Fair Housing Act: HUD Oversight, Programs, and Activities*, by Libby Perl.)

In July 2015, HUD issued a final rule that changes the way in which CPD grantees and PHAs (collectively referred to as "program participants") comply with the requirement to affirmatively further fair housing. The rule has been controversial. When the proposed rule was published, in June 2013, HUD received more than 1,000 comments. Commenters raised concerns that the requirements intrude on the authority of local jurisdictions and constitute social engineering; raised concerns that compliance will be costly, especially for small jurisdictions and PHAs; asked questions as to whether HUD will continue to allow investment in low-income, segregated areas; and expressed uncertainty about how HUD will enforce the rule.

During the FY2016 appropriations process, the House adopted an amendment to the THUD appropriations bill (H.Amdt. 399 to H.R. 2577) that would have prohibited funds in the bill from being used to enforce the affirmatively furthering fair housing rule. The amendment was not included in the final appropriations act. A similar amendment was proposed to the FY2017 appropriations bill in the Senate. S.Amdt. 3897 would prevent funds from being used to carry out the final rule. The amendment was tabled. Instead, the Senate adopted an amendment, S.Amdt. 3970, that would prohibit funds in the appropriations bill from being used to "direct a grantee to undertake specific changes to existing zoning laws" in carrying out the affirmatively furthering fair housing rule (§240 of the Senate-passed appropriations bill).

Housing Assistance for Persons Convicted of Committing Certain Crimes

Under existing federal law, persons convicted of committing certain crimes are either barred from receiving federal rental housing assistance or local program administrators are given authority to bar such persons from receiving assistance.[9] An amendment accepted during floor consideration of the Senate-passed THUD appropriations bill (S.Amdt. 3905) would prohibit any funding in the bill from being used to provide housing assistance to persons convicted of a broader set of crimes than are currently subject to restrictions under federal law. Specifically, the amendment would bar assistance funded under the bill for persons convicted of aggravated sexual abuse, murder, human trafficking, and child pornography (§249 of the Senate-passed bill).

Restrictions Related to the Federal Flood Risk Management Standard

The Federal Flood Risk Management Standard (FFRMS) is the principal mechanism for accomplishing the flood risk management policies established by President Obama in Executive Order (E.O.) 13690.[10] First published in January 2015, the FFRMS aims to improve the resilience of communities and federal assets against the impacts of flooding and the standard is applicable to certain federally funded projects. Section 236 of the House Appropriations Committee-reported FY2017 THUD appropriations bill would prohibit any funding appropriated under the act from being used to implement, administer, carry out, or enforce E.O. 13690 until at least 90 days after the Secretary of HUD makes specified reports to the House and Senate appropriations committees regarding the effects of the new FFRMS.

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[9] For more information about current crime-related restrictions in federal assisted housing programs, see CRS Report R42394, *Drug Testing and Crime-Related Restrictions in TANF, SNAP, and Housing Assistance*, by Maggie McCarty et al.

[10] For more information about E.O. 13690 and the FFRMS, see CRS Insight IN10434, *Federal Flood Risk Management Standard (FFRMS)*, by Nicole T. Carter, Jared T. Brown, and Francis X. McCarthy.

Appendix. The Budget Resolution and Discretionary Spending Caps

HUD appropriations are included as a part of the Transportation, HUD, and Related Agencies appropriations bill (THUD) each year. That bill, like the other 11 annual appropriations bills, is crafted to comply with limits provided in the annual budget resolution, which is, in turn, influenced by the Budget Control Act and its discretionary spending limits. Thus, it is useful to have a basic understanding of these policies and procedures as context when considering the formulation of HUD appropriations levels.

The Budget Resolution

The annual budget resolution provides a budgetary framework within which Congress considers legislation affecting spending and revenue. It sets forth spending and revenue levels, including spending allocations to House and Senate committees. These levels are enforceable by a point of order. After the House and the Senate Appropriations Committees receive their discretionary spending allocations from the budget resolution (referred to as 302(a) allocations), they divide their allocations among their 12 subcommittees (referred to as the 302(b) allocations). Each subcommittee is responsible for one of the 12 regular appropriations bills. While a budget resolution and subcommittee allocations alone cannot be used to determine how much funding any individual account or program will receive, they do set the parameters within which decisions about funding for individual accounts and programs can be made.

The House and the Senate have not yet adopted a budget resolution for FY2017.[11] In its absence, the Senate Budget Committee chair has filed budgetary levels in the *Congressional Record* that are enforceable in the Senate as if they had been included in a budget resolution for FY2017.[12] Based on these levels, the Senate Appropriations Committee reported their initial 302(b) suballocations on April 18, 2016. They include $56.474 billion for the THUD subcommittee, which is approximately $1 billion less than the comparable FY2016 level ($57.301 billion). In the absence of a budget resolution in the House, the House Appropriations Committee has thus far chosen to adopt "interim 302(b) suballocations" for the appropriations bills as they are marked up in full committee.[13] These interim suballocations are not procedurally enforceable. A suballocation for the THUD subcommittee of $58.190 billion was included in H.Rept. 114-606.

The Budget Control Act and Sequestration

In 2011, the Budget Control Act (BCA, P.L. 112-25) was enacted, which both increased the debt limit and contained provisions intended to reduce the budget deficit through spending limits and

[11] For a discussion of budget enforcement mechanisms that may be adopted in the absence of a budget resolution, see CRS Report R44296, *Deeming Resolutions: Budget Enforcement in the Absence of a Budget Resolution*, by Megan S. Lynch; and CRS Report R43535, *Provisions in the Bipartisan Budget Act of 2013 as an Alternative to a Traditional Budget Resolution*, by Megan S. Lynch.

[12] The authority for these actions is provided by Section 102 of the Bipartisan Budget Act of 2015 (P.L. 114-74). The levels were filed by the Senate Budget Committee chair on April 18, 2016. ("Allocation of Spending Authority to Senate Committee on Appropriations for Fiscal Year 2017," Congressional Record, daily edition, vol. 162, no. 59 (April 18, 2016), p. S2121.) No comparable authority for the House Budget Committee chair was provided by the Bipartisan Budget Act.

[13] These interim suballocations are available on the House Appropriations Committee website, at http://appropriations.house.gov/files/?CatagoryID=34785.

reductions. In part, the BCA was intended to accomplish deficit reduction by imposing statutory limits on discretionary spending each fiscal year from FY2012 through FY2021. The BCA specifies separate limits for defense and nondefense spending; HUD discretionary programs are subject to the nondefense discretionary limits.

In addition to the initial spending limits set in the BCA, the law tasked a Joint Select Committee on Deficit Reduction to develop a federal deficit reduction plan for Congress and the President to enact by January 15, 2012. When a plan was not enacted, the BCA required that a one-time sequestration of nonexempt discretionary spending occur in FY2013. (Sequestration is a process of automatic, largely across-the-board spending reductions.) In addition, the BCA required that the discretionary spending limits be lowered further for FY2014 through FY2021.[14] Various amendments to the BCA have been enacted that have altered the discretionary spending reductions that were otherwise scheduled to occur under that law. Most recently, the enactment of the Bipartisan Budget Act of 2015 had the effect of lessening the BCA reductions for FY2016 and FY2017, by establishing higher levels for those fiscal years' limits than otherwise would have been the case. Under current law, those BCA reductions are to resume for the FY2018 limits.

In each fiscal year, if discretionary funding is enacted that exceeds either of the limits (defense or non-defense), then sequestration will be imposed to reduce spending in the applicable category. In terms of mandatory funding, the BCA provided for reductions of nonexempt programs through sequestration each year through FY2021. This has subsequently been amended to occur through FY2024.[15]

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[14] For more information about the BCA and its implementation, see CRS Report R43411, *The Budget Control Act of 2011: Legislative Changes to the Law and Their Budgetary Effects*, coordinated by Steven Maguire.

[15] A very small amount of HUD funding ($3 million from the Rental Housing Assistance Fund) is considered non-exempt mandatory funding subject to sequestration. Additionally, the Housing Trust Fund, which is funded outside of the annual appropriations process, is also subject to mandatory sequestration. See Office of Management and Budget, *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2016*, February 2, 2015, p. 8, https://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/sequestration/2016_jc_sequestration_report_speaker.pdf.