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Transportation, Housing and Urban Development, and Related Agencies (THUD): FY2015 Appropriations

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Summary

The House and Senate Transportation, Housing and Urban Development, and Related Agencies (THUD) appropriations subcommittees are charged with providing annual appropriations for the Department of Transportation (DOT), Department of Housing and Urban Development (HUD), and related agencies. THUD programs receive both discretionary and mandatory budget authority; HUD's budget generally accounts for the largest share of discretionary appropriations, but when mandatory funding is taken into account, DOT's budget is larger than HUD's budget. Mandatory funding typically accounts for around half the total annual THUD appropriation.

The THUD bill's appropriation totaled $104 billion in FY2014: $51 billion in net discretionary funding and $53 billion in mandatory funding. But there is a decrease of $3 billion in offsetting receipts to HUD for FY2015 compared to FY2014. Thus, just to maintain the FY2015 THUD bill's overall budgetary resources at the same level as in FY2014, the THUD bill would need $3 billion more in budget authority than it received in FY2014. The House Appropriations Committee's FY2015 discretionary budget allocation to its THUD subcommittee is $52 billion ($1 billion more than the FY2014 discretionary funding level); the Senate Appropriations Committee's FY2015 allocation to its THUD subcommittee is $54 billion ($3 billion more than FY2014).

The Administration requested net budget authority of $127 billion (after scorekeeping adjustments) for the THUD bill for FY2015, an increase of $22 billion (21%). Most of this increase was for highway, transit, and passenger rail programs in DOT, reflecting the increased funding proposed in the Administration's surface transportation reauthorization proposal.

Congress is considering DOT appropriations in the context of the expiration of highway and transit authorizations at the end of the summer of 2014, and the projected insolvency of the highway trust fund before the end of the summer. The Administration requested a total of $91 billion in discretionary and mandatory funding for DOT for FY2015, an increase of roughly $20 billion (28%) over FY2014. The House provided $70 billion for DOT, $1 billion less than in FY2014. The reductions were primarily to the TIGER grant program (-$500 million), the New Starts transit grant program (-$253 million), and Amtrak capital grants (-$200 million). The Senate Committee on Appropriations recommended $72 billion for DOT, $1 billion more than the FY2014 level.

The President requested $37 billion in net new budget authority for HUD in FY2015, $4 billion more than provided in FY2014 ($33 billion). The House provided $35 billion for HUD, $2 billion above the net discretionary funding in FY2014. The Senate Committee on Appropriations recommended $36 billion, $3 billon more than the FY2014 level.

The Administration requested a total of $346 million for the agencies in Title II (the Related Agencies). This is $20 million (5%) less than the $366 million they received in FY2014. The reduction is almost entirely in the Neighborhood Reinvestment Corporation ($204 million in FY2015, $182 million requested). The House agreed to the requested level; the Senate Committee on Appropriations recommended $351 million, adding $4.6 million to the Neighborhood Investment Corporation.

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Introduction to Transportation, HUD, and Related Agencies (THUD) Appropriations

The Transportation, Housing and Urban Development, and Related Agencies (THUD) appropriations subcommittees are charged with drafting bills to provide annual appropriations for the Department of Transportation (DOT), the Department of Housing and Urban Development (HUD), and six small related agencies. Typically, these bills are reported out by the appropriations committees and presented to the House and Senate for consideration. If a bill is passed in each house, final legislation is produced in a conference agreement.[1]

Title I of the annual THUD appropriations bill funds DOT. The department is primarily a grant-making and regulatory organization. Its programs are organized roughly by mode of transportation, providing grants to state and local government agencies to support the construction of highways, transit, and intercity passenger rail infrastructure, while providing regulatory oversight to promote safety for the rail, transit, commercial trucking and intercity bus, and maritime industries, as well as noncommercial drivers. The Federal Aviation Administration (FAA) is exceptional among DOT's largest offices, in that while it administers grants for airport development and regulates the safety of aviation operations, the largest portion of its budget and workforce is dedicated to operating the U.S. air traffic control system.

Title II of the annual THUD appropriations bill funds HUD. The department's programs are primarily designed to address housing problems faced by households with very low incomes or other special housing needs. These include several programs of rental assistance for persons who are poor, elderly, and/or have disabilities. Three rental assistance programs—Public Housing, Section 8 Vouchers, and Section 8 project-based rental assistance—account for the majority of the department's nonemergency funding. Two flexible block grant programs—the HOME Investment Partnership Program and Community Development Block Grants (CDBG)—help communities finance a variety of housing and community development activities designed to serve low-income families. Other, more specialized grant programs help communities meet the needs of homeless persons, including those with 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.

Title III of the THUD appropriations bill funds a collection of transportation-related agencies and housing and community development-related agencies. They include the Access Board, the Federal Maritime Commission, the National Transportation Safety Board, the Amtrak Office of Inspector General (IG), the Neighborhood Reinvestment Corporation (often referred to as NeighborWorks), the United States Interagency Council on Homelessness, and the costs associated with the government conservatorship of the housing-related government-sponsored enterprises, Fannie Mae and Freddie Mac.

[1] Under normal order, THUD agency appropriations would be provided in a stand-alone bill that is produced by a conference committee and passed by both houses. A THUD appropriations act can also be part of a conference agreement that combines two or more appropriations acts, or funding for THUD agencies can be provided through a continuing resolution.

Status of the FY2015 THUD Appropriations Bill

Table 1 provides a timeline of legislative action on the FY2015 THUD appropriations bill.

Table 1. Status of FY2015 Transportation, Housing and Urban Development, and Related Agencies Appropriations

Bill	Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Approval		Public Law
	House	Senate						House	Senate	
H.R. 4745	5/7/2014	6/3/2014	28-21 5/21/2014	229-192 6/10/2014	29-1 6/5/2014					

Source: CRS Appropriations Status Table.

FY2015 THUD Discretionary Funding Allocation

The discretionary funding allocation to the Senate THUD subcommittee is $2.4 billion more than that provided to the House subcommittee. This difference creates an additional difficulty in reaching agreement on a final FY2015 THUD appropriation level. **Table 2** shows the discretionary funding provided for THUD in FY2014, the Administration request for FY2015, and the amount allocated by the House and Senate Appropriations Committees to the THUD subcommittees. **Table 3** lists the total funding provided for each of the titles in the bill for FY2014 and the amount requested for that title for FY2015.

As is discussed later, much of the funding for this bill is in the form of contract authority, a type of mandatory budget authority. Thus, the discretionary funding provided in the bill (often referred to as the 302(b) allocation) is only about half of the total funding provided by this bill.

Table 2. THUD FY2014 Discretionary Funding Appropriation and FY2015 302(b) Allocations

(in billions of dollars)

	FY2015		
FY2014 Enacted	Budget Request	House 302(b)	Senate 302(b)
$50.9	$59.9	$52.0	$54.4

Source: Budget table in H.Rept. 113-464; House 302(b) from H.Rept. 113-454; Senate 302(b) from S.Rept. 113-163.

Note: FY2014 enacted and FY2015 request are net of advance appropriations, rescissions, offsetting collections, and other adjustments.

FY2015 THUD Funding and Sequestration

The President's FY2015 budget included a request for $126.7 billion for THUD, $22 billion more than appropriated for THUD in FY2014. Most of this increase was for highway, transit, and rail funding under the Administration's surface transportation reauthorization proposal.[2] The request for HUD is $4 billion more than provided in FY2014, but $3 billion of that increase reflects a decline in offsetting receipts; the decline in offsetting receipts means that HUD's appropriation would have to increase by $3 billion in order to provide the same amount of funding as HUD received in FY2014.

The House bill would provide a total of $105.5 billion for FY2015. While this is $1 billion over the amount provided in FY2014, in effect it is a reduction of $2 billion in total spending authority from FY2014, due to the $3 billion decline in offsetting receipts. The committee recommended that the reduction be divided roughly evenly between DOT and HUD, with cuts in DOT's TIGER grant program (-$500 million), New Starts transit grant program (-$252 million), Amtrak (-$200 million), and rescissions of other DOT funding (-$354 million). HUD's funding would increase by $1 billion less than the reduction in offsetting collections.

The Senate Committee on Appropriations recommended a total of $108.1 billion. This is $3.7 billion over the amount provided in FY2014, but only $700 million more than the FY2014 level once the $3 billion reduction in offsetting receipts in FY2015 is taken into account.

The Office of Management and Budget reported that, as a result of the discretionary spending limits set in the Bipartisan Budget Act of 2013 (P.L. 113-67, Division A), no sequester reductions are required for FY2015.[3]

[2] U.S. Department of Transportation, Grow America Act, http://www.dot.gov/grow-america.

[3] Office of Management and Budget, *Report to the Congress on the Joint Committee Reductions for Fiscal Year 2015*, March 10, 2014.

Table 3. Transportation, Housing and Urban Development, and Related Agencies Appropriations, FY2014-FY2015

(in millions of dollars)

Title	FY2014 Enacted	FY2015 Request	FY2015 House H.R. 4745	FY2015 Senate Committee S. 2438	FY2015 Enacted
Title I: Department of Transportation	71,151	89,480	70,194	71,666	
Title I Discretionary	*17,680*	*22,589*	*16,731*	*18,043*	
Title I Mandatory	*53,471*	*66,891*	*53,460*	*53,623*	
Title II: Housing and Urban Development	32,809	36,916	34,952	36,046	
Title III: Related Agencies	366	346	346	351	
Total	104,327	126,743	105,492	108,062	
Total Discretionary	*50,856*	*59,852*	*52,029*	*54,439*	
Total Mandatory	*53,471*	*66,891*	*53,463*	*53,623*	

Sources: Table prepared by CRS based on information in H.Rept. 113-464 and S.Rept. 113-182.

Note: Figures are net after rescissions, offsets, and other adjustments. Figures include advance appropriations provided in the bill, rather than advance appropriations that will become available in the fiscal year. The former are the amounts generally shown in committee press releases; the latter are the amounts against which the committee is generally "scored" for purposes of budget enforcement. Totals may not add up due to rounding and scorekeeping adjustments.

THUD Funding Trends

Table 4 shows funding trends for DOT and HUD over the period FY2009-FY2014, omitting emergency funding and other supplemental funding, and the amounts requested for FY2015. The purpose of **Table 4** is to indicate trends in the funding for these agencies, thus emergency supplemental appropriations are not included in the figures.

Table 4. Funding Trends for Transportation, Housing and Urban Development, and Related Agencies Appropriations Acts: FY2009-FY2015

(appropriations, in billions of current dollars)

Department	FY2009[a]	FY2010	FY2011	FY2012[b]	FY2013[c]	FY2014	FY2015 Request
DOT Discretionary	$67.2	$75.7	$17.6	$16.2	$17.9	$17.7	$22.6
DOT Mandatory			54.2	52.1	52.8	53.5	66.9
DOT Total	67.2	75.7	68.7[d]	68.3	70.7	71.2	89.5
HUD	41.5	46.9	41.1	37.4	33.5	32.8	36.9[e]
Independent Agencies			0.5	0.4	0.4	0.366	0.346
Total Discretionary			55.4	55.6	51.8	50.9	59.9
Total Mandatory			54.2	52.1	52.8	53.5	66.9
Total Funding			109.6	107.6	104.8	104.3	126.7

Source: U.S. House of Representatives, Committee on Appropriations, Comparative Statement of Budget Authority tables from FY20010 through FY2015. Unless otherwise noted, amounts are reduced to reflect across-the-board rescissions.

a. FY2009 figures do not reflect $61.8 billion in emergency economic stimulus funding (P.L. 111-5).

b. FY2012 figures do not reflect $1.8 billion in emergency disaster relief funding.

c. FY2013 figures do not reflect $29 billion in emergency funding for recovery from Hurricane Sandy (P.L. 113-2) or reductions due to sequestration.

d. FY2011 DOT total reflects $3.7 billion in rescissions, mostly of contract authority, which did not reduce the amount of funding actually available to DOT.

e. Due to a reduction of $3 billion in HUD's offsetting receipts compared to FY2014, the apparent $4 billion increase in FY2015's request actually equals a $1 billion increase over FY2014.

Components of the THUD Funding Bill

The funding numbers cited in discussions of the THUD appropriations bill can be confusing. Different totals, all of which may be correct, may be published by the committees in their tables and press releases, reported in the press or by advocates, and even presented in this report. This is possible because the THUD appropriations bills include different types of funding mechanisms and savings mechanisms, which can result in different figures being reported for the same programs, depending on how the numbers are presented. The following section of this report explains the different types of funding often included in the THUD appropriations bill.

Budget Concepts Relevant to THUD Appropriations

Most of the programs and activities in the THUD bill are funded through *regular annual appropriations*, also referred to as discretionary appropriations.[4] This is the amount of new funding allocated each year by the appropriations committees. Appropriations are drawn from the general fund of the Treasury. For some accounts, the appropriations committees provide *advance appropriations*, or regular appropriations that are not available until the next fiscal year.

In some years, Congress will also provide *emergency appropriations*, usually in response to disasters. These funds are sometimes provided outside of the regular appropriations acts—often in emergency supplemental spending bills—generally in addition to regular annual appropriations. Although emergency appropriations typically come from the general fund, they may not be included in the discretionary appropriation total reported for an agency.

Most of the Department of Transportation's budget is in the form of *contract authority*. Contract authority is a form of budget authority based on federal trust fund resources, in contrast to "regular" (or discretionary) budget authority, which is based on resources in the general fund. Contract authority controls spending from the highway trust fund and the airport and airways trust fund.

Congressional appropriators are generally subject to limits on the amount of new non-emergency discretionary funding they can provide in a year. One way to stay within these limits is to appropriate no more than the allocated amount of discretionary funding in the regular annual appropriations act. Another way is to find ways to offset a higher level of discretionary funding. A portion of the cost of regular annual appropriations for the THUD bill is generally offset in two ways. The first is through *rescissions*, or cancellations of unobligated or recaptured balances from previous years' funding. The second is through *offsetting receipts and collections*, generally derived from fees collected by federal agencies.

When the Appropriations Committee subcommittees are given their "302(b) allocations"—that is, when the total amount that the Appropriations Committee has to spend for a fiscal year is divided among the subcommittees—that figure includes only net discretionary budget authority (non-emergency appropriations, less any offsets and rescissions); contract authority from trust funds is not included. That omission can lead to confusion, as the annual discretionary budget authority allocations for THUD are typically around half of the total funding provided in the bill, with the remainder made up of contract authority.

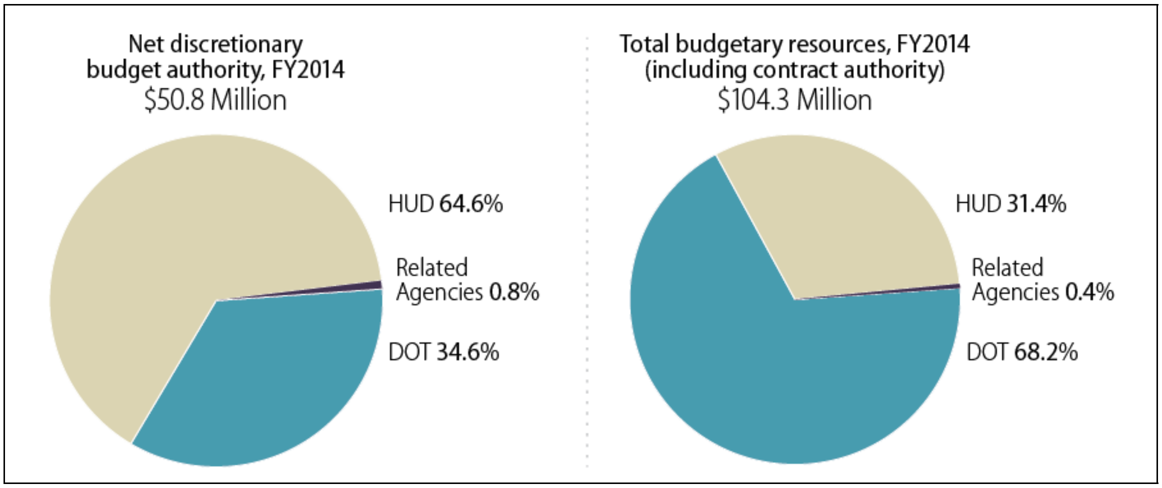
Allocation across Agencies by the Subcommittees

Once the THUD subcommittees receive their 302(b) allocations, they must decide how to allocate the funds across the different agencies within their jurisdictions. As shown in **Figure 1**, for net discretionary budget authority (appropriations, less any offsets), the majority of funding allocated by the appropriations subcommittees generally goes to HUD (about two-thirds in FY2013).

[4] According to *Congressional Quarterly*'s *American Congressional Dictionary*, discretionary appropriations are appropriations not mandated by existing law and therefore made available annually in appropriation bills in such amounts as Congress chooses. The Budget Enforcement Act of 1990 defines discretionary appropriations as budget authority provided in annual appropriation acts and the outlays derived from that authority, but it excludes appropriations for entitlements.

However, when contract authority—which, as noted earlier, is not allocated by the appropriations committees—is included, the total resources available to DOT are greater than the resources available to HUD.

Figure 1. THUD Allocations, 2014



Source: Prepared by CRS based on information in H.Rept. 113-464.

Impact of Offsets

Besides the level of the 302(b) allocation, one of the most important factors in determining how much in new appropriations the THUD subcommittees will provide each year is the amount of savings available from rescissions and offsets. Each dollar available to the subcommittees in rescissions and offsets serves to reduce the "cost" of providing another dollar in appropriations. As shown in **Table 5**, in FY2014, without rescissions and offsets, it would have "cost" the THUD subcommittees an additional $12.8 billion to provide the same amount of appropriations.

Table 5. Budget Savings in FY2014 THUD Appropriations Bill

(in millions of dollars)

Components of THUD Budget Authority	FY2014 enacted	FY2015 House H.R. 4745
New Appropriations	**$59,241**	**$57,772**
Plus Advance Appropriation	**4,400**	**4,400**
Minus Savings	**-12,786**	**-10,143**
Rescissions of Prior Year Funding	-135	-360
Offsetting Collections and Receipts	-12,651	-9,783
Total Net Budget Authority	**$50,855**	**$52,029**

Source: Table prepared by CRS based on Comparative Statement of New Budget (Obligational) Authority for Fiscal Year 2015, H.Rept. 113-464.

The amount of these "budget savings" can vary from year to year, meaning that the "cost" of providing the same level of appropriations may vary as well. Due to a $3 billion reduction in offsetting collections in FY2015 compared to FY2014, it would cost the THUD subcommittees an additional $3 billion in discretionary funding in FY2015 to provide the same level of total funding as provided in FY2014. But with a 302(b) discretionary allocation that was only $1.1 billion higher than THUD's net FY2014 level, the House THUD subcommittee was not given sufficient funds to make up the shortfall.

Detailed Tables and Selected Key Issues

Title I: Department of Transportation

Table 6 presents a selected account-by-account summary of FY2015 appropriations for DOT, compared to FY2014.

Table 6. Department of Transportation FY2014-FY2015 Detailed Budget Table

(in millions of current dollars)

Department of Transportation Selected Accounts	FY2014 Enacted	FY2015 Request	FY2015 House H.R. 4745	FY2015 Senate Comm. S. 2438
Office of the Secretary (OST)				
Essential Air Service[a]	149	155	149	155
National Infrastructure Investments (TIGER)	600	1,250	100	550
Total, OST	900	1,609	394	856
Federal Aviation Administration (FAA)				
Operations	9,651	9,750	9,750	9,750
Facilities & Equipment	2,600	2,604	2,600	2,474
Research, Engineering, & Development	159	157	157	157
Grants-in-Aid for Airports (AIP) (limitation on obligations)	3,350	2,900	3,350	3,480
Total, FAA	15,734	15,280	15,727	15,860
Federal Highway Administration (FHWA) (total)	40,995	48,562	40,995	40,995
Federal Motor Carrier Safety Administration (FMCSA)				
Motor Carrier Safety operations and programs	259	316	259	271
Motor Carrier Safety grants to states	313	353	313	313
Total, FMCSA	585[b]	669	572	592

Department of Transportation Selected Accounts	FY2014 Enacted	FY2015 Request	FY2015 House H.R. 4745	FY2015 Senate Comm. S. 2438
National Highway Traffic Safety Administration (NHTSA)				
Operations and Research	258	274	263	273
Highway Traffic Safety grants to states	562	577	562	562
Total, NHTSA	819	851	824	835
Federal Railroad Administration (FRA)				
Rail Service Improvement Program	—	2,325	—	—
Amtrak	1,390	—	1,190	1,390
Current Passenger Rail Service	—	2,450	—	—
Total, FRA	1,603	4,995	1,411	1,622
Federal Transit Administration (FTA)				
Formula and bus grants	8,595	13,800	8,595	8,595
Capital investment grants (New Starts)	1,943	2,500	1,691	2,161
Total, FTA	10,746	17,649	10,492	11,055
Maritime Administration (MARAD)	377	367	276	348
Assistance to small shipyards	—	—	—	—
Pipeline and Hazardous Materials Safety Administration (PHMSA)	85	88	93	94
Office of Inspector General	86	86	86	86
Saint Lawrence Seaway Development Corporation	31	32	33	32
Surface Transportation Board	30	30	30	30
DOT Totals				
Appropriation (discretionary funding)	17,813	22,853	17,086	18,300
Limitations on obligations (mandatory funding)	53,471	66,891	53,436	53,623
Subtotal—new funding	71,284	89,744	70,549	71,924
Rescissions & offsetting collections	-133	-263	-355	-258
Net new budget authority	71,151	89,480	70,194	71,666

Sources: Table prepared by CRS based on information in H.Rept. 113-464 and S.Rept. 113-182.

Notes: Line items may not add up to the subtotals due to omission of some accounts. Subtotals and totals may differ from those in the source documents due to treatment of rescissions, offsetting collections, etc. The figures in this table reflect new budget authority made available for the fiscal year. For budgetary calculation purposes, the source documents may subtract rescissions of prior year funding or contract authority, or offsetting collections, in calculating subtotals and totals. Table does not include funding provided under continuing resolutions.

a. This program also receives an additional $100 million in mandatory budget authority.

b. An additional $13 million was provided outside of these two accounts in FY2014.

Selected Budget Issues

Roughly three-fourths of DOT's budget is mandatory budget authority (contract authority) derived from the highway trust fund. The authorizations for that funding expire at the end of FY2014, but the highway trust fund is projected to reach insolvency before that date. Thus Congress is considering FY2015 DOT appropriations in the context of uncertainty about DOT's future program structure and funding.

Overall, the FY2015 budget request totals $90.9 billion in new budget resources for DOT.[5] The requested funding is $20 billion more than that enacted for FY2014. The Administration request reflects its surface transportation reauthorization proposal, which envisions $302 billion over four years for highways, transit, and intercity passenger rail. This is an average of $78 billion each year; by contrast, the current authorization provided $105 billion over two years, an average of $52.5 billion annually. Highway, transit, and intercity passenger rail programs would all see significant funding increases under this proposal. Transportation authorization is outside the jurisdiction of the appropriations committees, but since most of DOT's appropriations come from the highway trust fund, the status of the fund is a key concern.

The House bill would provide $70.2 billion in net new budget authority, $1 billion (1%) less than provided in FY2014. The Senate Committee on Appropriations recommended $71.7 billion, $500 million (1%) more than provided in FY2014.

Highway Trust Fund Solvency

Virtually all federal highway funding, and most federal transit funding, comes from the highway trust fund, whose revenues come largely from the federal motor fuels excise tax ("gas tax"). For several years, expenditures from the fund have exceeded revenues; for example, in FY2014, revenues are projected to be approximately $39 billion, while authorized outlays are projected to be approximately $53 billion.[6] Congress transferred more than $54 billion, mostly from the general fund of the Treasury, to the highway trust fund during the period FY2008-FY2014 to keep the trust fund solvent. In April 2014 the Congressional Budget Office (CBO) projected that the trust fund would become insolvent in FY2015, though the highway account may be unable to provide payments in a timely manner even before the end of FY2014.[7]

One reason for the shortfall in the highway trust fund is that the federal gas tax has not been raised since 1993. The tax is a fixed amount assessed per gallon of fuel sold, not a percentage of the cost of the fuel sold: whether a gallon of gas costs $1 or $4, the highway trust fund receives 18.3 cents for each gallon of gasoline and 24.3 cents for each gallon of diesel. Meanwhile, the capacity of the federal gas tax to support transportation infrastructure has been diminished by

[5] This number, taken from the House/Senate committee report, may differ slightly from the figure in DOT budget documents because of variations in the treatment of offsetting collections, mandatory funding, rescissions, and other budgetary considerations.

[6] Congressional Budget Office, Projects of Highway Trust Fund Accounts Under CBO's April 2014 Baseline," http://www.cbo.gov/sites/default/files/cbofiles/attachments/43884-2014-04-Highway_Trust_Fund.pdf.

[7] Congressional Budget Office, The *Budget and Economic Outlook, Fiscal Years 2014 to 2024*, February 4, 2014, p. 149, http://www.cbo.gov/sites/default/files/cbofiles/attachments/45010-Outlook2014_Feb.pdf. The highway trust fund has two accounts, one for highway expenditures and one for transit. Both accounts reimburse grant recipients (such as state governments and transit agencies) after expenses have been incurred rather than in advance; the funds' ability to make timely payments therefore depends in part on the timing of requests for reimbursement.

inflation (which has reduced the purchasing power of the revenue raised by the tax) and increasing automobile fuel efficiency (as more efficient vehicles are able to travel farther on a gallon of fuel). CBO has forecast that gasoline consumption will be relatively flat through 2024, as continued increases in the fuel efficiency of the U.S. passenger fleet will offset increases in the number of miles driven.[8] Consequently, CBO expects highway trust fund revenues of $37 billion to $38 billion annually from FY2014 to FY2024, well short of the current $53 billion annual level of authorized expenditures from the fund.[9]

When the authorization provided by MAP-21 expires at the end of FY2014, Congress will again face policy choices concerning surface transportation. Among the options are to reduce the scope of federal highway and transit programs to match current trust fund revenues, to increase federal taxes on motor fuels to support the programs at current or increased funding levels, or to obtain funding from other sources, such as the general fund.[10] Over the longer term, increases in vehicle fuel efficiency resulting from previously enacted legislation and greater use of electric vehicles are likely to constrain motor fuel consumption, leaving in question the viability of motor fuel taxes as the principal source of surface transportation funding.

National Infrastructure Investment (TIGER Grants)

The Transportation Investments Generating Economic Recovery (TIGER) grant program originated in the American Recovery and Reinvestment Act (P.L. 111-5), where it was referred to as "national infrastructure investment" (as it has been in subsequent appropriations acts). It is a discretionary grant program intended to address two criticisms of the current structure of federal transportation funding:

- that virtually all of the funding is distributed to state and local governments which select projects based on their individual priorities, making it difficult to fund projects that have national or regional impacts but whose costs fall largely on one or two states; and
- that federal transportation funding is divided according to mode of transportation, making it difficult for major projects in different modes to compete on the basis of comparative benefit.

The TIGER program provides grants to projects of national, regional, or metropolitan area significance in various modes on a competitive basis, with recipients selected by U.S. DOT.[11]

Congress has continued to support the TIGER program through annual DOT appropriations.[12] There have been five rounds of TIGER grants (from ARRA funding, and from FY2010-FY2013

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[8] Ibid., p. 88.

[9] Ibid., Table 4-3.

[10] See CRS Report R42877, *Funding and Financing Highways and Public Transportation*, by (name redacted) and (name redacted), for more information.

[11] Although the program is, by description, intended to fund projects of national, regional, and metropolitan area significance, in practice its funding has gone more toward projects of regional and metropolitan area significance. In part this is a function of congressional intent, as Congress has directed that the funds be distributed equitably across geographic areas, between rural and urban areas, and among transportation modes, and has set relatively low minimum grant thresholds ($1 million for rural projects). Overall program funding, $600 million in FY2014, is modest relative to the cost of projects large enough to have national impacts. In practice, DOT has chosen to award grants to dozens of projects each year, with virtually all of the grants for less than $20 million.

annual appropriations), with the sixth round (FY2014) in process. After the restructuring of DOT programs in the MAP-21 reauthorization, the TIGER program is virtually the only remaining discretionary grant program for surface transportation (other than the FTA's Capital Investment Grant program, popularly referred to as New Starts, discussed below). It is heavily oversubscribed; for example, DOT has announced that it received a total of $9.5 billion in applications for the $600 million available for FY2014 grants.[13]

The U.S. Government Accountability Office (GAO) has reported that, while DOT has selection criteria for the TIGER grant program, it has sometimes awarded grants to lower-ranked projects while bypassing higher-ranked projects, without explaining why it did so, raising questions about the integrity of the selection process.[14] DOT has responded that its project rankings are based on transportation-related criteria (e.g., safety, economic competitiveness), but that it must sometimes select lower-ranking projects over higher-ranking ones to comply with other selection criteria established by Congress, such as geographic balance and a balance between rural and urban awards.[15]

The Administration requested $1.25 billion for the TIGER program for FY2015, roughly double the $600 million Congress provided in FY2014. The FY2015 House bill would provide $100 million for the program, far less than the amount requested and $500 million (83%) less than provided in FY2014, while retaining the provisions requiring an equitable distribution of funds geographically and between urban and rural areas, and with a maximum grant size of $15 million. The Senate Committee on Appropriations recommended $550 million, far less than the amount requested and $50 million (8%) less than provided in FY2014.

Essential Air Service (EAS)[16]

The EAS program seeks to preserve commercial air service to small communities by subsidizing the cost of service that would otherwise be unprofitable. The costs of the program doubled between FY2008 and FY2012, in part because route reductions by airlines resulted in new communities being added. Congress made changes to the program in 2012, including allowing no new entrants,[17] capping the per passenger subsidy for a community at $1,000, limiting communities less than 210 miles from a hub airport to a maximum average subsidy per passenger of $200, and allowing smaller, less expensive planes to be used for communities with few daily passengers.[18]

(...continued)

[12] Congress continues to refer to the program as "National Infrastructure Investment" in appropriations acts.

[13] U.S. Department of Transportation, "Strong Demand for TIGER Grants Highlights Continued Need for Transportation Investment," May 15, 2014, http://www.dot.gov/briefing-room/strong-demand-tiger-grants-highlights-continued-need-transportation-investment.

[14] U.S. Governmental Accountability Office, *Surface Transportation: Actions Needed to Improve Documentation of Key Decisions in the TIGER Discretionary Grant Program*, GAO-14-628R, May 28, 2014.

[15] Ibid., p. 6.

[16] For more information about EAS, see CRS Report R41666, *Essential Air Service (EAS): Frequently Asked Questions*, by (name redacted).

[17] This limitation does not apply to Alaska or Hawaii. Forty-three (27%) of the EAS communities are in Alaska; none are in Hawaii.

[18] The program had previously required airlines to use 15-passenger aircraft at a minimum.

Table 7. Essential Air Service Program: Number of Communities, Annual Budget, and Average Subsidy per community, FY2008-FY2015

(in millions of dollars)

	2008	2009	2010	2011	2012	2013	2014	2015 Request
# of EAS communities	$146	$153	$159	155	$163	$160	NA	NA
Budget	109.4	138.4	200	199.7	215.5	255	269	261
Average subsidy per community	$0.75	$0.90	1.26	$1.29	$1.32	$1.59	NA	NA

Source: Prepared by CRS based on information from Office of the Secretary, U. S. Department of Transportation, FY2015 Budget Estimate, p. EAS/PAC -2; FY2014 and FY2015 budget data from H.Rept. 113-464, p. 12.

Supporters of the EAS program contend that preserving airline service to small communities was a commitment Congress made when it deregulated airline service in 1978, anticipating that airlines would reduce or eliminate service to many communities that were too small to make such service economically viable. Supporters also contend that subsidizing air service to smaller communities promotes economic development in rural areas. Critics of the program note that the subsidy cost per passenger is relatively high,[19] that many of the airports in the program have very few passengers,[20] and that some of the airports receiving EAS subsidies are little more than an hour's drive from major airports.

Table 8. Essential Air Service Funding, FY2014-FY2015

$ thousands

		FY2015			
	FY2014 Enacted	Request	House H.R. 4745	Senate Committee S. 2438	Enacted
Appropriations	$149,000	$155,000	$149,000	$155,000	
Mandatory[a]	120,640	106,000	106,000	106,000	
Total	$269,640	$261,000	$255,000	$261,000	

Source: H.Rept. 113-464 and S.Rept. 113-182.

a. In addition to the annual discretionary appropriation for the program, there is a mandatory annual authorization of $100 million financed by overflight fees collected from commercial airlines by FAA. These overflight fees apply to international flights that fly over, but do not land in, the United States. The fees are to be reasonably related to the costs of providing air traffic services to these flights. The amount made available to the EAS program from the fees may exceed $100 million, if more revenues were received from the fees.

[19] To remain eligible for the program, a community's subsidy per passenger must not exceed $1,000. The per passenger subsidy varies among communities from $6 to over $1,000 in rare cases. Information on EAS communities' subsidy per passenger is on pages 21-23 of S.Rept. 113-182.

[20] In 2012, 27 EAS communities averaged fewer than 10 passengers per day. In 2012, Congress disqualified airports averaging fewer than 10 passengers per day unless they are more than 175 miles from the nearest hub airport: P.L. 112-95, Title IV, Subtitle B.

As **Table 8** shows, the Administration requested $155 million for the EAS program in FY2015, in addition to $106 million in mandatory funding. This is $8.6 million (3%) less than the FY2014 funding ($149 million appropriation plus $121 million in mandatory funding).

The House bill would provide $149 million in discretionary funding, the same amount as in FY2014, but with an estimated reduction in the overflight fee revenues, the total available funding would be $6 million (2%) less than requested. It would also lower the maximum rate of subsidy per passenger from $1,000 to $500, except for communities willing to pay part of the subsidy cost.[21] The Senate Committee on Appropriations recommended $155 million, the amount requested.

High Speed and Intercity Passenger Rail

Reflecting the Administration's surface transportation reauthorization proposal, the budget proposed a total of $4.8 billion for a new National High Performance Rail System program within the Federal Railroad Administration, consisting of two grant programs: $2.5 billion for a Current Passenger Rail Service grant program (which would primarily fund maintenance and improvement of existing intercity passenger rail service, i.e., Amtrak) and $2.3 billion for a Rail Service Improvement grant program (which would fund new intercity passenger rail projects as well as some improvements to freight rail). The funding would come from a transportation trust fund rather than discretionary funding. The Administration made a similar proposal in FY2014.

Neither the House nor the Senate would provide funding for these new programs.

The 111th Congress (2009-2010) provided $10.5 billion for DOT's high speed and intercity passenger rail grant program, beginning with $8 billion in the American Recovery and Reinvestment Act of 2009. Since then, Congress has provided no additional funding and in FY2011 rescinded $400 million of the unobligated portion of the $10.5 billion already appropriated.

This program has provided funding mainly to develop intercity passenger rail service with top speeds of 90 or 110 miles per hour. Only one state, California, is actively pursuing development of a high speed rail line that would provide dedicated tracks for passenger trains traveling at speeds greater than 150 miles per hour. California has received $3.6 billion in federal funding for this project, but the total cost of constructing the line is estimated at more than $70 billion, and the prospects for financing the full project are uncertain.

Amtrak

The Administration proposed in its FY2015 budget to place Amtrak's funding into a new Federal Railroad Administration account—Current Passenger Rail Service—and requested $2.45 billion for the account. It would fund publicly owned passenger rail asset development and maintenance, primarily Amtrak. Congress provided $1.39 billion in capital, operating, and debt service grants for Amtrak in FY2014.

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[21] According to the subsidy per passenger data in S.Rept. 113-45, the following communities had per passenger subsidies above $500 as of June 2013: Kingman, AZ; Great Bend, KS; Glendive, MT; McCook, NE; Clovis, NM; Silver City/Hurling/Deming, NM; Huron, SD. The data do not include communities in Alaska.

Amtrak also submits a grant request to Congress each year, separate from the Administration's budget request. The agency requested $1.62 billion for FY2015.[22] This is almost $1 billion less than its request in FY2014; compared to FY2014, the FY2015 request asks for less money for capital improvements and for debt service, and omits funding for station improvements to comply with requirements of the Americans With Disabilities Act (ADA), for new equipment purchases and equipment lease buybacks, and for the NEC Gateway expansion project. Amtrak's request was $600 million less than the Administration request for Amtrak. Although Amtrak's request used different categories than the Administration request for Amtrak, some of the differences are evident: the Administration requested $550 million for the NEC and $350 million for the ADA-required station improvements, while Amtrak requested $445 million for the NEC and nothing for the ADA-required station improvements.

The House would provide $1.19 billion for Amtrak for FY2015, $200 million (14%) below its FY2014 funding. The Senate Committee on Appropriations recommended $1.39 billion, the same amount provided in FY2014, and much less than requested by Amtrak and the Administration.

Table 9 shows the amount of funding appropriated for Amtrak grants in FY2013 and FY2014, requested by the Administration for FY2015, and proposed by the House and Senate.

Table 9. Amtrak Grants, FY2013-FY2015

(in millions of dollars)

Grant	FY2013 Funding After Sequester Reduction	FY2014 Enacted	FY2015 Administration Budget Request	FY2015 Amtrak Independent Budget Request	FY2015 House H.R. 4745	FY2015 Senate S. 2438
Operating grants	$442	$340	—	$333[a]	$340	$350[b]
Capital and debt service grants	902	1,050	—	1,287	850	1,040
Total grants	$1,344	$1,390	$2,225	$1,620	$1,190	$1,390

Source: H.Rept. 113-136 and H.Rept. 113-464, Federal Railroad Administration FY2015 Budget Estimate, Amtrak FY2015 Grant and Legislative Request, S.Rept. 113-182.

Notes: The Administration did not request funding for these accounts, but requested $2.45 billion for a new "Current Passenger Rail Service" account, of which $2.225 billion would go directly to Amtrak, and the remaining $250 million to states for replacing operating equipment and subsidizing their payments to Amtrak for state-supported routes.

a. Amtrak's operating grant request totals $701 million, but Amtrak projects a net operating loss of $333 million; it projects using $369 million, the operating profits from the Northeast Corridor and corporate development, for capital investment, leaving a net operating deficit of $701 million from long-distance and state-supported routes.

b. The Senate Committee on Appropriations recommended a total of $1.39 billion, of which up to $350 million may be used for operating grants.

[22] Amtrak, *FY2015 Grant and Legislative Request*, March 18, 2014, Table 1; available at http://www.amtrak.com (About Amtrak>Reports and Documents>Grant and Legislative Requests).

Federal Transit Administration New Starts and Small Starts (Capital Investment Grants)

The majority of FTA's $10 billion funding is funneled to state and local transit agencies through several formula programs. The largest discretionary grant program is the Capital Investment Grants program (commonly referred to as the New Starts program). It funds new fixed-guideway transit lines[23] and extensions to existing lines. Before 2012, the program had two components, New Starts and Small Starts, based on project cost. The New Starts component funds capital projects with total costs over $250 million and which are seeking more than $75 million in federal funding; and the Small Starts component funds capital projects with total costs under $250 million and which are seeking less than $75 million in federal funding.

In the transit program reauthorization enacted in 2012, Congress added a third component, Core Capacity. This component funds expansions to existing fixed-guideway systems that are at or near capacity.

The Capital Investment Grants program provides funding to large projects over a period of years. Much of the funding for this program each year is committed to existing New Starts projects with multi-year grant funding agreements. FTA reports that its existing grant agreements will require $1.41 billion in New Starts funding in FY2015.

For FY2015, the Administration requested $2.5 billion for the program, roughly $550 million (28%) more than the $1.94 billion appropriated in FY2014. The House bill would provide $1.69 billion, $250 million (13%) less than the FY2014 level. The Senate Committee on Appropriations recommended $2.161 billion, less than requested but more than provided in FY2014. According to the committee, that amount would fully fund all projects included in the Administration request that are currently under construction or expected to begin construction during FY2015.

New Starts Federal Funding Share

The federal share for New Starts projects, by statute, can be up to 80%. Since FY2002, DOT appropriations have included a provision directing FTA not to sign any full funding grant agreements that provide a federal share of more than 60%. The House bill would lower the maximum federal share to 50%.

Critics of this provision note that the federal share for highway projects is typically 80% and in some cases is higher. They contend that, by providing a lower share of federal funding (and thus requiring a higher share of local funding), this provision makes highway projects relatively more attractive for communities considering how to address transportation problems. Advocates of this provision note that the demand for New Starts funding greatly exceeds the amount available, so requiring a higher local match allows FTA to support more projects with the available funding. They also assert that requiring a higher local match likely encourages communities to estimate the costs and benefits of proposed transit projects more carefully, reducing the risk of subsequent cost overruns.

[23] Fixed-guideway refers to systems in which the vehicle travels on a fixed course; for example, subways and light rail.

Selected Policy Issues

The House and Senate bills include several policy provisions. In the House bill, these include amendments that would prohibit the use of funds in the bill

- for the California high-speed rail project;
- to subsidize Amtrak food and beverage service and to subsidize the Amtrak route with the highest per-passenger subsidy (the Sunset Limited);
- to approve the application by Air Norwegian International, an Ireland-based subsidiary of a Norwegian air carrier, to serve the United States;
- to administer NHTSA's Roadside Survey of Alcohol and Drugged Driving; and
- to let DOT work with states to promote motorcycle safety (such as by enacting helmet laws).

Commercial Driver Hours of Service and the 34-Hour Restart Requirement

The Senate bill was amended in committee to suspend portions of the commercial driver hours-of-service rules for roughly a year, pending a study of their cost and benefits. In June 2013, two new requirements took effect: drivers are required to take at least 34 hours off duty, covering two consecutive 1 a.m.-5 a.m. periods, after working for 60 hours in a seven-day period (or 70 hours in an eight-day period). And drivers are only allowed to take this 34-hour "restart" once in a 168-hour (seven-day) span. If drivers work for less than 60 hours in a week, they do not have to take the 34-hour restart; for example, if a driver worked 8 hours every day, for a total of 56 hours in a seven-day period, that driver could continue to work every day without taking a 34-hour rest period.

The purpose of the 2013 change in the hours-of-service rules was to promote highway safety by reducing the risk of driver fatigue. Under the previous rules, drivers had to take a 34-hour restart period after working for 60 hours in a seven-day period (or 70 hours in an eight-day period). But drivers could start this rest period at any time, and could take more than one such rest period per week. Thus a driver was able to work the maximum permitted time per day (14 hours) and take the 34-hour restart after five days, and then, after a rest period of as little as one night and two daytime periods, work 14 hours a day for another five consecutive days. FMCSA asserted that this schedule allowed a driver to work up to 82 hours over a seven-day period, which it judged to be insufficient to prevent the driver being fatigued while driving.

By limiting the use of the 34-hour restart to once in a seven-day (168-hour period), FMCSA sought to limit drivers to a maximum of 70 hours of work in a seven-day span. And by requiring that the 34-hour restart period cover two 1 a.m.-5 a.m. periods, the current rule allows drivers to get more sleep during the 1 a.m.-5 a.m. period, when studies indicate that sleep is most restorative (compared to sleeping during other times of the day).[24]

The amendment would suspend that requirement for roughly a year, while returning the requirement to what it was prior to June 2013. The amendment would also require DOT to study

[24] See https://cms.fmcsa.dot.gov/faq/what-are-primary-changes-hours-service-regulations-final-rule for more information.

the impact of the current (post-June 2013) requirements to see if the benefits of the changes outweigh the costs. FMCSA published a cost-benefit analysis in the final rule that implemented the change, but proponents of this amendment say that now that the rule has been in effect for many months, the impacts can be more accurately estimated, and that the impacts are greater than FMCSA previously estimated. This change was supported by commercial trucking groups and opposed by highway safety groups.

Title II: Department of Housing and Urban Development

Table 10 presents an account-by-account summary of FY2015 appropriations proposals for HUD, compared to FY2014 enacted levels. For a more detailed discussion of proposed HUD funding in FY2015, see CRS Report R43548, *Department of Housing and Urban Development: FY2015 Appropriations*, by (name redacted), (name redacted), and (name redacted).

Table 10. HUD FY2015 Detailed Budget Table

(in billions of dollars)

Accounts	FY2014 Enacted	FY2015 Request	FY2015 House-Passed H.R. 4745	FY2015 Senate Committee-Reported S. 2438
Appropriations				
Management and Administration	1.307	1.366	1.279	1.329
Tenant-Based Rental Assistance (§8 vouchers)[a]	19.177	20.045	19.357	19.562
Rental Assistance Demonstration	0.000	0.010	0.000	0.010
Public housing capital fund	1.875	1.925	1.775	1.900
Public housing operating fund	4.400	4.600	4.400	4.475
Choice Neighborhoods	0.090	0.120	0.025	0.090
Family Self Sufficiency	0.075	0.075	0.075	0.075
Native American housing block grants	0.650	0.650	0.650	0.650
Indian housing loan guarantee	0.006	0.008	0.008	0.006
Native Hawaiian Block Grant	0.010	0.013	0.000	0.010
Native Hawaiian loan guarantee	0.000[b]	0.000[c]	0.000[c]	0.000[b]
Housing, persons with AIDS (HOPWA)	0.330	0.332	0.306	0.330
Community Development Fund (Including CDBG)	3.100	2.870	3.060	3.090
§108 loan guarantee; subsidy	0.003	0.000[d]	0.000[d]	0.000[d]
Capacity Building	0.000[e]	0.020	0.040	0.000[e]
HOME Investment Partnerships	1.000	0.950[f]	0.700[f]	0.950
Self-Help Homeownership	0.050[e]	0.000[f]	0.000[f]	0.050[e]
Homeless Assistance Grants	2.105	2.406	2.105	2.145
Project-Based Rental Assistance (§8)[g]	9.917	9.746	9.746	9.746

Accounts	FY2014 Enacted	FY2015 Request	FY2015 House-Passed H.R. 4745	FY2015 Senate Committee-Reported S. 2438
Housing for the Elderly	0.384	0.440	0.420	0.420
Housing for Persons with Disabilities	0.126	0.160	0.135	0.135
Housing Counseling Assistance[h]	0.045	0.060	0.047	0.049
Manufactured Housing Fees Trust Fund[i]	0.008	0.010	0.010	0.010
Rental Housing Assistance[i,j]	0.021	0.028	0.028	0.028
FHA Expenses[i]	0.127	0.170[k]	0.130[k]	0.145[k]
FHA-HAWK Pilot[l]	N/A	0.010	0.000	0.000
GNMA Expenses[i]	0.021	0.029	0.022	0.025
Research and technology	0.046	0.050	0.040	0.046
Fair housing activities	0.066	0.071	0.056[m]	0.066
Office, lead hazard control	0.110	0.120	0.070	0.110
Information Technology Fund[n]	0.250	0.272	0.087[o,m]	0.250
Inspector General	0.125	0.129	0.125	0.129
Transformation Initiative	0.040	0.000[p]	0.000	0.000[p]
Appropriations Subtotal (Including advances provided in current year for subsequent year)	*45.462*	*46.685*	*44.695*	*45.831*
Rescissions				
Drug elimination grants rescission	0.000	0.000	0.000	-0.001
Rural housing and economic development rescission	0.000	0.000	0.000	-0.002
Youth Build rescission	0.000	0.000	0.000	0.000[q]
Rental housing assistance rescission	-0.004	0.000	0.000	0.000
Section 108 rescission	0.000	0.000	-0.003	0.000
Brownfields rescission	0.000	0.000	-0.003	-0.003
GI/SRI offsetting receipts rescission	0.000	0.000	0.000	-0.010
Rescissions Subtotal	*-0.004*	*0.000*	*-0.006*	*-0.017*
Offsetting Collections and Receipts				
Manufactured Housing Fees Trust Fund[r]	-0.007	-0.010	-0.010	-0.010
Federal Housing Administration (FHA)[s]	-11.824	-8.895[k]	-8.863[k]	-8.895[k]
GNMA	-0.819	-0.864	-0.864	-0.864
Offsets Subtotal	*-12.650*	*-9.769*	*-9.737*	*-9.769*
Total Budget Authority Provided	**32.809**	**36.916**	**34.952**	**36.046**

Sources: Table prepared by CRS based on P.L. 113-76 and the Joint Explanatory Statement accompanying P.L. 113-76 (FY2014 enacted), the President's FY2015 budget documents, including HUD Congressional Budget Justifications (FY2015-requested levels), H.R. 4745 as amended on the House floor and H.Rept. 113-464 (House-passed levels), and S.Rept. 113-182 (Senate committee-passed levels).

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. Provides $100,000 for the Native Hawaiian loan guarantee (rounding to less than $1 million).

c. The President's budget request included no new funding for the Native Hawaiian loan guarantee in FY2015, noting that carryover balances provide sufficient funds to administer this program in FY2015. The House-passed bill also includes no new funding for the program.

d. In FY2014, Congress enacted a fee structure for the Section 108 program. The President's budget, House-passed bill, and Senate Appropriations Committee-passed bill are requesting no credit subsidy due to the implementation of fees.

e. $40 million for Capacity Building is included in the SHOP account.

f. The President's budget request and the House-passed bill (H.R. 4745) both would include up to $10 million in funding for the Self-Help Homeownership Opportunity Program (SHOP) as a set-aside in the HOME account rather than continuing to fund SHOP in its own account.

g. 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.

h. In addition to HUD's housing counseling assistance program, Congress in recent years has provided funding specifically for foreclosure mitigation counseling to 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.

i. 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.

j. 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.

k. The President's budget requests authority to charge a new administrative support fee to lenders. The budget request anticipates that the fee would generate about $30 million, which would offset part of the cost of FHA's administrative expenses. The House-passed bill does not provide authority for FHA to charge the administrative support fee and does not reflect the additional $30 million in offsets, while the Senate Appropriations Committee-reported bill does provide the requested authority and includes the additional amount of offsets.

l. The President's budget includes $10 million for a new Homeowners Armed with Knowledge (HAWK) pilot program, which would encourage housing counseling for borrowers with FHA-insured mortgages. The House-passed bill prohibits any funds from being used to implement HAWK. The Senate committee report is supportive of FHA-HAWK, but does not provide any separate funding for the initiative.

m. An amendment on the House floor increased the amount for the Fair Housing Initiatives Program by $10 million, with an offset from the Information Technology Fund.

n. The Information Technology Fund was formerly called the Working Capital Fund.

o. The House Appropriations Committee Report (H.Rept. 113-464) proposes that HUD make up the difference for needed information technology funds by establishing a working capital fund, with each HUD office being charged for its support.

p. The President's budget request and Senate Appropriations Committee-passed bill propose that the Transformation Initiative be funded by transfers from other HUD accounts.

q. The Senate Appropriations Committee-reported version of S. 2438 includes a rescission of $460,000 from the Youth Build program (rounding to less than $1 million).

r. Appropriations language specifies that the overall amount appropriated to the Manufactured Housing Fees Trust Fund is to be made available to HUD to incur obligations under this program pending the receipt of fee income. As fee income is received, the appropriation amount is reduced, so that the final appropriation coming from the general fund is less than the overall appropriated amount. HUD is directed to make changes to the fees it charges as necessary to ensure that the final fiscal year appropriation is no more than what is specified in the appropriations language. For FY2015, HUD expects a fee increase to result in offsetting fee collections that will be high enough to cover the entire $10 million cost of the program.

s. Amounts shown here reflect the Congressional Budget Office's re-estimate of the President's budget request; therefore, the figure for the FY2015 budget request differs from what is shown in the President's budget documents. CBO's estimate of the offsetting receipts that would be generated by FHA's single-family mortgage insurance programs in FY2015 was $4 billion lower than the amount estimated in the President's budget.

Selected Budget Issues

FHA Credit Subsidy and Offsetting Receipts

The Federal Housing Administration (FHA) insures private mortgage lenders against losses on certain mortgages made to eligible borrowers. If such a borrower defaults on the mortgage, FHA repays the lender the remaining amount that the borrower owes on it. The provision of FHA insurance is intended to make mortgage credit more widely available, and at a lower cost, than it might be in the absence of the insurance.[25]

The Federal Credit Reform Act of 1990 (FCRA) specifies the way in which the costs of federal loan guarantees, including FHA-insured loans, are recorded in the federal budget. It requires that the cost of loans insured in a given fiscal year be recorded in the budget as the net present value of all of the expected future cash flows from the loans that will be insured in that year. This is referred to as *credit subsidy* (and the net present value of the cash flows expressed as a percentage of the volume of loans expected to be insured in that year is the *credit subsidy rate*).

FHA's largest program insures mortgages on single-family homes, and that program is administered through the Mutual Mortgage Insurance Fund (MMI Fund). Historically, the mortgages insured under the MMI Fund each year have been expected to have a negative credit subsidy cost, meaning that the money that those loans will earn for the government (such as from fees paid by borrowers) is expected to exceed their costs (such as from claims paid to lenders for defaulted mortgages). A negative subsidy cost results in *offsetting receipts*, which, in the case of the MMI Fund, can offset other costs of the HUD budget.

For FY2015, the President's budget estimated that the MMI Fund would generate $12.2 billion in negative credit subsidy.[26] Combined with an additional $876 million in negative credit subsidy from other FHA programs, the President's budget estimated that FHA would generate about $13.1 billion in negative credit subsidy in FY2015 that could be used as offsetting receipts.[27]

The Congressional Budget Office (CBO) does its own estimates of FHA's credit subsidy rate and offsetting receipts, and the CBO estimates are used by congressional appropriators to determine budget authority. CBO's estimate for the amount of negative credit subsidy that will be generated by the loans insured under the MMI Fund in FY2015 is $4.2 billion lower than the estimate included in the President's budget. CBO estimates that loans insured under the MMI Fund in

[25] For more information on the features of FHA-insured mortgages, see CRS Report RS20530, *FHA-Insured Home Loans: An Overview*, by (name redacted).

[26] HUD FY2015 Budget Justifications, page Z-9.

[27] Ibid., p. Z-34.

FY2015 will result in $8 billion in negative credit subsidy for the MMI Fund rather than the $12.2 billion estimated in the President's budget.

Because offsetting receipts are subtracted from gross budget authority to arrive at net budget authority, a lower amount of offsets reduces the amount of new appropriations that can be provided while remaining within agreed-upon limits on net budget authority.

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.[28] When the program was active, Congress funded the contracts for 20- to 40-year periods, so the monthly payments for owners came from the original 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.

The FY2015 President's budget proposed a decrease of almost $200 million in PBRA compared to FY2014 ($9.7 billion compared to $9.9 billion). The budget also proposed that all PBRA contracts be funded on a calendar year (CY) schedule, from January through December. Currently, PBRA funding is based on the month in which contracts were entered into. In recent years, due to funding levels for the program, HUD has sometimes "short-funded" contracts, providing owners with less than one year of funding. The President's budget proposed that FY2015 funding be used to fund all contracts through CY2015 (in some cases, this would mean less than one year of funding would be needed). Then, FY2016 funding would be used to fund all contracts for the full 2016 calendar year at an estimated cost of $10.8 billion. Calendar year funding would bring PBRA in line with Section 8 tenant-based rental assistance and Public Housing, where units are already funded on a calendar year basis.

Both the House-passed bill (H.R. 4745) and Senate Appropriations Committee-passed bill (S. 2438) follow the President's proposal for calendar year funding, and would provide $9.7 billion for PBRA. The Senate Appropriations Committee "reluctantly" agreed with the proposal to shift to calendar year funding, and stated that "due to the budget constraints for fiscal year 2015, the Committee accepts this approach as the best option for preserving HUD's housing assistance programs." (See S.Rept. 113-182.) The House Appropriations Committee reported that it expected HUD to "plan for the sustainability of the new payment cycle beyond calendar year 2015, and ... to accurately reflect the twelve months of funding required to support the new approach in its annual budget request for fiscal year 2016." (See H.Rept. 113-464.)

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[28] 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 programs.

HOME Investment Partnerships Program

The HOME Investment Partnerships Program is a flexible block grant that provides formula funding to states and local jurisdictions to use for a wide range of affordable housing activities that benefit low-income households. The President's budget requested $950 million for the HOME program, a 5% decrease from the FY2014 enacted level of $1 billion. The request included up to $10 million as a set-aside for the Self-Help Homeownership Opportunity Program (SHOP), which is currently funded in its own account.

The House-passed bill (H.R. 4745) would provide $700 million for HOME, which is $250 million less than the President's budget request and $300 million less than was provided in FY2014. Like the President's budget request, it would provide up to $10 million for SHOP within the HOME account, rather than funding SHOP within its own account.

The Senate Appropriations Committee-reported bill (S. 2438) would fund the HOME account at $950 million, the same level as requested in the President's budget. The Senate Committee-reported bill would provide $10 million for SHOP, but would continue to provide this funding in its own account rather than as a set-aside within the HOME account.

The President's budget also included several legislative proposals related to HOME. One proposal involves the thresholds for local jurisdictions to become eligible to receive their own allocations of HOME funds (localities that receive their own allocations of HOME funds are referred to as participating jurisdictions). Currently, a local jurisdiction becomes eligible to receive a direct allocation of HOME funds if it is eligible for a formula allocation of at least $500,000 in a given year, or at least $335,000 in years when less than $1.5 billion is appropriated for the program. The President's budget proposes removing the lower threshold, so that localities would only become eligible to be participating jurisdictions if they were eligible for a formula allocation of $500,000, regardless of the total amount of appropriations in a given year.

The budget also proposes revising provisions regarding "grandfathering" of participating jurisdictions. Currently, a locality that has been participating in the program can continue to participate even if its formula allocation falls below the threshold. The proposal in the budget would eliminate this grandfathering, and instead would allow a locality to continue to qualify as a participating jurisdiction for a five-year period.[29] The budget noted that, due to a higher number of participating localities and decreasing appropriations in recent years, many jurisdictions are receiving allocations that are too small to effectively administer affordable housing programs. Removing the lower threshold and ending grandfathering would result in fewer participating localities, but higher grant amounts for localities that continue to participate.

The House-passed bill contains language that has been included in recent appropriations laws that would disregard the lower threshold for localities to become participating jurisdictions during the fiscal year, meaning that localities would have to reach the higher $500,000 threshold in order to become participating jurisdictions even with a total program appropriation of less than $1.5 billion. The bill does not include the permanent changes that are included in the President's budget, such as permanently changing the threshold requirement or making changes to the grandfathering provision. The Senate Appropriations Committee-reported bill also contains the language that would disregard the lower threshold for localities to become participating

[29] HUD Budget Justifications, page S-15.

jurisdictions in FY2015. The Senate Committee-reported bill also adopts some legislative changes included in the President's budget request, but like the House-passed bill, it does not permanently change the threshold requirements or make changes to the grandfathering provision.

Title III: Related Agencies

Table 11 presents appropriations levels for the various related agencies funded within the Transportation, HUD, and Related Agencies appropriations bill.

Table 11. Appropriations for Related Agencies, FY2014-FY2015

(in millions of dollars)

Related Agencies	FY2014 Enacted	FY2015 Request	FY2015 House-Passed H.R. 4745	FY2015 Senate Committee-Reported S. 2438
Access Board	7	8	8	8
Federal Maritime Commission	25	26	25	26
National Transportation Safety Board	103	103	103	104
Amtrak Office of Inspector General	23	24	24	23
Neighborhood Reinvestment Corporation (NeighborWorks)	204	182	182	187
United States Interagency Council on Homelessness	4	4	4	4
Total	366	346	346	351

Source: Table prepared by CRS based on P.L. 113-76 and the Joint Explanatory Statement accompanying P.L. 113-76 (FY2014 enacted), the President's FY2015 budget documents (FY2015 requested levels), H.R. 4745 as amended on the House floor and H.Rept. 113-464 (House-passed levels), and S.Rept. 113-182 (Senate committee-passed levels).

Selected Budget Issues

NeighborWorks America and the National Foreclosure Mitigation Counseling Program

The Neighborhood Reinvestment Corporation, commonly known as NeighborWorks America, is a government-chartered nonprofit corporation that supports a national network of local organizations that engage in a variety of community revitalization and affordable housing activities by providing those local organizations with grants, training, and technical assistance. In addition to receiving an annual appropriation for these activities, since 2008 NeighborWorks has also received additional funding for housing counseling organizations to use solely for foreclosure prevention counseling. This is known as the National Foreclosure Mitigation Counseling Program (NFMCP) and is intended to be a temporary program to address high residential foreclosure rates in recent years.[30]

The President's FY2015 budget requested a total of $182 million for NeighborWorks, including $132 million to support its traditional core activities and $50 million for the NFMCP. This is compared to a FY2014 funding level of $204 million, which included nearly $137 million for its traditional activities and $67.5 million for the NFMCP.[31]

Like the President's budget request, the House-passed bill would provide a total of $182 million for NeighborWorks, with $132 million going to core activities and $50 million going to the NFMCP. The committee report cites improvement in housing markets as a reason for reducing funding for the NFMCP, and the bill allows NeighborWorks to use up to $4 million to begin winding down the program.[32]

The Senate Appropriations Committee-reported bill would provide a total of nearly $187 million to NeighborWorks, about $5 million more than the House-passed bill and the President's request. Of that amount, nearly $137 million would be for NeighborWorks' core programs, and $50 million would be for the NFMCP.

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[30] For more information on the NFMCP, see CRS Report R41351, *Housing Counseling: Background and Federal Role*, by (name redacted).

[31] See NeighborWorks America, Fiscal Year 2015 Budget Justification, http://www.nw.org/network/aboutus/policy/documents/BudgetSubmissionFY15.pdf.

[32] U.S. Congress, House Committee on Appropriations, *Departments of Transportation, And Housing and Urban Development, and Related Agencies Appropriations Bill, 2015*, report to accompany H.R. 4745, 113th Cong., 2nd sess., May 27, 2014, H.Rept. 113-464 (Washington: GPO, 2014), pp. 104-105.

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Federal Railroad Administration, freight transportation, Maritime Administration, Surface Transportation Board	(name redacted)	7-....	#redacted#@crs.loc.gov
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FHA, HOME, Housing Counseling, NAHASDA	(name redacted)	7-....	#redacted#@crs.loc.gov
Section 202 and Section 811, homelessness assistance, including HOPWA	(name redacted)	7-....	#redacted#@crs.loc.gov
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Interagency Council on Homelessness	(name redacted)	7-....	#redacted#@crs.loc.gov
United States Access Board	(name redacted)	7-....	#redacted#@crs.loc.gov
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