



FY 2017 Appropriations

Final Bill To Include Deep Funding Prorations

CONGRESS HAS THE REMAINING DAYS in September to wrap up work on FY 2017 Appropriations bills before the new federal fiscal year begins on October 1. **In spite of starting the Appropriations process with a bipartisan budget agreement in hand, efforts to reach agreement on bills that will guide \$1 trillion in federal spending are well behind schedule.** The Senate process moved smoothly and passed all 12 bills through their respective committees with strong bipartisan support. The House appropriations process, in contrast, stalled early on with obstruction from members who wanted lower spending levels than those agreed to in two-year budget deal struck in 2015.

The first order of business in September is for Congress to pass a short-term continuing resolution (CR) to provide more time to reach agreement on spending bills. The CR will provide current funding levels to keep the government operating to a date beyond the November elections. Congressional leaders have downplayed talk of yet another

massive omnibus spending bill that combines all 12 spending bills, but it seems increasingly likely. There is also mention of a year-long CR that would lock-in current low funding levels. The table below shows a comparison of FY '17 budget proposals. **PHADA supports passage of the Senate T-HUD spending bill.**

FY 2017 T-HUD Budget Proposals

	Industry Est. of Need	FY 2016 (current)	White House	House	Senate
Operating Fund	\$5.464 B	\$4.500 B	\$4.569 B	\$4.500 B 82% proration	\$4.675 B 86% proration
Capital Fund	\$5.000 B	\$1.900 B	\$1.865 B	\$1.900 B 54% accrual	\$1.925 B 55% accrual
HCV Renewals	\$18.477 B	\$17.682 B	\$18.447 B	\$18.312 B	\$18.355 B
Admin Fee	\$2.122 B	\$1.650 B	\$2.077 B	\$1.650 B 78% proration	\$1.768 B 83% proration
Choice Neighborhoods	\$200 M	\$125 M	\$200 M	\$100 M	\$80 M
RAD	(see Capital Fund narrative on page 2)	Ø	\$50 M	Ø	\$4 M

Operating Fund

Both House and Senate appropriators proposed the sixth deep budget proration for the Operating Fund in as many years. The Senate provided the better number – \$4.675 billion or approximately 86 percent of actual operating need. This dismal funding for public housing appears to create “disparate treatment” of public housing residents who must wonder why the Federal government treats them quite differently from their counterparts living in other rental assistance programs.

Many public housing residents live in units that have become “federal funding orphans.” Approximately 160,000 public housing units effectively receive no operating fund subsidy because of deep funding prorations that negate the negotiated operating fund formula. These same units also receive no capital funding.

Capital Fund

The Senate provided \$1.925 billion or slightly more funding than the House. This level is just 38 percent of the industry’s estimated annual capital need – and 55 percent of the annual accrual of need. Both capital spending proposals are dangerously low so there is little distinction between (54 percent or 55 percent of annual accrual) between them. This modest level of funding means that the capital need backlog (\$26 billion) continues to grow unabated. Severe underfunding of the Capital and Operating Funds also undercuts RAD’s ability to serve more public housing properties, especially those with significant redevelopment needs.

Housing Choice Voucher Renewals

The voucher renewals typically cover the number of vouchers currently in use. The Senate provided a slightly higher amount – \$18.355 billion. The actual proration will be determined as more program data becomes available. The Senate proposes \$630 million more than the current FY 2016 funding level.

Administrative Fee

Senate Appropriators provided slightly higher Administrative Fee funding at \$1.768 billion – bringing it to a roughly 83 percent proration. The House chose to keep funding at current levels – \$1.650 billion. Both proposed levels can be safely described as de facto sequestration funding levels. This level of funding harms the efficiency and effectiveness of the voucher program and causes far too many vouchers to be idled by short-handed agencies.

Choice Neighborhoods

The Senate kept the Choice Neighborhood Initiative alive with an allocation of \$80 million that will likely allow 2–3 implementation grants to be funded. The House provided a higher amount of \$100 million might provide 3–4 implementation grants.

RAD

House Appropriators decided not to make changes to the Rental Assistance Demonstration (RAD). The Senate bill, however, raised the unit cap from 185,000 to 250,000 and provided \$4 million to assist elderly housing properties in the Section 202 program to convert to the Section 8 funding platform. The bill also includes protections for tenants of RAD-converted properties from being re-screened or terminated upon conversion.

Regional Mobility Demonstration

The Senate bill includes an \$11 million mobility demonstration to help voucher holders move to low-poverty neighborhoods that offer improved access to jobs, better schools and increased economic opportunities. Participating PHAs will use their existing vouchers to test and evaluate mobility strategies for randomly selected participant families.



Obama-era Public Housing Funding Shortfalls Top \$25 Billion

	Operating Fund	Capital Fund	HCV Admin Fee
	- Top number (bold) is the annual industry estimate of funding need. (All numbers are expressed in billions). - Second number is actual level of funding provided by Congress through Appropriations bills. - Red numbers indicate shortfalls in funding for housing and the needy households they serve.		
2009	\$5.300 \$4.455	\$5.000 \$2.450	\$1.540 \$1.450
	(0.845)	(2.550)	(0.090)
2010	\$5.500 \$4.760	\$5.000 \$2.500	\$1.650 \$1.575
	(0.740)	(2.500)	(0.075)
2011	\$5.084 \$4.956	\$5.000 \$2.040	\$1.720 \$1.447
	(0.128)	(2.960)	(0.273)
2012*	\$4.976 \$3.941	\$4.000 \$1.875	\$1.770 \$1.350
	(1.035)	(2.125)	(0.420)
2013†	\$5.056 \$4.054	\$5.021 \$1.785	\$1.807 \$1.307
	(1.002)	(3.236)	(0.500)
2014	\$5.150 \$4.399	\$5.072 \$1.875	\$1.968 \$1.500
	(0.751)	(3.197)	(0.468)
2015	\$5.315 \$4.400	\$5.000 \$1.875	\$2.134 \$1.530
	(0.915)	(3.125)	(0.604)
2016	\$5.370 \$4.500	\$5.000 \$1.900	\$2.233 \$1.650
	(0.870)	(3.100)	(0.583)
ARRA‡		\$4.000	
	Operating Fund underfunded amount: (\$6.286 B)	Capital Fund underfunded (approx): (\$18.800 B)	Admin Fee underfunded amount: (\$3.013 B)

The negotiated operating fund formula was established in 2004 to align public housing management costs to those in the private sector. Congress has abided by the formula agreement only twice since 2004. Underfunding subjects PH residents to disparate treatment and adverse effects relative to residents in other HUD rent assisted units. It also creates approx. 160,000 public housing units that are "funding orphans" – that effectively receive no OP Funds and are at risk of being lost from the inventory.

This is a somewhat subjective calculation. The industry bases its estimate on the amount of annual accrual of capital needs (\$3.5 B) plus a modest annual amount (\$1.5 B) to reduce the \$26 billion capital backlog measured by the 2010 CNA report by Abt Associates.

The Rental Assistance Demonstration (RAD) has generated \$2 billion in private investment (over three years) to address capital needs – far too little to keep pace with the growing capital needs caused by current underfunding.

A recent HUD study provides evidence that the Admin Fee funding levels are inadequate to support the complex, labor-intensive voucher program.

Low Admin Fee funding plays a role in more than 100,000 vouchers going unused. It also has forced hundreds of communities to relinquish their voucher programs because they are no longer financially viable.

*HUD offsets PH operating reserves | †Sequestration in effect | ‡One-time stimulus act funding

Keep Talking With Congress – About Funding and Policy Needs

Five points to make when talking to your Members of Congress:

1. Federal funding for public housing programs is deeply inadequate and has been for years

- ☑ The Operating Fund is facing the sixth consecutive deep proration
- ☑ The Capital Fund has a capital needs backlog of \$26 billion that continues to grow
- ☑ The HCV Administrative Fee slows/limits the number of vouchers in use

2. It is unlikely that there will be better funding for deeply-subsidized housing in the near future

- ☑ The aging of America is sharply growing the mandatory spending side (Social Security, Medicare) of the Federal Budget
- ☑ Increased mandatory spending is squeezing out discretionary spending
- ☑ In spite of recent deficit-reduction efforts, the nation's debt is expected to grow steadily in the future

3. HUD continues to add new costly requirements to already burdensome rules and regulations

- ☑ HUD fails to recognize or respond to the funding realities
- ☑ The toxic mix of low funding and costly policy burden threatens housing resources

4. This low funding/heavy policy imbalance is not sustainable

- ☑ Public housing inventories faces an existential threat
- ☑ Low Administrative Fee funding limits the number of vouchers in use

5. Congress needs to intervene to help housing agencies preserve this vital housing

- ☑ Agencies needs improved funding for the Operating Fund, Capital Fund, and the HCV Administrative Fee
- ☑ Agencies needs immediate policy improvements to relieve agencies from the crushing burden of costly rules and reports
- ☑ Agencies need flexibility to seek new revenue sources and cost savings

Visit the PHADA website at: www.phada.org for more information about the funding and policy needs of public housing during this unparalleled time of chronic underfunding and costly over-regulation.