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Department of Housing and Urban Development: FY2016 Appropriations

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Summary

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

Following enactment of a series of continuing resolutions, on December 18, 2015, President Obama signed the FY2016 Consolidated Appropriations Act into law (P.L. 114-113). For HUD, it provided the following:

- $46.98 billion in gross appropriations, which is more than was proposed by the House bill (+$571 million) and the Senate committee-reported bill (+$753 million). It provides an increase over FY2015 (+$1.6 billion), but a decrease relative to the President's request (-$2.3 billion).
- $38.3 billion in net budget authority, reflecting savings from offsets and other sources, which is $2.7 billion more than FY2015 ($1.6 billion more in appropriations; $1 billion less in offsets).
- $19.6 billion for the tenant-based rental assistance account, which funds the Section 8 Housing Choice Voucher program and is the largest account in HUD's budget. This amount is less than was proposed by the House or the Senate committee bills and requested by the President, but sufficient, according to the explanatory statement accompanying the legislation, to fully fund the renewal of all vouchers currently in use, based on the most recent data available.
- $950 million for the HOME program, an increase over the FY2015 level (+$50 million). The House bill had proposed $767 million, while the Senate committee bill had proposed $66 million. The House bill had also included a provision to divert funding from the National Housing Trust Fund to the HOME program; the final FY2016 law did not include that provision.
- An administrative provision to expand the number of Moving to Work (MTW) Demonstration participants by 100 agencies, which is a broader expansion than requested by the President (+15 agencies), but a narrower expansion than proposed in the Senate committee bill (+300 agencies).

On June 25, 2015, the Senate Appropriations Committee reported its version of the FY2016 THUD appropriations bill (H.R. 2577, S.Rept. 114-75). Floor consideration of the bill commenced on November 16, 2015, but was not completed. For HUD, it proposed the following:

- $46.2 billion in gross appropriations, which is approximately $850 million more in appropriations than was provided in FY2015 but about $3 billion less than was requested by the President and $183 million less than was approved by the House.
- $37.6 billion in net budget authority reflecting savings from offsets and other sources, which is $1.9 billion more than FY2015 ($850 million more in appropriations and $1 billion less in savings from offsets).
- A 93% cut in funding for the HOME Investment Partnerships Program relative to FY2015. It proposed no provisions related to the Housing Trust Fund, as proposed in the House.

- A $100 million decrease in Community Development Block Grant (CDBG) funding relative to FY2015 (-3%), but a $100 million increase over the President's requested funding level.
- Funding increases to cover the cost of renewing subsidies in the Section 8 tenant-based (Housing Choice Voucher) and project-based rental assistance accounts (+$630 million and +$1 billion relative to FY2015). It proposed funding for new incremental vouchers for homeless youth and homeless veterans.

On May 13, 2015, the House Appropriations Committee reported its version of the FY2016 THUD appropriations bill, H.R. 2577 (H.Rept. 114-129). It was approved by the full House on June 9, 2015. For HUD, it proposed the following:

- $46.4 billion in gross appropriations, which is approximately $1 billion more in appropriations than was provided in FY2015 but $3 billion less than requested by the President.
- $37.7 billion in net budget authority, reflecting savings from offsets and other sources, which is $2 billion more than FY2015 ($1 billion more in appropriations and $1 billion less in savings available from offsets).
- A 15% cut in funding for HOME relative to FY2015, with a provision to supplement that amount by diverting any funding for the Housing Trust Fund to the HOME program.
- Roughly level funding for CDBG relative to FY2015, rejecting a cut proposed in the President's budget.
- Funding cuts (relative to FY2015) for Choice Neighborhoods (-75%) and the Public Housing Capital Fund (-10%).
- Funding increases to cover the cost of renewing subsidies in the Section 8 tenant-based (Housing Choice Voucher) and project-based rental assistance accounts (+$614 million and +$924 million relative to FY2015). No funding for the new incremental vouchers that were requested in the President's budget.
- Rejection of the legislative reforms requested by the President, with reference to the authorizing committees being most appropriate to consider such reforms.

On February 2, 2015, President Obama released his FY2016 budget request. For HUD, it proposed the following:

- $49.3 billion in gross appropriations, which is approximately $4 billion more in gross appropriations than was provided in FY2015.
- $40.6 billion in net budget authority, reflecting savings from offsets and other sources, which is $5 billion more than FY2015 ($4 billion more in appropriations and $1 billion less in savings available from offsets).
- Increases in funding for most HUD programs, including funding for 67,000 new incremental Section 8 Housing Choice vouchers.
- A 7% funding cut for CDBG, with a proposal to revisit the way funding is distributed to communities.
- Several legislative reform proposals affecting the rental assistance programs, including changes to the way that income is calculated and recertified.

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Introduction to HUD

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

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

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

Table 1. Department of Housing and Urban Development Appropriations, FY2011-FY2015

(Net budget authority in billions of dollars)

FY2011	FY2012	FY2013	FY2014	FY2015
41.11	37.43[a]	46.63[b]	32.81	35.62

Source: Figures for FY2011-FY2012 and FY2014-FY2015 are taken from tables produced by the House Appropriations Committee. FY2013-enacted funding is from *FY2012 enacted, FY2013, and FY2014 President's Budget funding table*, prepared by HUD.

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

a. FY2012 budget authority includes $100 million in disaster spending provided in the regular appropriations act.

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

FY2015 Enacted Funding Levels

On December 16, 2014, the President signed the FY2015 Consolidated and Further Continuing Appropriations Act (P.L. 113-235), funding most federal agencies, including HUD, for the fiscal year. The House passed the bill on December 11, 2014, and the Senate passed it on December 13,

2014. Prior to enactment of P.L. 113-235, the government had been funded with three continuing resolutions (CRs). The first, P.L. 113-164, the FY2015 Continuing Appropriations Resolution, provided funding from October 1, 2014, through December 11, 2014, at FY2014 levels, less an across-the-board (ATB) rescission of 0.0554% (unless otherwise specified). Congress enacted two additional CRs, P.L. 113-202 through December 15, 2014, and P.L. 113-203 through December 17, 2014, before enactment of P.L. 113-235.

P.L. 113-235 provided $45.4 billion in gross discretionary appropriations for HUD programs, not accounting for savings from offsets and other sources, about $90 million less than in FY2014 ($45.5 billion). However, *net* budget authority was higher than in FY2014, approximately $35.6 billion in FY2015 compared to $32.8 billion in FY2014. This difference was primarily driven by a decline of about $3 billion in offsetting receipts from the Federal Housing Administration (FHA) loan insurance program.

FY2016 Appropriations

Table 2 presents account-level funding information for HUD, comparing FY2015 with the FY2016 President's budget request and congressional action. It is preceded by a brief summary of action on FY2016 appropriations and followed by a more detailed discussion of selected issues and accounts.

Final Action

Following enactment of a series of continuing resolutions, on December 18, 2015, President Obama signed the FY2016 Consolidated Appropriations Act into law (P.L. 114-113). For HUD, it provided the following:

- $46.98 billion in gross appropriations, which is more than was proposed by the House bill (+$571 million) and the Senate committee-reported bill (+$753 million). It provides an increase over FY2015 (+$1.6 billion), but less than was requested by the President (-$2.3 billion).
- $38.3 billion in net budget authority, reflecting savings from offsets and other sources, which is $2.7 billion more than FY2015 ($1.6 billion more in appropriations; $1 billion less in offsets).
- $19.6 billion for the tenant-based rental assistance account, which funds the Section 8 Housing Choice Voucher program and is the largest account in HUD's budget. This amount is less than was proposed by the House or the Senate committee bills and requested by the President, but sufficient, according to the explanatory statement accompanying the legislation, to fully fund the renewal of all vouchers currently in use, based on the most recent data available.
- $950 million for the HOME program, an increase over the FY2015 level (+$50 million). The House bill had proposed $767 million, while the Senate committee bill had proposed $66 million. The House bill had included a provision to divert funding from the National Housing Trust Fund to the HOME program; the final FY2016 law did not include that provision.
- An administrative provision to expand the number of Moving to Work (MTW) Demonstration participants by 100 agencies, which is a broader expansion than requested by the President (+15 agencies), but a narrower expansion than proposed in the Senate committee bill (+300 agencies).

Senate Action

Floor Action

Floor consideration of the bill commenced on November 16, 2015, but no further action was taken after the cloture motion was withdrawn on November 19, 2015.

Committee Action

On June 25, 2015, the Senate Appropriations Committee reported its version of the FY2016 THUD appropriations bill (H.R. 2577, S.Rept. 114-75), two days following subcommittee approval. For HUD, it proposed the following:

- $46.2 billion in gross appropriations, which is approximately $850 million more in appropriations than was provided in FY2015 but about $3 billion less than was requested by the President and $183 million less than was approved by the House.
- $37.6 billion in net budget authority reflecting savings from offsets and other sources, which is $1.9 billion more than FY2015 ($850 million more in appropriations and $1 billion less in savings from offsets).
- A 93% cut in funding for HOME relative to FY2015. It proposes no provisions related to the Housing Trust Fund, as proposed in the House.
- A $100 million decrease in Community Development Block Grant (CDBG) funding relative to FY2015 (-3%), but a $100 million increase over the President's requested funding level.
- Funding increases to cover the cost of renewing subsidies in the Section 8 tenant-based (Housing Choice Voucher) and project-based rental assistance accounts (+$630 million and +$1 billion relative to FY2015). Proposed funding for new incremental vouchers for homeless youth and homeless veterans.

House Action

Floor Action

The House began consideration of H.R. 2577 on June 3, 2015, and voted to approve the bill on June 9, 2015. Several amendments were adopted during floor consideration, including amendments to increase funding for Housing Opportunities for Persons with AIDS (HOPWA) by $3 million, offset by reducing funding for information technology; increase funding for Housing for the Elderly by $2.5 million, offset by decreasing funding for research and development; and redirect HUD fair housing funding from private to administrative enforcement activities. Amendments were also adopted to prevent HUD from using funding provided in the bill to implement HUD regulations related to disparate impact under the Fair Housing Act and Affirmatively Furthering Fair Housing.

Committee Action

On May 13, 2015, the House Appropriations Committee reported its version of the FY2016 THUD appropriations bill, H.R. 2577 (H.Rept. 114-129). For HUD, it proposed the following:

- $46.4 billion in gross appropriations, which is approximately $1 billion more in appropriations than was provided in FY2015 but $3 billion less than requested by the President.
- $37.7 billion in net budget authority, reflecting savings from offsets and other sources, which is $2 billion more than FY2015 ($1 billion more in appropriations and $1 billion less in savings available from offsets).
- A 15% cut in funding for HOME relative to FY2015, with a provision to supplement that amount by diverting any funding for the Housing Trust Fund to the HOME program.
- Roughly level funding for the Community Development Block Grant (CDBG) program relative to FY2015, rejecting a cut proposed in the President's budget.
- Funding cuts (relative to FY2015) for Choice Neighborhoods (-75%) and the Public Housing Capital Fund (-10%).
- Funding increases to cover the cost of renewing subsidies in the Section 8 tenant-based (Housing Choice Voucher) and project-based rental assistance accounts (+$614 million and +$924 million relative to FY2015). No funding for the new incremental vouchers that were requested in the President's budget.
- Rejection of the legislative reforms requested by the President, with reference to the authorizing committees being most appropriate to consider such reforms.

President's Budget

On February 2, 2015, President Obama released his FY2016 budget request. For HUD, it proposed the following:

- $49.3 billion in gross appropriations, which is approximately $4 billion more in gross appropriations than was provided in FY2015.
- $40.6 billion in net budget authority, reflecting savings from offsets and other sources, which is $5 billion more than FY2015 ($4 billion more in appropriations and $1 billion less in savings available from offsets).
- Increases in funding for most HUD programs, including funding for 67,000 new incremental Section 8 Housing Choice vouchers.
- A 7% funding cut for CDBG, with a proposal to revisit the way funding is distributed to communities.
- Several legislative reform proposals affecting the rental assistance programs, including changes to the way that income is calculated and recertified.

Table 2. HUD FY2016 Detailed Appropriations

(In billions of dollars)

Accounts	FY2015 Enacted	FY2016 Request	FY2016 House	FY2016 Senate Comm.	FY2016 enacted
Appropriations					
Salaries and Expenses (Mgmt. & Adm.)	1.314	1.425	1.341	1.378	1.360
Tenant-Based Rental Assistance (Sec. 8 vouchers)[a]	19.304	21.123	19.919	19.935	19.629
Rental Assistance Demonstration	0.000[b]	0.050	0.000	0.000	0.000
Public housing capital fund	1.875	1.970	1.681	1.743	1.900
Public housing operating fund	4.440	4.600	4.440	4.500	4.500
Choice Neighborhoods	0.080	0.250	0.020	0.065	0.125
Family Self Sufficiency	0.075	0.085	0.075	0.075	0.075
Native American housing block grants	0.650	0.660	0.650	0.710[c]	0.650
Indian housing loan guarantee	0.007	0.008	0.008	0.007	0.008
Native Hawaiian block grant	0.009	0.000[d]	0.000	0.000	0.000
Native Hawaiian loan guarantee	0.000[e]	0.000[d]	0.000	0.000	0.000
Housing, persons with AIDS (HOPWA)	0.330	0.332	0.335[f]	0.330	0.335
Community Development Fund (Including CDBG)	3.066	2.880	3.060	2.900[c]	3.060
HOME Investment Partnerships	0.900	1.060	0.767[g]	0.066	0.950
Self-Help Homeownership	0.050[h]	0.000[i]	0.050[h]	0.056[h]	0.056[h]
Homeless Assistance Grants	2.135	2.480	2.185	2.235	2.250
Project-Based Rental Assistance (Sec. 8)[j]	9.730	10.760	10.654	10.826	10.620
Housing for the Elderly	0.420	0.455	0.417[k]	0.420	0.433
Housing for Persons with Disabilities	0.135	0.177	0.152	0.137	0.151
Housing Counseling Assistance[l]	0.047	0.060	0.047	0.047	0.047
Manufactured Housing Fees Trust Fund[m]	0.010	0.011	0.011	0.010	0.011
Rental Housing Assistance[n]	0.018	0.030	0.030	0.030	0.030
Federal Housing Administration (FHA) Expenses[m]	0.130	0.174	0.130	0.130	0.130
Government National Mortgage Assn. (GNMA) Expenses[m]	0.024	0.029	0.023	0.024	0.024
Research and technology	0.072	0.050	0.050[k]	0.050	0.085
Fair housing activities	0.065	0.071	0.065	0.065	0.065
Office, lead hazard control	0.110	0.120	0.075	0.110	0.110
Information Technology Fund	0.250	0.334	0.097[f]	0.250	0.250
Inspector General	0.126	0.129	0.126	0.126	0.126
Gross Appropriations Subtotal	*45.373*	*49.323*	*46.407*	*46.225*	*46.978*
Rescissions					
Drug Elimination Grants	-0.001	0.000	0.000	0.000	0.000

Accounts	FY2015 Enacted	FY2016 Request	FY2016 House	FY2016 Senate Comm.	FY2016 enacted
Rural Housing and Economic Development	0.000	0.000	-0.003	N/S[o]	0.000
Other	0.000	0.000	-0.007[p]	-0.016[o]	-0.014[q]
Management and Administration	0.000	0.000	-0.002	0.000	0.000
Youth Build	0.000[r]	0.000	0.000	0.000	0.000
Section 108	0.000	0.000	-0.002	0.000	0.000
Brownfields	-0.003	0.000	0.000	0.000	0.000
FHA	-0.010	0.000	0.000	0.000	0.000
Rescissions Subtotal	*-0.014*	*0.000*	*-0.014*	*-0.016*	*-0.014*
Offsetting Collections and Receipts					
Manufactured Housing Fees Trust Fund	-0.010	-0.011	-0.011	-0.010	-0.011
FHA	-8.863	-7.786[s]	-7.757	-7.757	-7.757
GNMA	-0.864	-0.886	-0.886	-0.886	-0.886
Offsets Subtotal	*-9.737*	*-8.683*	*-8.654*	*-8.653*	*-8.654*
Total Budget Authority	**35.621**	**40.640**	**37.739**	**37.556**	**38.311**
Disaster Relief Funding	***0.000***	***0.000***	***0.000***	***0.000***	***0.300***[t]
Total w/ Disaster Funding	***35.621***	***40.640***	***37.739***	***37.556***	***38.611***

Sources: Table prepared by CRS based on FY2015 Consolidated and Continuing Appropriations Act (P.L. 113-235) and the Explanatory Statement, *Congressional Record*, vol. 160, part 151—Book II (December 11, 2014), pp. H9981-H9984 (FY2015 enacted levels); the President's FY2016 budget documents, including HUD Congressional Budget Justifications (FY2016-requested levels); H.R. 2577, H.Rept. 114-129 (FY2016-requested level and FY2016-House Committee), updated by CRS to reflect floor amendments, S.Rept. 114-75 (FY2016 Senate Comm.), and Division L of the FY2016 Consolidated Appropriations Act (P.L. 114-113) and the Explanatory Statement, *Congressional Record*, vol. 161, part 184—Book III (December 17, 2015), pp. H10440-10471 (FY2016 enacted).

Note: N/S=not specified

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. While no funding was provided for the Rental Assistance Demonstration, the law did raise the cap on the number of units that can participate in the demonstration from 60,000 to 185,000 and made several other changes. See Section 234 of HUD General Provisions in P.L. 113-235.

c. The Senate committee-passed bill proposed to move funding for the Indian Community Development Block Grant (ICDBG) from the Community Development Fund to the account that funds Native American Housing Block Grants, and would rename the account Indian Block Grants. The bill proposed $650 million for Native American Housing Block Grants and $60 million for ICDBG.

d. The President's budget did not request funding for the Native Hawaiian Housing Block Grant or Native Hawaiian Loan Guarantee accounts, noting that sufficient carryover balances are available to administer each program in FY2016.

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

f. The bill was amended on the House floor to increase HOPWA funding by $3 million and decrease funding for the Information Technology Fund by the same amount. This brought total HOPWA funding from $332 million (as provided by the House Appropriations Committee) to $335 million.

g. In addition to the funds appropriated in the bill, the House bill would have also transferred any funds provided to the Housing Trust Fund in FY2016 to the HOME program. The Housing Trust Fund is to be funded through contributions from Fannie Mae and Freddie Mac rather than through appropriations. The committee report estimated that $133 million could be transferred from the Housing Trust Fund, which would have brought total funding for the HOME account to $900 million, the same as the FY2015-enacted level.

h. Of the total amount for the Self-Help Homeownership Opportunity Program (SHOP) account, the FY2015 enacted level, the House-passed bill, and the Senate committee-passed bill all included $10 million for the SHOP program and $40 million for capacity building activities. The Senate committee-passed bill also proposed $5.7 million for a program to rehabilitate or modify housing for low-income disabled veterans. The final FY2016 appropriations law similarly provides $10 million for SHOP, $40 million for capacity building activities, and $5.7 million for a program to rehabilitate or modify housing for low-income or disabled veterans.

i. The President's budget proposed providing $10 million for SHOP within the HOME account, rather than in its own account. Capacity building activities would have been funded in the Transformation Initiative account.

j. 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.

k. The bill was amended on the House floor to increase Housing for the Elderly funding by $2.5 million, from $414 million to approximately $417 million. The Policy Development and Research account was reduced by the same amount.

l. In addition to HUD's housing counseling assistance program, in recent years Congress 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.

m. 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.

n. 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.

o. Section 245 of the General Provisions proposed a rescission of $12 million in unobligated balances from the cost of guaranteed loans for Native American Housing Block Grants and all unobligated balances from two accounts that have not been funded in a number of years: Rural Housing and Economic Development and Homeownership and Opportunity for People Everywhere.

p. Section 233 of the General Provisions included a rescission of $7 million in unobligated balances from the Neighborhood Stabilization Program.

q. Section 241 of the General Provisions included the same rescissions as the Senate committee bill, plus a rescission from FHA's General and Special Risk Program account.

r. Includes a rescission of $460,000 in prior-year unobligated balances from the Youth Build program (rounding to less than $1 million), which was formerly funded in HUD's budget but is now funded in the Department of Labor's budget.

s. Amounts shown here reflect the Congressional Budget Office's re-estimate of the President's budget request; therefore, the figure for the FY2016 budget request differs from what is shown in the President's budget documents. The President's budget proposed to allow FHA to charge lenders an administrative support fee, estimating it could raise an additional $29 million in offsetting receipts. Neither the House-passed bill nor the Senate committee-passed bill proposed the authority to charge the fee, nor was it included in the final FY2016 appropriations law.

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

Discussion of Selected FY2016 Funding Issues

Funding for Assisted Housing Programs

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

Section 8 Tenant-Based Rental Assistance

The tenant-based rental assistance (TBRA) account funds the Section 8 Housing Choice Voucher program; it is the largest account in HUD's budget. Most of the funding provided to the account each year is for the annual renewal of more than 2 million vouchers that are currently authorized and being used by families to subsidize their housing costs. The account also provides funding for the administrative costs incurred by the local Public Housing Authorities (PHAs) that administer the program. The account is funded using both current-year appropriations and advance appropriations provided for use in the following fiscal year. (For more information about the program, see CRS Report RL34002, *Section 8 Housing Choice Voucher Program: Issues and Reform Proposals*, by (name redacted) .)

Table 3. Tenant-Based Rental Assistance (Housing Choice Vouchers), FY2015-FY2016

(In billions of dollars)

Section 8 Tenant-Based Rental Assistance	FY2015 Enacted	FY2016 Request	FY2016 House	FY2016 Senate Comm.	FY2016 Enacted
Total	**19.304**	**21.123**	**19.919**	**19.935**	**19.629**
Budget Authority for Voucher Renewals	17.486	18.334	18.151	17.982	17.682
Rental subsidy reserve	*0.120*	*0.075*	*0.075*	*0.075*	*0.075*
Administrative fees	1.530	2.020	1.530	1.620	1.650
Additional Fees	*0.010*	*0.010*	*0.010*	*0.010*	*0.010*
Tenant Protection Vouchers	0.130	0.150	0.130	0.130	0.130
Incremental Rental Vouchers	0.000	0.277	0.000	0.000	0.000
Incremental Family Unification Vouchers	0.000	0.020	0.000	0.020	0.000
Incremental Special Purpose Vouchers	0.000	0.215	0.000	0.000	0.000
Incremental Veterans Affairs Supported Housing vouchers (VASH)	0.075	0.000	0.000	0.075	0.060
Section 811 Voucher Renewals	0.083	0.108	0.108	0.108	0.107

Sources: Table prepared by CRS based on FY2015 Consolidated and Continuing Appropriations Act (P.L. 113-235) and the Explanatory Statement, *Congressional Record*, vol. 160, part 151—Book II (December 11, 2014), pp. H9981-H9984 (FY2015 enacted levels); the President's FY2016 budget documents, including HUD Congressional Budget Justifications (FY2016-requested levels); H.R. 2577, H.Rept. 114-129 (FY2016-requested level and FY2016-House Committee), updated by CRS to reflect floor amendments, S.Rept. 114-75 (FY2016 Senate Comm.), and Division L of the FY2016 Consolidated Appropriations Act (P.L. 114-113) and the Explanatory Statement, *Congressional Record*, vol. 161, part 184—Book III (December 17, 2015), pp. H10440-10471 (FY2016 enacted).

Renewal Funding

Arguably, the most contentious issue in the tenant-based rental assistance account every year is the cost of renewing existing vouchers. All of the roughly 2 million vouchers that are currently authorized and in use are funded annually, so in order for families to continue to receive assistance (i.e., renew their leases at the end of the year), new funding is needed each year.

The President's budget request usually includes an estimate of how much it will cost in the next year to renew all vouchers in use. However, that estimate is based on assumptions about (1) how many vouchers will be in use and (2) how much the costs of those vouchers will change the next year. The actual renewal cost needs of the program will be influenced by whether PHAs are, in aggregate, increasing or decreasing the number of vouchers they are issuing to families and whether those families are able to successfully use the vouchers to find housing. These factors influence the number of vouchers in use, also referred to as voucher utilization, or the number of vouchers that are "under lease." The cost of the vouchers that are up for renewal is driven by changes in family incomes, changes in rental markets, and, to some extent, the policies adopted by PHAs. Congress and the President may use different assumptions about how any or all of these factors will change, and thus they may come up with different estimates regarding how much will be needed to "fully fund" the renewal of all vouchers currently in use.

For FY2016, the President's budget estimated that renewal needs would be $18.3 billion, an increase of $848 million relative to FY2015.

The House bill proposed $18.15 billion for voucher renewals. A committee press release regarding the bill stated that the funding provided would "continue assistance to all families and individuals currently served."[1]

The Senate committee bill proposed $17.98 billion for voucher renewals. The committee report noted that the funding level reflected updated data that showed reduced voucher costs, relative to the original budget estimate.[2]

The final FY2016 appropriations law provides $17.68 billion for renewals, which is less than was requested or proposed by the House or the Senate committees. The explanatory statement explains that the renewal amount represents "full voucher renewal based on revised estimates from HUD."[3]

Administrative Fees

PHAs are paid a per-unit fee to administer the Housing Choice Voucher program. Thus, the total amount of fees a PHA earns in a year is based on how many vouchers it leases. In recent years, the amount of appropriations provided by Congress has not been sufficient to fully fund all of the fees earned by PHAs under the formula, thus they have received reduced, or prorated, fees. The proration level resulting from the FY2015 funding level was 74%.[4]

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[1] The U.S. House of Representatives, Committee on Appropriations, "Appropriations Committee Releases the Fiscal Year 2016 Transportation, Housing and Urban Development Bill," press release, April 28, 2015. Available at http://appropriations.house.gov/news/documentsingle.aspx?DocumentID=394177.

[2] S.Rept. 114-75, p. 109.

[3] Explanatory Statement, *Congressional Record*, vol. 161, part 184—Book III (December 17, 2015), pp. H10447.

[4] This is an estimated amount and may change over the course of the year, although HUD does not expect it to change significantly. See HUD, "CY 2015 Housing Choice Voucher Funding Implementation Follow-Up Questions from February 21, 2015 Broadcast," available at http://portal.hud.gov/hudportal/documents/huddoc?id=
(continued...)

For FY2016, the President's budget requested more than $2 billion for administrative fees, an increase of almost half a billion dollars over the FY2015 level. HUD's FY2016 Congressional Budget Justifications stated that the requested level would not be sufficient to fully fund PHAs' fee eligibility, but would result in a higher proration level (90%) than has been funded in recent years.

The House bill proposed level funding for administrative fees in FY2016. This would likely have meant a proration level equal to or less than FY2015 (74%). The Senate committee bill proposed $1.62 billion for administrative fees, $90 million above the FY2015 funding level, but $400 million less than the requested level. The final FY2016 appropriations law provides $1.65 billion, which will likely result in a higher proration level than FY2015.

New Vouchers

New vouchers—or "incremental vouchers"—are vouchers that are funded by Congress and distributed by HUD to PHAs to serve additional families. In recent years, the primary source of new vouchers has been the Veterans Affairs Supported Housing (VASH) program, which is administered jointly with the Department of Veterans Affairs and provides vouchers paired with supportive services for homeless veterans.

For FY2016, the President's budget requested more than $500 million to fund 67,000 new incremental vouchers. HUD estimated that this is the number of vouchers that have been lost as a result of funding cuts since sequestration in FY2013.[5] Of those 67,000, HUD proposed to allocate 37,000 based on relative need, as determined by the Secretary, and 30,000 for special populations. Specifically, the President requested $178 million for new vouchers for families, veterans, and Native Americans experiencing homelessness as well as victims of domestic violence; and $20 million for families and youth in the child welfare system, through the Family Unification Program (FUP). The President's budget requested no new funding for VASH (although homeless veterans would be eligible for the new vouchers requested in the budget).

The House bill did not propose any funding for new incremental vouchers, including new incremental VASH vouchers.

The Senate committee bill proposed $20 million for new FUP vouchers, the same amount requested by the President, and $75 million for new VASH vouchers, for which the President requested no new funding. S.Rept. 114-75 directed HUD to prioritize the awarding of the new FUP vouchers for youth and the bill contained a provision to expand the time limit of youth vouchers from 18 months to 36 months. S.Rept. 114-75 stated that the committee rejected the Administration's assumption that it will end veteran homelessness in 2015.

The final FY2016 law includes $60 million for VASH and no funding for FUP or other new incremental vouchers.

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

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(...continued)

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[5] See **Appendix** for discussion of sequestration.

multifamily property owners. Under those contracts, HUD provides subsidies to the owners to make up the difference between what eligible low-income families pay to live in subsidized units (30% of their incomes) and a previously agreed-upon rent for the unit. No contracts for newly subsidized units have been entered into under this program since the early 1980s.[6] When the program was active, Congress funded the contracts for 20- to 40-year periods, so the monthly payments for owners came from old appropriations. However, once those contracts expire, they require new annual appropriations if they are renewed. Further, some old contracts do not have sufficient funding to finish their existing terms, so new funding is needed to complete the contract (referred to as amendment funding). As more contracts have shifted from long-term appropriations to new appropriations, this account has grown and become the second-largest account in HUD's budget.

The President's budget requested $10.5 billion for project-based contract renewals (including nearly $600 million for amendment needs) and $215 million for the contract administrators that HUD contracts with to manage the program (generally, PHAs and state housing finance agencies). The total amount requested for the PBRA account ($10.76 billion) was more than $1 billion above the FY2015 funding level. Part of that increase is driven by estimated increases in renewal costs, but part of the increase is the result of FY2015 funding needs being lower than usual because of one-time savings from an accounting change. (That accounting change, which switched the program from a federal fiscal year funding cycle to a calendar year funding cycle, resulted in some contracts needing less than 12 months of funding.) The President's budget documents stated that the amount requested in FY2016 would be sufficient to fully fund all contracts for a full 12-month period.

The House bill proposed $10.65 billion for the PBRA account in FY2016. It proposed $10.5 billion for renewals and amendment needs and $150 million for contract administrators. The committee report stated that it expected HUD to realize cost savings in its contract administrator contracts.

The Senate committee bill proposed $10.83 billion for the PBRA account, including $10.6 billion for renewal and amendment needs and $215 million for contract administrators. S.Rept. 114-75 reported that the committee rejected an assumption in the President's estimate of renewal needs that savings would be accomplished through changes to a medical expense deduction requested in the President's budget.

The final FY2016 appropriations law provides $10.4 billion for renewals and amendment needs as well as $215 million for contract administrators.

Public Housing

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

Although no new Public Housing developments have been built for many years, Congress continues to provide funds to the more than 3,100 PHAs that own and maintain the existing stock

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

of more than 1 million units. Public Housing receives federal funding under two primary accounts, which, when combined, result in Public Housing being the third-highest funded program in HUD's budget (following the two Section 8 programs). Through the operating fund, HUD provides funding to PHAs to help fill the gap between tenants' rent contributions and the cost of ongoing maintenance, utilities, and administration of public housing properties. Through the capital fund, HUD provides funding to PHAs for capital projects and modernization of their public housing properties. Choice Neighborhoods is an Obama Administration initiative to provide competitive grants to revitalize distressed public and assisted housing properties and their surrounding communities. It is similar to its predecessor program, the HOPE VI program; however, Choice Neighborhoods expands the pool of eligible applicants beyond public housing properties to include other HUD-assisted properties and their communities.

Table 4. Public Housing, FY2015-FY2016

(In billions of dollars)

Account	FY2015 Enacted	FY2016 Request	FY2016 House	FY2016 Senate Comm.	FY2016 Enacted
Public Housing Capital Fund	**1.875**	**1.970**	**1.681**	**1.743**	**1.900**
Amount Available for Formula Grants, after set-asides	*1.764*	*1.815*	*1.613*	*1.666*	*1.824*
Resident Opportunities for Supportive Services (ROSS)	*0.045*	*0.000*	*0.030*	*0.035*	*0.035*
Jobs Plus Demonstration	*0.015*	*0.100*	*0.015*	*0.015*	*0.015*
Other set-asides	*0.051*	*0.055*	*0.023*	*0.027*	*0.026*
Public Housing Operating Fund	**4.440**	**4.600**	**4.440**	**4.500**	**4.500**
Choice Neighborhoods	**0.080**	**0.250**	**0.020**	**0.065**	**0.125**

Sources: Table prepared by CRS based on FY2015 Consolidated and Continuing Appropriations Act (P.L. 113-235) and the Explanatory Statement, *Congressional Record*, vol. 160, part 151—Book II (December 11, 2014), pp. H9981-H9984 (FY2015 enacted levels); the President's FY2016 budget documents, including HUD Congressional Budget Justifications (FY2016-requested levels); H.R. 2577, H.Rept. 114-129 (FY2016-requested level and FY2016-House Committee), updated by CRS to reflect floor amendments, S.Rept. 114-75 (FY2016 Senate Comm.), and Division L of the FY2016 Consolidated Appropriations Act (P.L. 114-113) and the Explanatory Statement, *Congressional Record*, vol. 161, part 184—Book III (December 17, 2015), pp. H10440-10471 (FY2016 enacted).

Operating Fund

Operating fund dollars are allocated to PHAs based on a formula that estimates what it should cost PHAs to maintain their public housing properties based on the characteristics of those properties. HUD's Congressional Budget Justifications estimated that the amount requested for the operating fund in FY2016, $4.6 billion, would be sufficient to fund approximately 86% of the amount PHAs would qualify for under the operating fund formula.

The House bill proposed $160 million less than the amount requested, which is even with the FY2015 enacted level. Thus, at the House funding level, PHAs could have expected an operating fund proration level of less than 86%. The Senate committee bill would have increased funding for the Operating Fund above the FY2015 level (and the House level), but not to the level requested by the President. Thus, the proration level under the Senate committee bill would likely have been lower than 86%, but higher than under the House bill. The final FY2016 appropriations law adopts the Senate committee bill's proposed funding level of $4.5 billion.

Capital Fund

For the capital fund, the President's budget requested about a $50 million increase for formula grants over FY2015. According to HUD's Congressional Budget Justifications, the amount requested represents about 53% of the annual capital accrual needs in public housing.

The House bill would have cut capital fund formula grants by about $150 million relative to FY2015, $200 million less than the President's budget request. The Senate committee bill would have cut funding by about $100 million. The final FY2016 appropriations law provides $1.9 billion, an increase over FY2015 (+$25 million).

Choice Neighborhoods

The FY2016 President's budget requested $250 million for Choice Neighborhoods, a significant increase over the $80 million provided in FY2015. HUD's Congressional Budget Justifications noted that the amount requested would fund between 5 and 8 implementation grants (which have a maximum grant amount of $30 million) and 5 to 10 planning grants.

The House bill proposed $20 million for Choice Neighborhoods; the Senate committee bill proposed $65 million. The final FY2016 appropriations law provides $125 million, which is half the amount requested by the President, but more than FY2015.

Community Development Funding: The CDF, CDBG, and Section 108

The Community Development Fund (CDF) funds several community development-related activities, including the Community Development Block Grant (CDBG) program. CDBG is the federal government's largest and most widely available source of financial assistance supporting state and local government-directed neighborhood revitalization, housing rehabilitation, and economic development activities. These formula-based grants are allocated to approximately 1,194 entitlement communities (metropolitan cities with populations of 50,000, principal cities of metropolitan areas, and urban counties), the 50 states plus Puerto Rico, and the insular areas of American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands. Grants are used to implement plans intended to address housing, community development, and economic development needs, as determined by local officials. (For a detailed review of recent CDF funding issues and a detailed description of CDBG, see CRS Report R43208, *Community Development Block Grants: Funding Issues in the 113th Congress*, by (name redacted) and CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by (name redacted))

Table 5. CDBG and Related Appropriations, FY2015 and FY2016

(In billions of dollars)

Program	FY2015 Enacted	FY2016 Request	FY2016 House	FY2016 Senate Comm.	FY2016 Enacted
CDF, total	**3.066**	**2.880**[a]	**3.060**	**2.900**	**3.060**
CDBG-formula	3.000	2.800	3.000	2.900	3.000
Entitlement communities	*2.095*	*2.011*	*2.095*	*2.025*	*2.095*
States	*0.898*	*0.862*	*0.898*	*0.868*	*0.898*

Program	FY2015 Enacted	FY2016 Request	FY2016 House	FY2016 Senate Comm.	FY2016 Enacted
CDBG insular areas	*0.007*	*0.007*	*0.007*	*0.007*	*0.007*
CDBG Indian tribes	0.066	0.080[b]	0.060[c]	0.000[d]	0.060
CDBG-Disaster Recovery (emergency funding)	**0.0**	**0.0**	**0.0**	**0.0**	**0.300**[e]

Sources: Table prepared by CRS based on FY2015 Consolidated and Continuing Appropriations Act (P.L. 113-235) and the Explanatory Statement, *Congressional Record*, vol. 160, part 151—Book II (December 11, 2014), pp. H9981-H9984 (FY2015 enacted levels); the President's FY2016 budget documents, including HUD Congressional Budget Justifications (FY2016-requested levels); H.R. 2577, H.Rept. 114-129 (FY2016-requested level and FY2016-House Committee), updated by CRS to reflect floor amendments, S.Rept. 114-75 (FY2016 Senate Comm.), and Division L of the FY2016 Consolidated Appropriations Act (P.L. 114-113) and the Explanatory Statement, *Congressional Record*, vol. 161, part 184—Book III (December 17, 2015), pp. H10440-10471 (FY2016 enacted).

Note: Totals may not add due to rounding.

a. Includes potential transfer of $20 million to the Transformation Initiative (TI) account.

b. Includes a $10 million set-aside for teacher housing in tribal areas.

c. Includes a $3.960 million set-aside to be used for emergencies that constitute an imminent threat to health and safety.

d. The bill reported by the Senate Appropriations Committee would have transferred appropriations authority for Indian CDBGs (ICDBG) from the CDF account to the Indian Housing Block Grant (IHBG) account. The Senate Appropriations Committee bill recommended an appropriation of $60 million for competitively awarded ICDBGs.

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

Administration Request

The Obama Administration budget request for FY2016 proposed $2.880 billion for CDBG formula grants to entitlement communities, states, and insular areas ($2.800 billion) and competitive grants awarded to Indian tribes and Alaskan Native villages ($80 million). The Administration's FY2016 budget proposal for the CDBG formula grants would have reduced the amount of funds allocated by $200 million below the amount appropriated for FY2015 ($3 billion). For FY2016, the Administration request for the CDBG formula components of the CDF account proposed

- $2.011 billion to be allocated to 1,194 CDBG entitlement communities;
- $862 million for the CDBG state-administered program, including funds for Puerto Rico; and
- $7 million for insular areas (American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands).

This was approximately 7% less than the amount appropriated for FY2015. The Administration also requested $80 million for Indian tribes, which was a proposed 21.2% increase above the amount appropriated in FY2015.

The Administration, when releasing its FY2016 budget request, noted that it planned to propose revisions and reforms to the program.[7] According to the Administration's budget documents, the legislative package, which it had planned to release after the FY2016 appropriations cycle, would focus on four areas: grantee eligibility; aligning program cycles; improving grantee accountability; and addressing issues in the state CDBG program. A formal proposal was not submitted on behalf of the Administration during consideration of FY2016 appropriations.

More specifically, the Administration's grant reforms, as outlined in HUD's Congressional Budget Justifications, included proposals that would have, if approved

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

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

Upward Mobility Initiative

In addition, the Administration outlined a new proposed Upward Mobility Initiative (UMI) that would have allowed up to 10 states, local governments, or consortia of the two to combine funding across four existing block grants, including two HUD block grants (Social Services Block Grants, Community Service Block Grants, HOME Investment Partnerships, and CDBG). The UMI, which would have been jointly administered by HUD and the Department of Health and Human Services, would have allowed grantees to use funds "beyond the current allowable purposes of these programs to implement evidence-based or promising strategies for helping individuals succeed in the labor market and improving economic mobility, children's outcomes, and the ability of communities to expand opportunity."[8]

Section 108 Loan Guarantees

The CDBG Section 108 Loan Guarantee program (Section 108) allows states and entitlement communities to borrow up to five times their annual CDBG allocation for a term of 20 years through the public issuance of bonds to support large-scale economic development and housing projects. The Administration's FY2016 budget proposed a loan commitment ceiling of $300 million. This was $200 million less than was made available for FY2015, the first year the program charged a fee for access to it rather than provide a credit subsidy. The fee-based requirement to access the program, which was first proposed by the Administration in its FY2010

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[7] The Administration previously has announced efforts to pursue similar grant reforms during the last two budget cycles (FY2014/FY2015), but did not put forth a formal proposal.

[8] U.S. Department of Housing and Urban Development, *Congressional Budget Justifications for FY2016*, Community Development Fund, Washington, DC, February 2, 2015, p. 15-7, http://portal.hud.gov/hudportal/documents/huddoc?id=18-FY16CJ-CDFund.pdf.

budget request, was not approved by Congress until the FY2014 appropriations law. On February 5, 2015, HUD published two notices regarding the Section 108 fees in the *Federal Register*. The first of the two established a fee of 2.42% of the principal obligation of the loan, which will be applied to Section 108 loan disbursements during FY2015. The fee will be charged after available credit subsidies have been depleted. The second notice included proposed rules that would govern the levying of fees when appropriations for credit subsidies are not available or insufficient in future years.

House Bill

The House bill recommended $3.060 billion in FY2016 for activities funded under the CDF account, including $3.0 billion for CDBG formula grants awarded to states, entitlement communities, and insular areas. This is the same amount appropriated in FY2015 for formula grants and $200 million (7%) more than requested by the Administration. The bill recommended an appropriation of $60 million for Indian tribes. This was $20 million less than requested by the Administration. The bill also proposed a general provision (Section 230) that would have prohibited HUD from using any funding provided in the bill to terminate the designation of a community as an entitlement community for the purposes of CDBG eligibility. The provision was an effort to protect the entitlement status of communities that may no longer meet statutory requirements for a direct formula-based allocation since it was anticipated that the Administration would seek statutory changes in the program eligibility requirements that would have the net effect of reducing the number of entitlement communities. The report language accompanying the bill noted the proposed changes in eligibility "may have adverse effects on smaller communities" forcing states "to support a greater number of communities without additional funds."[9]

The bill proposed language supporting the continued conversion of Section 108 loan guarantees to a fee-based structure and recommended a loan guarantee ceiling of $300 million. This was consistent with the Administration's request. The committee also recommended the rescission of all unobligated credit subsidy balances, completing the conversion of the program to a fee-based structure.

Senate Appropriations Committee Bill

The Senate committee bill recommended $2.900 billion in FY2016 for activities funded under the CDF account, with the total amount appropriated exclusively for CDBG formula grants to entitlement communities, states, and insular areas. This was $100 million less than the amount appropriated in FY2015 for formula grants and $100 million (3.6%) more than requested by the Obama Administration. The bill recommended transferring appropriations authority for CDBG funds awarded to Indian tribes from the CDF account to the Indian Housing Block Grant (IHBG) account. The bill proposed that $60 million be appropriated to carry out ICDBG funded activities. In addition, the bill proposed language that would have continued to prohibit entitlement communities from transferring CDBG funds to another community in exchange for other funds, credits, or non-federal considerations. The Senate bill would have also prohibited the awarding of CDBG funds to for-profit entities for economic development projects unless a project had been evaluated in accordance with guidelines outlined under the rules governing the program. Like its

[9] U.S. Congress, House Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, *Department of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, 2016*, committee print, 114th Cong., 1st sess., June 2, 2015, 114-xx (Washington: GPO, 2015), p. 84.

House counterpart, the bill also proposed a general provision (Section 232) that would have prohibited HUD from using any funding provided in the bill to terminate the designation of a community as an entitlement community for the purposes of CDBG eligibility.

The bill proposed language supporting the continued conversion of Section 108 loan guarantees to a fee-based structure and recommended a loan guarantee ceiling of $300 million. This was consistent with the Administration's request and the House-passed bill.

Consolidated Appropriations Act, P.L. 114-113

The final FY2016 appropriations law, consistent with the language included in the House bill, appropriated $3.060 billion for CDBG activities, including $60 million for ICDBG activities and $3 billion for CDBG formula allocations. This is consistent with the amount proposed by the House. The law does not include a provision included in the Senate committee bill that would have transferred the ICDBG activities to the Indian Housing Block Grant account. The act limits the percentage of funds grantees may use for planning and administrative expenses to no more than 20% of a grantee's CDBG allocation. The act includes a provision, consistent with language included in the Senate committee bill, that continues to prohibit entitlement communities from transferring CDBG funds to another community in exchange for other funds, credits, or non-federal considerations. The act also includes a provision included in the Senate committee bill prohibiting the awarding of CDBG funds to for-profit entities for economic development projects unless a project is evaluated in accordance with guidelines outlined under the rules governing the program. In addition, the act authorizes a loan commitment ceiling of $300 million for Section 108 loan guarantees.

The act includes a general provision allowing certain communities in a designated Rural Promise Zone or Distressed County as defined by the Appalachian Regional Commission to be considered in compliance with the requirement that CDBG funding must be spent to principally benefit low and moderate income families. The act also includes a provision appropriating $300 million for disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from a major disaster declared in 2015. The act requires states and communities to submit a disaster recovery plan detailing the proposed use of all funds for HUD approval as a precondition before such funds may be obligated.

HOME Investment Partnerships Program

The HOME Investment Partnerships Program is a flexible block grant that provides formula funding to states and certain local jurisdictions (referred to as "participating jurisdictions" or PJs). PJs can use HOME funds for a wide range of affordable housing activities (including both rental housing and homeownership) that benefit low-income households. Along with states, nearly 600 local jurisdictions received formula funding through HOME in FY2015. (For more information about HOME, see CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by (name redacted))

The President's budget requested $1.06 billion for HOME, $150 million more than the FY2015 enacted level of $900 million. (The HOME request includes $10 million for the Self-Help Homeownership Opportunity Program, or SHOP, which historically has been funded in its own account.)

The House bill proposed $767 million in funding for the HOME program. (It would have continued to fund SHOP within its own account.) In addition, the House bill would have diverted any funds provided to the Housing Trust Fund in FY2016 to the HOME program. The House committee report estimated that $133 million would be transferred from the Housing Trust Fund, which would have brought total HOME funding for FY2016 to $900 million, the same as the FY2015-enacted level. (See the nearby text box for more information on the Housing Trust Fund.)

The Senate committee bill proposed $66 million for the HOME program, a 93% decrease from the FY2015 enacted level of $900 million. Unlike the House-passed bill, the Senate committee bill did not propose any provisions related to the Housing Trust Fund. Like the House bill, the Senate committee bill continued to fund SHOP in its own account.

The final FY2016 appropriations law provides $950 million for HOME, $50 million more than the FY2015 enacted level. It does not include any provisions related to the Housing Trust Fund, and it continues to fund SHOP in its own account.

The Housing Trust Fund

The Housing Trust Fund was established by the Housing and Economic Recovery Act of 2008 (HERA, P.L. 110-289) and would provide formula funding to states to use primarily for rental housing activities that benefit extremely low-income households. It was to be funded through contributions from Fannie Mae and Freddie Mac, rather than through appropriations.[10] However, the contributions were suspended before they had ever begun shortly after Fannie Mae and Freddie Mac were placed into voluntary conservatorship in September 2008.

The Housing Trust Fund has never been funded, but the Director of the Federal Housing Finance Agency (FHFA), Fannie Mae's and Freddie Mac's regulator, recently directed Fannie and Freddie to resume their contributions.[11] The first funds are expected to be transferred to the Housing Trust Fund in early 2016, subject to certain conditions. (For more information on the Housing Trust Fund, see CRS Report R40781, *The Housing Trust Fund: Background and Issues*, by (name redacted))

The Federal Housing Administration (FHA)

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

The FHA insurance programs are administered primarily through two program accounts in the HUD budget. The Mutual Mortgage Insurance Fund (MMI Fund) account includes mortgages for single-family home loans made to eligible borrowers, such as those with low down payments. It also includes FHA-insured reverse mortgages, known as Home Equity Conversion Mortgages (HECMs). The MMI Fund is the largest of the FHA insurance funds, and when there is public discussion of "FHA insurance" or "FHA loans," it is usually related to the MMI Fund and the single-family home loans insured under that fund. (For more information on the features of FHA-

10 Specifically, Fannie Mae and Freddie Mac are each directed to set aside 4.2 basis points (.042%) of every dollar of the unpaid principal balance of their new business purchases. The contributions are to be split between the Housing Trust Fund and another program created by HERA, the Capital Magnet Fund, which would be administered by the Department of the Treasury. Of the amount available, the Housing Trust Fund is to receive 65% of the contributions and the Capital Magnet Fund is to receive 35%. Some funds may also be used to cover costs of the Hope for Homeowners program, a foreclosure prevention program that is no longer active.

11 See Federal Housing Finance Agency, "FHFA Statement on the Housing Trust Fund and Capital Magnet Fund," December 11, 2014, at http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Statement-on-the-Housing-Trust-Fund-and-Capital-Magnet-Fund.aspx.

insured home mortgages, see CRS Report RS20530, *FHA-Insured Home Loans: An Overview*, by (name redacted). The second account, the General Insurance/Special Risk Insurance Fund (GI/SRI Fund), includes mortgages on multifamily buildings and healthcare facilities such as hospitals and nursing homes.

Offsetting Receipts

The costs of federal loan guarantees are reflected in the budget as the net present value of all of the expected future cash flows from the loans that are expected to be insured in a given year. (Cash inflows include fees paid by borrowers to the federal government; cash outflows include claims paid by the federal government when a loan is not repaid by the borrower.) If the estimated cash inflows exceed the estimated cash outflows—that is, if the insured loans are expected to earn more money for the government than they cost—then the program is said to have a negative credit subsidy.[12] A negative credit subsidy results in *offsetting receipts,* which, in the case of FHA, can offset other costs of the HUD budget.

Historically, the MMI Fund has been estimated to have negative credit subsidy.[13] The resulting offsetting receipts are usually the single largest source of offsets in the HUD budget. While the President's budget request estimates the amount of FHA offsetting receipts, the Congressional Budget Office (CBO) does its own estimates, and the CBO estimates are the ones that are used by congressional appropriators to determine budget authority.

For FY2016, CBO estimates that loans insured by FHA (including both the MMI Fund and the GI/SRI Fund) will generate about $7.8 billion in offsetting receipts, a decline of about $1 billion from the estimated offsetting receipts in FY2015. This decline in offsetting receipts means that less funding is available to offset the cost of the HUD budget. All other things being equal, a $1 billion decrease in offsets would mean that *gross* appropriations would have to decrease by $1 billion to not exceed the same level of *net* HUD budget authority that was provided in FY2015.

Appropriations and Commitment Authority

Because the loans insured under the MMI Fund have historically been estimated to have negative credit subsidy, the MMI Fund has never needed an appropriation to cover the costs of loans guaranteed in a given fiscal year. However, FHA does receive appropriations every year for salaries (included in the salaries and expenses account for the overall HUD budget) and administrative contract expenses. The President's budget requested $174 million for administrative contract expenses for FHA in FY2016. The House bill and the Senate committee bill both proposed $130 million, the same as the FY2015-enacted level, and this is the amount that is provided in the final FY2016 appropriations law.

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

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

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

the FY2015-enacted levels. The final FY2016 appropriations law provides this amount of commitment authority.

Selected General Provisions

Each year, in addition to proposing funding levels for HUD programs, the President's budget request and congressional appropriations bills include provisions that may affect the operation of HUD programs, implement new initiatives, or keep HUD from using funds for particular purposes. These proposals are often included in the General Provisions sections of HUD's budget justifications and appropriations bills. While some provisions are included in appropriations bills every year, new changes are often proposed.

The President's FY2016 budget request proposed a number of new legislative proposals in the General Provisions, described in the Congressional Budget Justifications. They included, among others:

- Certain flexibilities for PHAs administering public housing to transfer funds between accounts and extend the availability of funds. (§223)
- Several administrative changes to the SHOP program. (§225)
- Several HOME program changes, including revising grandfathering provisions in a way that would reduce the number of eligible grantees and modifying lease termination provisions. (§228)
- Several housing counseling changes related to the administration of grants. (§227)
- Changes to the health and medical expense deduction used for calculating adjusted gross income designed to streamline the administration of the deduction. (§229)
- Authorization of a new energy and water conservation demonstration in certain assisted multifamily properties (§230) and an energy conservation pilot for public housing. (§244)
- Creation of new authority for the Secretary to update certain use agreements when dealing with preservation properties. (§231)
- Statutory amendments to *permanently* allow private nonprofit organizations to administer rental assistance in the Continuum of Care program, as opposed to temporarily extending this authority from year to year, as has happened in recent appropriations acts. (§233)
- A proposal to allow FHA to charge lenders an administrative support fee to help fund FHA's administrative expenses, including quality assurance activities. (§240)
- A proposal to expand the Moving to Work (MTW) demonstration to up to 15 high-performing PHAs, under certain modified conditions. (§242)
- Authorization of triennial income recertification for persons on fixed income receiving rental assistance. (§243)
- Authority to transfer Section 811 Housing for Persons with Disabilities assistance from one property to another, under specified conditions. (§247)
- A proposal to exempt certain FHA-insured risk-sharing loans for small multifamily apartment buildings from specific affordability requirements. (§221)

- A proposal to allow certain FHA multifamily risk-sharing loans to be included in Ginnie Mae securities, subject to certain conditions. (§224)
- A range of additional FHA reforms. (§§245-246 and §§248-255)
- New authority for HUD to require border areas to set aside CDBG funding for *colonias*. (§256)

The House bill rejected the President's new legislative proposals. In several places in the committee report, the committee noted that the authorizing committees are the appropriate bodies to address such proposals. However, the bill did propose several new General Provisions, including a provision to prohibit HUD from requiring funding recipients to meet Energy Star or other energy efficiency standards beyond state and local building codes (§232).

Unlike the House bill, the Senate committee bill proposed a number of the President's new legislative proposals. It proposed an MTW expansion, but a much broader expansion than was proposed by the President (§239). The bill would have expanded the demonstration by 300 participants, as opposed to the 15-participant expansion proposed by HUD. The bill also included proposals related to lease termination provisions in the HOME program (§233), increased fungibility between the capital and operating fund in public housing (§237), and triennial income recertification (§240). It also proposed provisions not requested by the President, including an expansion of the RAD demonstration (from 185,000 units to 200,000 units) (§235) and an extension of the time limit on vouchers for youth aging out of foster care, from 18 months to 36 months (§241).

The final FY2016 appropriations law includes an MTW expansion of 100 agencies, as opposed to 15 as requested by the President and 300 as proposed by the Senate committee (§239). It includes the requested change to HOME lease termination provisions (§235). It includes several new provisions, including allowing changes to FHA standards involving the treatment of cisterns (§238), authority for the use of homeless assistance funding for performance partnership pilots (§242), changes to the matching requirements for homeless assistance grantees (§243), and automatic compliance with certain program requirements for certain CDBG grantees (§244).

Several of the policy changes requested in the President's budget were enacted into law in separate legislation prior to enactment of final FY2016 appropriations legislation. Specifically, the FAST Act (P.L. 114-94) included versions of the President's requested provisions authorizing triennial income recertification for fixed-income families,[14] authorizing a multifamily energy conservation pilot program,[15] and allowing nonprofits to administer certain homeless assistance funding.[16]

[14] Title LXXVIII.

[15] Title LXXXI.

[16] Title LXXIX.

Appendix. The Budget Resolution and Discretionary Spending Caps

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

The Budget Resolution

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

The FY2016 budget resolution was agreed to by the House on April 30, 2015, and the Senate on May 6, 2015 (S.Con.Res. 11, H.Rept. 114-96). It set an overall base discretionary spending limit of $1.017 trillion for FY2016, an increase from the FY2015 level of $1.014 trillion and consistent with aggregate current law statutory spending limits under the Budget Control Act, as amended (discussed below).

The current Section 302(b) allocation for THUD is $55.269 billion in the House and $55.646 billion in the Senate, both of which represent an increase over the FY2015 allocation of $53.77 billion.[17] However, practically speaking, both would provide a much smaller increase than it would appear because of declines in the amount of offsets available from FHA (a decline of $1.1 billion) and rescissions of contract authority from the Department of Transportation (a decline of $260 million).

The Budget Control Act and Sequestration

In 2011, the Budget Control Act (BCA, P.L. 112-25) was enacted, which both increased the debt limit and contained provisions intended to reduce the budget deficit through spending limits and reductions. In part, the BCA was intended to accomplish deficit reduction by imposing statutory limits on discretionary spending each fiscal year from FY2012 through FY2021. The BCA specifies separate limits for defense and nondefense spending; HUD discretionary programs are subject to the nondefense discretionary limits.

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17 As of the date of this report, the most recent House Appropriations Committee 302(b) suballocations are provided in H.Rept. 114-198 (July 10, 2015); the most recent Senate Appropriations Committee 302(b) suballocations are provided in S.Rept. 114-167 (November 18, 2015).

In addition to the initial spending limits set in the BCA, the law tasked a Joint Select Committee on Deficit Reduction to develop a federal deficit reduction plan for Congress and the President to enact by January 15, 2012. When a plan was not enacted, the BCA required that a one-time sequestration of nonexempt discretionary spending occur in FY2013. (Sequestration is a process of automatic, largely across-the-board spending reductions.) In addition, the BCA required that the discretionary spending limits be lowered further for FY2014 through FY2021.[18] Various amendments to the BCA have been enacted that have altered the discretionary spending reductions that were otherwise scheduled to occur under that law. Most recently, the enactment of the Bipartisan Budget Act of 2015 had the effect of lessening the BCA reductions for FY2016 and FY2017, by establishing higher levels for those fiscal years' limits than otherwise would have been the case. Under current law, those BCA reductions are to resume for the FY2018 limits.

In each fiscal year, if discretionary funding is enacted that exceeds either of the limits (defense or non-defense), then sequestration will be imposed to reduce spending in the applicable category. In terms of mandatory funding, the BCA provided for reductions of nonexempt programs through sequestration each year through FY2021. This has subsequently been amended to occur through FY2024.[19]

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

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