



# FY 2018 Appropriations

## Federal Funding Continues Steep Decline

THE FY 2018 T-HUD APPROPRIATIONS BILLS extend the long-standing disinvestment in public housing programs by the federal government. PHADA continues to advocate for the **funding required to operate programs and make capital improvements for the 1.1 million public housing families and the 2.3 million voucher families who rely on their local housing authority to administer these important programs** throughout the nation.

### FY 2018 T-HUD Budget Proposals

	INDUSTRY EST. OF NEED	FY 2017 (CURRENT)	WHITE HOUSE	HOUSE (H.R. 3533)	SENATE (S. 1655)
Operating Fund	\$5.074 B	\$4.400 B	\$3.900 B	\$4.400 B 92% proration <sup>1</sup>	\$4.500 B 94% proration <sup>2</sup>
Capital Fund Formula	\$5.000 B	\$1.942 B	\$0.628 B	\$1.850 B	\$1.945 B
HCV Renewals	\$19.840 B	\$18.355 B	\$17.584 B	\$18.710 B 97% proration	\$19.370 B 99.5% proration
Admin Fee	\$2.389 B	\$1.650 B	\$1.550 B	\$1.550 B 64% proration	\$1.725 B 72% proration
Choice Neighborhoods	\$200 M	\$138 M	\$0	\$20 M	\$50 M

1. HUD has stated that the House figure is approximately 92 percent of formula eligibility. PHADA believes that the proration may be overstated as a result of flawed data and/or imprecise application of the data being utilized by HUD, which is overly optimistic regarding tenant rents paid to HAs. HUD asserts that this rental income has been increasing at 6–8 percent. PHADA wrote to HUD in mid-May about its concerns but has yet to receive a response.

2. The Senate Appropriations Committee for FY 2018 T-HUD noted in its Report that HUD's methodology for calculating formula income and utility expenses for HAs does not accurately reflect the reality that many experience locally, especially those HAs that administer elderly or disabled housing.

NOTE: All prorations are estimates, based on numerous factors and are subject to change.

### Operating Fund

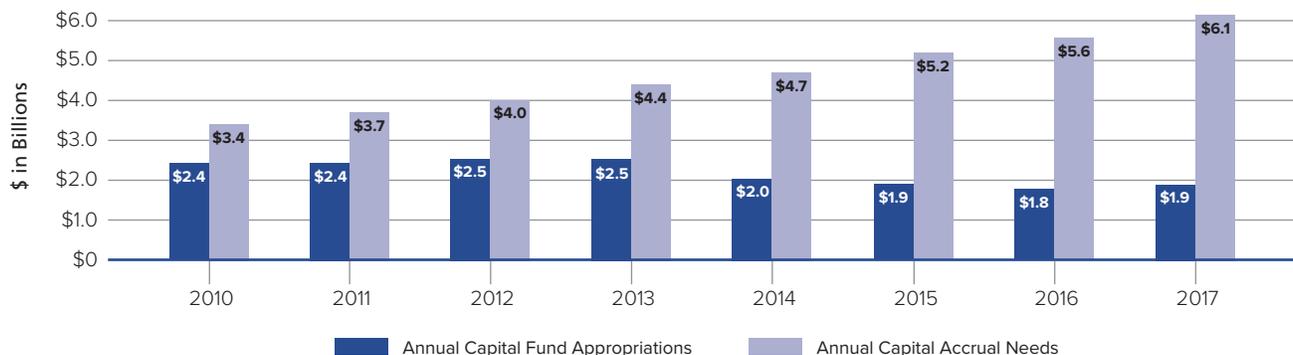
The White House proposed funding at \$3.9 billion, which represents a \$500 million cut from the FY 2017 enacted amount of \$4.4 billion. The House Appropriations Committee proposed level funding to FY '17 while the Senate Appropriations Committee figure is \$100 million more at \$4.5 billion. This figure still falls significantly short of the **\$5.074 billion industry proposed estimate of need**, which would allow HAs to restore staff, services and deferred maintenance and would improve the quality of life for lower income residents. It should be noted that more than half of all public housing residents are elderly and/or disabled and the rest are primarily families with children. The federal government should support adequate funding levels to support the most vulnerable populations and to strengthen families.

### Capital Fund

The industry proposes \$5 billion for the Capital Fund, to be distributed by formula, for FY 2018. This amount would allow HAs to address their newly accruing needs as well as make progress against their backlogs. **Without these funds, HAs cannot maintain housing for current families or house families in need on their waiting lists.** Despite this need, the White House proposed an eviscerating cut of nearly \$1.3 billion in capital funding from FY '17. While the House rejected this proposal, its bill still reduces the account to a level of just \$1.85 billion, or just over one-third of need, while the Senate proposed \$3 million more than last year at \$1.945 billion. **Such a low funding amount will no doubt lead to the loss of even more hard units, which HUD says have been averaging about 10,000 units per year the last several years.**

## Loss of Capital Funding Needed to Keep Families' Homes Safe and Healthy

Annual Capital Fund Appropriations vs. Annual Capital Accrual Needs



A study report by Abt Associates in 2010, Capital Needs in the Public Housing Program, shows an annual accrual estimate of \$3.4b. Furthermore, failing to meet existing Public Housing capital needs compounds at an additional 8.7 percent each year.

### Section 8 Voucher Programs

The White House proposed funding voucher renewals at \$17.584 billion, which is \$771 million less than FY '17 and \$2.25 billion less than estimated industry need of \$19.840 billion. The House Appropriations Committee proposed \$18.710 billion while the Senate figure is at \$19.370 billion. These figures represent a two percent and five percent increase, respectively, over FY '17 enacted levels but are significantly below the industry's estimate of need of \$19.840 billion. Based exclusively on direct HAP funding in the bill (and absent HUD's offset of HAP reserve), **PHADA estimates that the House funding gap represents well over 100,000 vouchers for lower income families to rent dwelling units in the private market across the nation.**

### Administrative Fees

The industry determined need of nearly \$2.4 billion would be sufficient to fund all HAs at 100 percent of their eligibility. The House Committee accepted the Trump Administration's request of just \$1.55 billion for voucher administrative fees, **which is \$100 million less than 2017.** PHADA estimates this would be a proration of 64 percent for HAs to administer the program. It is simply unreasonable to think that HAs can effectively run a program at these funding levels. Indeed, PHADA has demonstrated – and even HUD has conceded – **that deep administrative fee prorations have hurt the program and reduced the number of vouchers that could otherwise serve needy families.** This service includes assisting families in finding rental housing, inspecting their selected dwelling units to ensure safety and health standards are met and executing a contract on their behalf with a landlord in the private sector. The Senate figure is more generous at \$1.725 billion but still \$675 million less than need.

### Fungibility of HAP Reserves and Admin. Fees

**PHADA continues to advocate to bring administrative fee prorations up to 90 percent in order to allow HAs to meet the many demands of the Voucher Program,** including: housing lower income families in rental units that are decent, safe and sanitary; verifying family income and ensuring that families pay appropriate rents; and ensuring that rents to private landlords are reasonable and timely paid.

### Rental Assistance Demonstration (RAD)

The FY '17 Consolidated Appropriations Act increased the RAD cap from 185,000 to 225,000 units and extended the demonstration to 2020. However, in many instances the RAD rent levels are not workable for conversion. In addition, talk



Cambridge Housing Authority's RAD conversion.

of federal tax reform has created great uncertainty in the Low Income Housing Tax Credit market. **This uncertainty has already been felt in lower pricing for housing tax credits** and has consequently created new equity in the financial structure of many properties in the pipeline.

# PHADA Urges Members to Advocate with Congress for More Responsible Funding Levels and Reforms

## Update on Major Legislation

PHADA continues to advocate for legislative relief that will: 1) provide flexible programs with sensible solutions to counter severe federal cuts; 2) reduce regulatory burdens in favor of more common sense approaches, especially in light of scarce resources; and 3) allow HAs to maintain and expand their housing inventories and serve the greatest number of residents. PHADA will advocate for the legislation shown below in this and coming sessions:

## SHARP Bills (Small Public Housing Agency Opportunity Act)

**S. 2292\* (Tester, D-MT; Fischer, R-NE) and H.R. 4816\* (Palazzo, R-MS; Ashford, D-NE; Bishop, D-GA)**

While the above-noted legislation stalled in the FY '17 Session, Sen. Tester hopes to reintroduce similar legislation soon while Rep. Palazzo is trying to work some related provisions through Appropriations. PHADA continues to work with Congress for its passage, which would have positive and consequential impact on more than 2,700 small (550 or fewer public housing units), lower risk agencies nationwide. PHADA recently provided



*Dedham Housing Authority, MA.*

language that will prohibit many burdensome regulatory requirements by HUD to small HAs and this language is now in a House Appropriations Committee Report. The Committee directed HUD to identify and execute administrative and regulatory actions, particularly where requirements have been expanded beyond what is statutorily mandated and undermines an HA's ability to deliver safe and affordable housing stock to low-income families. This will reduce administrative burdens on HAs and allow them to devote more resources to serving residents, including waivers of and changes to regulatory provisions and policy guidelines related to:

- (1) PHA administrative, planning, and reporting requirements
- (2) Audits, including energy audits
- (3) Income verifications and re-certifications,
- (4) Program assessments

## Moving to Work (MTW)

**H.R. 5137 (Majority Leader McCarthy, R-CA) – Moving To Work Reformation and Expansion Act**

This bill was introduced in the 114th Congress in 2016. The legislation called for a substantial expansion of the MTW program. While there is no similar bill in the current 115th Congress, PHADA continues to advocate for a more expansive program with fewer restrictions. Expansion of the MTW program will allow for local decision making to address local needs as well as creative solutions such as rent reforms, which could be tied to job and educational training to help families achieve economic independence. MTW will combine funding streams so that local HAs can better determine how to use them.

## Low Income Housing Tax Credit (LIHTC)

**S. 548 (Cantwell, D-WA; Hatch, R-UT) – Affordable Housing Credit Improvement Act of 2017**

This legislation, introduced in March of this year, would expand and strengthen the LIHTC through a number of measures, including increasing the amount of available tax credits by 50 percent, phased in over five years. It is estimated that this would create or preserve approximately 1.3 million rental units over 10 years, an increase of 400,000 more units than is possible under the current program. The bill allows that "selection criteria under a qualified action plan would not consider support or opposition with respect to the project from local or elected officials." This is especially problematic in high-opportunity areas where local officials may not support the development of affordable housing. A nearly identical companion bill, H.R. 1661, was introduced shortly after the Senate bill in the House by Rep. Tiberi (R-OH) and Rep. Neal (D-MA). The House bill does not have the 50 percent phased-in increase in the tax credit cap and treats certain energy tax credits differently, but otherwise has identical provisions to the Senate legislation. For more detail, see the full analysis at PHADA's website: [www.phada.org/advocate/article.php?storyid=2703](http://www.phada.org/advocate/article.php?storyid=2703).

## Links to the House and Senate Bills

- [www.congress.gov/bill/115th-congress/house-bill/1661](http://www.congress.gov/bill/115th-congress/house-bill/1661)
- [www.congress.gov/bill/115th-congress/senate-bill/548](http://www.congress.gov/bill/115th-congress/senate-bill/548)

Visit the PHADA website at: [www.phada.org](http://www.phada.org) for more information about the FY 2018 Appropriations Bills.

*\*These bills were introduced in the 114th Congress. Sen. Tester is still working to introduce new bills in the 115th Congressional session. The Senate bill will be introduced soon. Read more about SHARP at PHADA's website: [www.phada.org/pdf/SHARP\\_Brochure\\_06-15\\_final.pdf](http://www.phada.org/pdf/SHARP_Brochure_06-15_final.pdf).*

## PHADA Urges Members to Advocate to HUD for Regulatory Relief Better Programs Help HAs Serve Families

PHADA submitted comments to the Federal Register Notice on Reducing Regulatory Burden. The entire text of this document is available on PHADA's website at: [www.phada.org/pdf/FRNoticeComments\\_ReducingRegulatoryBurden\\_FINAL.pdf](http://www.phada.org/pdf/FRNoticeComments_ReducingRegulatoryBurden_FINAL.pdf).

A brief summary of these issues, as well as of the MTW operations notice, follows:

- **Demolition/Disposition Policy and Regulations** – Current HUD guidance (Notice PIH 2012-07) severely limits and, in some situations, effectively prohibits HAs from demolishing or disposing of public housing as authorized by Section 18 of the U.S. Housing Act of 1937. PHADA believes the Notice itself is invalid, inconsistent with law and Congressional intent, and interferes with the goal of improving affordable housing opportunities for low-income families. HUD has yet to take further action on its proposed rule and continues to impose the requirements in its notice on demolition/disposition proposals.
- **PHAS/SEMAP Rules and Regulations** – PHADA believes it is unfair to “grade” and penalize agencies through a scoring system that assumes full funding in the current funding environment.
- **Assessment of Fair Housing (AFH) Tool** – Our members fully support the goals of fair housing, but HUD's AFH tools are overly burdensome and of limited use to local agencies in addressing fair housing.
- **Section 3 Proposed Rule** – The proposed rule consists of significantly increased oversight and compliance requirements, added complexity to an already arduous program, and considerable increased administrative and regulatory burdens. The rule undermines an HA's ability to perform the core mission of providing affordable housing to vulnerable populations like children, the elderly, disabled and veterans.
- **Proposed Uniform Physical Condition Standards for the Voucher Program (UPCS-V)** – The demonstration and potential implementation of a new physical inspection standard in the HCV program is imprudent and could have serious and far-reaching consequences including decreased housing choice for residents, loss of landlords to the HCV program and increased costs to both HAs and residents.
- **Smoke-Free Public Housing Final Rule** – PHADA is concerned with the potential for unintended consequences and increased costs, particularly to vulnerable populations like the elderly, disabled and veterans. PHADA questions why the rule applies only to the public housing program.
- **Proposed Administrative Fee Formula for the HCV Program** – HUD plans to dramatically change HA fee rates, which will have profound and adverse impacts on an HA's ability to serve low-income households, property owners and local communities. PHADA believes the rule is flawed and that a change in law should be approved by Congress through statute not through Rulemaking, as HUD proposes.
- **Environmental Review Requirements** – Housing authorities should not be required to complete a cumbersome environmental review process for routine maintenance and minor rehabilitation work within existing developments.
- **Asset Management Reversal and COCC Proposed Changes** – Based on a methodologically unsound Office of the Inspector General (OIG) report, HUD plans to reverse and abandon a longstanding policy position related to asset management. This would not only create an accounting nightmare for HAs related to the tracking of fees and income but could prevent local, strategic entrepreneurial efforts.
- **PHA Annual and Five-Year Plan** – The Department should suspend or eliminate Annual and Five-Year Plans. HAs already complete budgets and strategic planning with thorough input from residents, the public and state and local governments.
- **Executive Compensation Salary Cap** – PHADA opposes HUD's proposal to cap housing authority executive salaries and asserts that salary caps represent bad public policy and an overreach. Other public and non-profit recipients of federal dollars are not subject to similar limits. HUD and Congress should be concerned with the quality of leadership available to manage large, complex organizations that consume significant proportions of deeply assisted housing program resources.
- **Real Estate Assessment Center (REAC) Standards Guidance** – HUD met with industry groups and several HAs over a two-day session in 2012 to make REAC requirements more effective. The participants agreed to nine improvements, which PHADA encourages the Department to implement as soon as possible.
- **HUD-REAC Contractor Inspection** – PHADA supports the Joint Explanatory Statement and Senate Appropriations Committee report (S. Rpt. 114–243) accompanying the FY '17 Consolidated Appropriations Act (Public Law No. 115-31), as it pertains to Congressional directives to HUD-REAC to overhaul its contract inspectors. The Committee stated its disappointment that HUD has not developed a broader strategy and advised HUD to move swiftly to implement previously identified deficiencies.
- **Moving to Work Operations Notice** – PHADA has many concerns about this notice, which in many instances goes well beyond the statutory mandate with unnecessary and inappropriately limiting language and would have the effect of dramatically watering down the Congressional intent for a robust and significantly expanded MTW demonstration.