

FY2013 President's Request Budget for HUD - Summary of Funding and Administrative Provisions for Select Programs

Prepared by Citizens' Housing and Planning Association

The Administration's FY2013 Budget Proposal, released on February 13, requests \$44.8 billion in gross budget authority for HUD, \$1.5 billion (3.5%) more than in FY2012. (The increase is predicated on the willingness of Congress to allow HUD to use increased FHA revenues as an offset). It increases funding for homeless assistance and partially restores prior year cuts to several programs, but cuts funding for Project-Based Rental Assistance Contract renewals. The Administrative Provisions include proposed statutory and other changes to allow new cost-saving measures (including a mandatory \$75 minimum rent for most programs) and program innovations. Major elements of the proposed budget and program proposals are summarized below. HUD has posted the budget documents on its [2013 budget website](#) (the [Congressional Justifications](#) include the most detailed narrative information). HUD has also posted a webcast by Secretary Donovan discussing the context of the budget request and program details.

TENANT BASED RENTAL ASSISTANCE (TBRA)

Contract Renewals Requests \$17.237 billion, essentially the same as in FY2012, despite a rise in total vouchers. HUD believes this funding will allow it to renew all authorized vouchers, because it expects to save \$208 million through program changes. The FY2013 allocations will be based on FY2012 leasing and cost data, adjusted for inflation, and HUD is also authorized to adjust allocations for the anticipated impact of proposed program changes on funding needs, including

- a mandatory \$75 minimum rent (with hardship provisions) – estimated to save \$55 million,
- redefining extremely low income as the higher of 30% of AMI or the federal poverty level (est. saving \$121 million) and
- raising the threshold for deducting unreimbursed medical expenses from 3% of income to 10% (est. savings \$32 million)

The proposed budget language requires HUD to pro-rate renewal funding if the appropriation is not enough

- Allows HUD to offset PHA allocations by excess reserves (as determined by HUD) in order to first avoid pro-ration, and then on basis of need
- Eliminates language that exempts MTW agencies from prohibition on using funds to increase authorized number of units under contract
- Sets deadline for notifying PHAs of their allocation as the latter (sic) of 60 days after enactment or March 1, 2013, or later if HUD notifies the House and Senate Committees on Appropriations
- Reduces setaside for PHA allocation adjustments to \$75 million (down from \$103M in FY2012)

Tenant Protection Vouchers (TPV) - Level funds at \$75 million. The Congressional Justifications note that it is difficult to predict need, but that over 30,000 vouchers may come on line during 2012 and another 29,000 in 2013 and that HUD plans to "optimize" the \$75 million and request full funding in 2014.

- eliminates language that limited vouchers to units occupied in the previous 24 months
- omits FY2012 authorizing language (and \$10 million setaside) allowing HUD to issue vouchers to households losing assistance due to a maturing HUD-insured or HUD-held mortgage; an expiring rental assistance contract not entitling tenants to enhanced vouchers, or expiring affordability restrictions under a HUD-administered mortgage or preservation program

Admin Fees - requests \$1.575 billion, up \$225 million (16.7%) from FY2012. HUD notes that funding cuts in recent years forced it to pro-rate the fees by 90% in FY2010, 83% in FY2011 and 74% in FY2012, making it impossible for some PHAs to accept new vouchers. The proposed FY2013 request would require a pro-ration of 81%, but HUD believes that proposed program changes, including reducing mandatory inspections from annual to every two years, accepting inspections conducted for other federal funders, and changing rent certification requirements should also reduce administrative costs.

FSS Coordinators - Not funded from TBRA (was \$60M in FY2012). See new separate line below

VASH - Provides \$75 million for 10,000 new incremental vouchers for veterans (same as in FY2012)

PROJECT BASED RENTAL ASSISTANCE (PBRA)

HUD is requesting \$8.7 billion, \$639 million (7%) less than in FY2012. It plans to renew all contracts, but will meet the budget target by providing less than 12 months funding to contracts that cross fiscal years, cutting contract administrator fees and reducing program costs through the new mandatory minimum rent, tapping contract residual receipts and limiting renewal rents.

In 2012, it plans to

- apply residual receipts accounts to offset assistance payments for “new regulation” contracts
- use Small Area FMRs as a benchmark for determining market rents for Option 1 and 2 renewals, (owners will have to justify rent requests above that level), and

In 2013, it proposes to

- require owners with new regulation accounts to remit funds held in a residual receipts account that exceed an amount to be determined by the Secretary, for deposit into the general PBRA account (legislative authority is required for this)
- apply residual receipts accounts to offset assistance payments for old regulation contracts
- reduce the time period over which an owner may claim vacancy payments from 60 days to 30 days
- continue to use Small Area FMRs to benchmark Option 1 and 2 renewals; for Option 4 renewal, limit except rents to OCAF increases in project budgets result in above market rents

FAMILY SELF-SUFFICIENCY COORDINATORS (Consolidated)

Requests \$60 million - down from \$75 million provided in FY2011 (\$60 million from the TBRA set-aside and \$15 million from the Public Housing Resident Opportunities and Supportive Services account). Rather than funding coordinators for voucher and public housing residents separately, HUD proposes to create a combined program that would also be open to residents in Section PBA developments. Among other things, consolidation would enable HUD to issue and PHAs to respond to one rather than two NOFAs.

PUBLIC HOUSING

Public Housing Capital Fund Requests \$2.07 billion – \$195 million (10%) more than in FY2012, including

- a \$140 million (8%) increase in formula grant funding
- \$50 million for a “Jobs Plus” pilot program providing competitive grants to PHAs to support work through rent incentives and employment-related support services including child care.
- \$0 for Resident Opportunity and Supportive Services (ROSS), down from \$50 million in FY2012

Operating Fund Requests \$4.54 billion, 14% more than in FY2012, but still below the FY2011 appropriation of \$4.6 billion. Formula grants are to be based on CY2012 costs *adjusted* for anticipated savings due to HUD’s proposed program reforms:

- a \$75 minimum rent with hardship provisions
- revised flat rent formula to set a floor equal to 80% of the applicable FMR (increases to phase in), and
- a raised threshold for deducting unreimbursed medical expenses (from 3% of income to 10%)
- Unlike FY2012, does not require adjustment of formula grants based on PHA excess reserves

Rental Assistance Demonstration (RAD) No direct funds. HUD estimates that \$148 million will be transferred from the Public Housing Operating (\$102M) and Capital (\$46M) Funds to the Project-Based and Tenant-Based Rental Assistance accounts in 2013 for the conversion of 48,000 public housing units. It also projects that 4,000 to 6,000 units with Mod Rehab, Rent Supp and RAP contracts will convert in 2013, with conversion costs funded from the Tenant Protection Voucher account. Proposed language change will continue to allow conversion of Mod Rehab properties (at existing subsidy levels) but will not count them against the 60,000 unit program cap.

Choice Neighborhoods Initiative Requests \$150 million, up from \$120 million in FY2012; eliminates FY2012 language that required that at least \$80 million be awarded to PHAs.

Other The Administrative Provisions would make Operating and Capital Fund spending fungible and allow PHAs to use a portion of that funding, along with Section 8 Administrative fees to provide supportive services to residents.

COMMUNITY PLANNING AND DEVELOPMENT PROGRAMS

Community Development Fund

- CDBG Formula Grants Requests level funding (\$2.948 billion), 11.6% below FY2011 appropriation
- Sustainable Communities Requests \$100 million appropriation, up from \$0 in FY2012, and equal to amount appropriated in FY2011.
 - Includes setaside of up to \$3 million to develop energy modeling tool and provide technical support to achieve energy efficiency and green building goals in the HUD-assisted portfolio
- Grants to Indian Tribes Requests level funding (\$60 million)
- Capacity Building Level funds (as set-aside within CDBG Fund, rather than set-aside in SHOP)

HOME Requests level funding (\$1.0 million), maintaining 38% cut from FY2011. The Administrative Provisions propose statutory changes to allow recaptured CHDO funds to be reallocated by formula and to facilitate eviction of tenants in HOME rental units who pose an imminent threat.

HOPWA Requests \$330 million (\$2 million less than the FY2012 appropriation). Narrative states that HUD plans to propose separate legislation to revise funding distribution formula and provide more flexibility regarding allowed uses of funds.

Self-Help and Assisted Homeownership Opportunity Program (SHOP) \$0 requested (down from \$13.5 million in FY2012)

Homeless Assistance Requests \$2.231 billion, a \$330 million (17%) increase over FY2012. Includes

- \$1.937 million for Continuum of Care and rural housing stability grants, up \$344 million (21%) from FY2012
- \$286 million for Emergency Solutions Grants (up 14% from FY2012); under revised regulations, funds can be used for rapid re-housing programs.

Section 202 (Elderly) Requests \$475 million, up \$100 million from FY2012. The increase will fund program expansion (expansion was not funded in FY2012). The Administrative Provisions include language to allow HUD to use the funds for project-based rental assistance without construction grants. HUD would allocate the funds to States so they can assign it to supportive housing projects consistent with State health and human service agency priorities. The change is intended to make it possible to assist more households more quickly at a lower per-unit cost by attaching the assistance to units built with other funds. This approach was adopted for the Section 811 program in FY2012. The \$100 million could support up to 3,450 new units.

Section 811 (Non-Elderly Disabled) Requests \$150 million, 9% less than the \$165 million appropriated in FY2012, including \$54 million for awards of project based rental assistance to States.

Housing Counseling Requests \$55 million, up \$10 million from FY2012, but still well below the \$87.5 million provided in FY2010.

Fair Housing Requests \$68 million, down 4% from FY2012, with a 7% cut to FHAP and 3% cut to FHIP.

Lead Hazard/Healthy Homes Requests level funding (\$120 million), but triples setaside for Healthy Homes to \$30 million, and eliminates FY2012 language requiring that at least \$45 million goes to areas with highest lead abatement needs.

Native American Housing Block Grants Requests \$650 million (the amount appropriated in FY2012).

Native Hawaiian Block Grant Requests \$13 million (the amount appropriated in FY2012).

MANDATORY SPENDING PROPOSALS (LEGISLATION REQUIRED)

On the “mandatory” spending side of the budget (which is not subject to the Budget Control Act caps), HUD is again proposing two new initiatives, both of which will require legislation.

Housing Trust Fund Requests \$1 billion for FY2013 (legislation required) – HUD is exploring alternative funding sources, as the planned contributions by the GSEs have been indefinitely suspended.

Project Rebuild Requests \$15 billion to “build upon the success of” the Neighborhood Stabilization Program (NSP) and “expand opportunities to address abandoned and foreclosed commercial properties for redevelopment purposes.” (NSP rounds 1-3 totaled \$6.92 billion.) Would provide:

- \$10 billion for formula grants to State and local government and
- \$5 billion for competitive awards to government, for-profit and non-profit entities.

ADMINISTRATIVE PROVISIONS (Selected)

§217 Home Equity Conversion Mortgages Proposes to permanently remove cap on the total number the FHA can insure, rather than providing for annual exemptions

§221 Definition of PHA Proposes to change the definition of a PHA that operates public housing to include a consortium of PHAs.

§222 Sponsor-Based Rental Assistance for Homeless Families Would allow PHAs to use up to 5% of their authorized Tenant-Based Rental Assistance units to provide sponsor-based rental assistance for homeless families in permanent supportive housing. Sponsor must be non-profit. HUD Secretary must establish program requirements.

§223 Minimum Rents and Flat Rents

- **Public Housing Flat Rents** Would set a minimum flat rent for the first, requiring that they be no lower than 80% of the applicable Fair Market Rent (FMR). PHAs must comply with this by September 30, 2013, but floor can be phased in if it would increase a family’s existing rental payment by more than 35% (the annual increase can’t exceed 35%). PHAs would not be required to decrease the flat rent floor if FMRs decline from the prior year.
- **Mandatory \$75 Minimum Rent** Would require that all PHAs set a minimum rent of \$75 per month (currently the minimum is \$50 and is optional) for public housing, HCV, Mod Rehab and Project-Based Section 8 units. Also imposes the \$75 minimum rent “which shall include any amount allowed for utilities” for Section 202, Section 811 and Section 236 housing, with hardship exemptions and adds language requiring HUD to establish a minimum rent for the Rent Supplement program consistent with other HUD rental assistance programs.

§224 Rent Policy Demonstrations Provides HUD Secretary with temporary (5 year) authority to allow funds provided to PHAs to be used to carry out rent policy demonstrations involving a limited number of families to test the effectiveness of different rent policies in encouraging families to obtain employment, increase incomes and achieve economic self-sufficiency, while reducing administrative burdens and maintaining housing stability. Requires HUD to report on results of any such demonstrations.

§225 Inspections (TBRA) Revises PHA inspection requirements for the voucher program from annual to at least every two years, rather than annually, and allows use of inspections conducted to meet other federal, state or local housing program requirements (including HOME and LIHTC) to meet this obligation. Requires PHAs to conduct interim inspections when notified by a tenant of an HQS violation. PHAs must conduct the interim inspection within 24 hours of notification of a life-threatening condition and within 15 days otherwise. *The effective date of this provision will be at the discretion of the Secretary.*

§226 Consolidated Opportunities for Resident Enrichment (CORE) Allows PHAs to use a percentage of their Public Housing Operating and Capital funds and Section 8 administrative fees to fund the provision of supportive services, including direct services, service coordination and case management, to promote

positive resident outcomes related to housing stability, education, health, safety, economic security, self-sufficiency and quality of life. HUD will establish the percentage of funds that may be used for this purpose by a Federal Register notice and must create program guidelines. A PHA's CORE program must be consistent with its Annual Plan and funds and fees may be set aside for this purpose for two years, after which they must be used for the purposes for which they were originally provided.

§227 Indian Housing Loan Guarantee Fees Proposes increase in fees to 3% upfront and 1% annually.

§228 Public Housing Operating and Capital Fund Fungibility Allows PHAs to spend Operating Fund and Capital Funds interchangeably (i.e. with full fungibility). The Congressional Justifications describe this provision as the first step towards the proposed full consolidation of the two Funds to reduce administrative burdens.

§229 Ginnie Mae Securitization of Loans Insured under FHA Risk-Sharing (Small Building Financing) Revises FHA Risk-Sharing mortgage insurance program so that Ginnie Mae can securitize the insured loans, including small (5-49) affordable multifamily developments.

§230 Rental Assistance Demonstration – Exemption of Mod Rehab Conversions from 60,000 unit cap Revises authorizing language to apply the 60,000-unit cap to public housing conversions only. This would allow more public housing conversions under the demonstration without limiting Mod Rehab conversions.

§231 HOME Program Revisions (CHDO Recaptures; Lease Terminations) Allows funds recaptured from the 15% setaside for CHDO projects due to failure to obligate to be reallocated by formula as regular HOME funds (under current law, the recaptured funds are allocated to other CHDO projects or for CHDO technical assistance). Eliminates 30 day waiting period for lease termination if the grounds involve a direct threat to tenants or employees of the housing or an imminent and serious threat to the property.

§232 Revised Definition of Extremely Low Income, Revised Threshold for Medical Deductions Revises definition of Extremely Low Income (ELI) to the higher of 30% of AMI or the federal poverty level; raises the threshold for deducting unreimbursed medical expenses from 3% to 10% of family income.

§234 Section 202 Project Rental Assistance Revises statute to allow HUD to provide operating assistance-only to state and local delegated processing agencies to fund supportive housing units aligned with State health care priorities. The state health and human services agency for each project must identify the target population to be served and agree to make appropriate services available.