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Department of Housing and Urban Development (HUD): Funding Trends Since FY2002

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Summary

The Department of Housing and Urban Development (HUD) administers a number of programs and activities that are primarily designed to address housing problems faced by households with very low incomes or other special housing needs. Most of the funding for HUD's programs and activities comes from discretionary appropriations provided each year in the annual appropriations acts enacted by Congress.

HUD's appropriations are generally made up of several components, including regular annual appropriations, which fund HUD's regular programs and activities; emergency appropriations, which are sometimes provided in response to national emergencies such as disasters; rescissions of unspent prior-year funding; and offsetting collections and receipts. Combined, these components make up HUD's net budget authority, which is the amount that counts for the purposes of federal budget enforcement, including discretionary spending limits.

Since FY2002, in terms of nominal dollars, HUD's regular (non-emergency) annual net budget authority has increased by 21%. When adjusting for inflation, HUD's regular annual net budget authority in FY2015 is 6% less than it was in FY2002. However, these figures mask several important recent trends.

New appropriations for HUD's programs and activities have increased since FY2002 by 32% in nominal dollars, 2% in inflation-adjusted dollars. The difference between the increase in *appropriations* versus *net budget authority* is due to an increase in the savings available from offsetting receipts attributable to the Federal Housing Administration (FHA) mortgage insurance program. FHA receipts are used to offset the cost (in terms of budget enforcement) of providing appropriations for HUD's programs and activities. The offsetting receipts available from FHA increased from a low of about $140 million in FY2010 to a peak of almost $12 billion in FY2014.

The increase in funding for HUD has not been linear. After a period of steady increase, regular appropriations for HUD's programs and activities peaked in FY2010 and then declined so that in FY2015 they were 3% below the FY2010 level. Over that same period HUD's regular annual net budget authority was reduced much more dramatically, by 23%, attributable to growth in savings from FHA offsetting receipts. FY2013, the year of the discretionary spending sequestration, provided HUD's lowest level of appropriations since 2009, and the lowest level of net budget authority since FY2003.

Growth in appropriations for HUD's programs and activities has largely been driven by increases in appropriations for the Section 8 Housing Choice Voucher program and the Section 8 project-based rental assistance program. Combined, their funding has increased by 86% from FY2002 to FY2015. Conversely, funding for all other HUD programs combined has declined by about 13%. The formula grants under HUD's two largest block grant programs—the HOME Investment Partnerships Program and the Community Development Block Grant (CDBG) program—have experienced some of the largest reductions in funding during this time (48% and 31%, respectively).

Looking toward the future, it can be assumed that if policymakers maintain interest in cutting the deficit, there will continue to be efforts to reduce overall discretionary spending, including HUD's budget. Deficit reduction measures led to the FY2013 sequestration, which resulted in a roughly 5% cut for most domestic discretionary spending from the FY2012 level. These overall budgeting considerations will likely interact with the specific cost-drivers in HUD's budget. Cost growth in the Section 8 project-based program is unlikely to continue at the same rate, given that most long-term contracts are now on an annual funding cycle. Future cost growth in the Section 8 voucher program is less certain, as it is driven by market factors, although if major reforms are

enacted, that could change. Assuming policymakers continue to prioritize maintaining current service levels in the Section 8 voucher program, pressure to reduce funding for other HUD programs and activities, including block grant programs, may continue. Thus far, it appears that increases in offsetting receipts available from FHA have minimized the effect of efforts to limit discretionary spending on the amount of appropriations available for HUD programs and activities. As receipts from FHA eventually decline—anticipated because of market changes and policy changes—pressure to further reduce appropriations for HUD programs may increase.

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Introduction to HUD

The Department of Housing and Urban Development (HUD) is responsible for administering a set of programs and activities that are primarily designed to address housing problems faced by households with very low incomes or other special housing needs.[1] 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 Housing Choice Vouchers, and Section 8 project-based rental assistance—account for the majority of the department's non-emergency funding (more than three-quarters of total HUD appropriations in FY2015). Two flexible block grant programs—HOME 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 downpayments and to developers of multifamily rental buildings containing relatively affordable units. Most of the funding for HUD's programs and activities comes from discretionary appropriations provided each year in annual appropriations acts.

This report explores the trends in HUD's funding since FY2002. It begins with an explanation of the key budget concepts necessary to understand those trends. It concludes with a discussion of factors that may influence HUD's budget going forward.

Components of HUD Funding: Key Concepts

HUD's annual funding is made up of several components. The components of HUD's annual funding, or budget authority, include **regular annual appropriations**, **emergency appropriations**, **rescissions**, and **offsets**.[2]

HUD's programs and activities are funded almost entirely through discretionary[3] **regular annual appropriations**. The amount provided through annual appropriations acts generally determines how much funding can be obligated and eventually spent for each of HUD's programs and activities.[4]

In some years, **emergency appropriations** are also enacted, usually in response to disasters, for one or more of HUD's programs. These funds are generally provided outside of the regular appropriations acts—often in emergency supplemental spending bills—and are provided in addition to regular annual appropriations.

[1] For an expanded discussion about federal housing policy and programs, including those administered by HUD, see CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*, by (name r edacted), (name redacted), and (name redacted)

[2] For more information about the federal appropriations process, see CRS Report RS20095, *The Congressional Budget Process: A Brief Overview*, by (name redacted) .

[3] According to *Congressional Quarterly's American Congressional Dictionary*, discretionary appropriations are defined as 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.

[4] HUD's regular annual appropriations also generally include some amount of advance appropriations. For the purposes of this report, appropriations amounts shown reflect advance appropriations in the year they are available, rather than the year they are provided.

Appropriations measures are generally subject to limits, or caps, on the amount of new non-emergency discretionary funding that can be provided in a fiscal year. One way to stay within these limits is to provide less in regular annual appropriations. Another way is to find offsets. A portion of the cost of HUD's regular annual appropriations acts is, in most years, 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**,[5] which are mostly derived from fees paid by HUD partners or clients and are credited to HUD's budget.

The interaction between new appropriations and offsets provided through rescissions, receipts, and collections determines HUD's total **net budget authority**. Net budget authority is also the "cost" of the HUD budget, as estimated by the Congressional Budget Office (CBO) in its scorekeeping process.[6] The total amount of net budget authority provided to HUD each year is important for federal budgeting purposes, as net budget authority is the amount that counts against discretionary spending limits.[7]

However, net budget authority is not necessarily the best measure of the amount of funding that is being provided for HUD's programs and activities. As noted earlier, the amount provided in appropriations generally reflects the amount of new funding available for HUD's programs and activities in a year.

Because of the role of offsets, declining or increasing net budget authority does not necessarily mean declining or increasing regular appropriations available for HUD's programs and activities. For example, if $2 billion in offsetting receipts or rescissions is available in a given year, Congress can provide $30 billion in regular appropriations for HUD's programs and activities, but it will only "cost" $28 billion for budget enforcement purposes.

Recent Trends

Total Funding

Since FY2002, in terms of nominal (non-inflation adjusted) dollars, HUD's regular (non-emergency) annual net budget authority has increased by 21%. However, after adjusting for inflation, HUD's regular annual net budget authority in FY2015 was less than it was in FY2002 (a 6% decrease).

As shown in **Figure 1**, the trend in HUD regular net budget authority has not been steady. HUD's budget received large year-over-year increases from FY2002 through FY2010 (in nominal dollars), with the largest taking place in FY2009 and FY2010. Between FY2002 and FY2010, HUD's nominal net budget authority increased by 57%; 32% in real terms. However, by FY2013,

5 According to *Congressional Quarterly's American Congressional Dictionary*, offsetting receipts are funds collected by the federal government, either from certain government accounts or the public as part of a business oriented transaction. They are not counted as revenue, but instead are deducted from outlays and counted as negative outlays. The Government Accountability Office's Budget Glossary defines offsetting collections as collections authorized by law to be credited to appropriations or expenditure accounts that result from businesslike transactions, market oriented activities with the public, intergovernmental transfers, and collections from the public that are governmental in nature but are required by law to be classified as offsetting. (GAO-05-734SP)

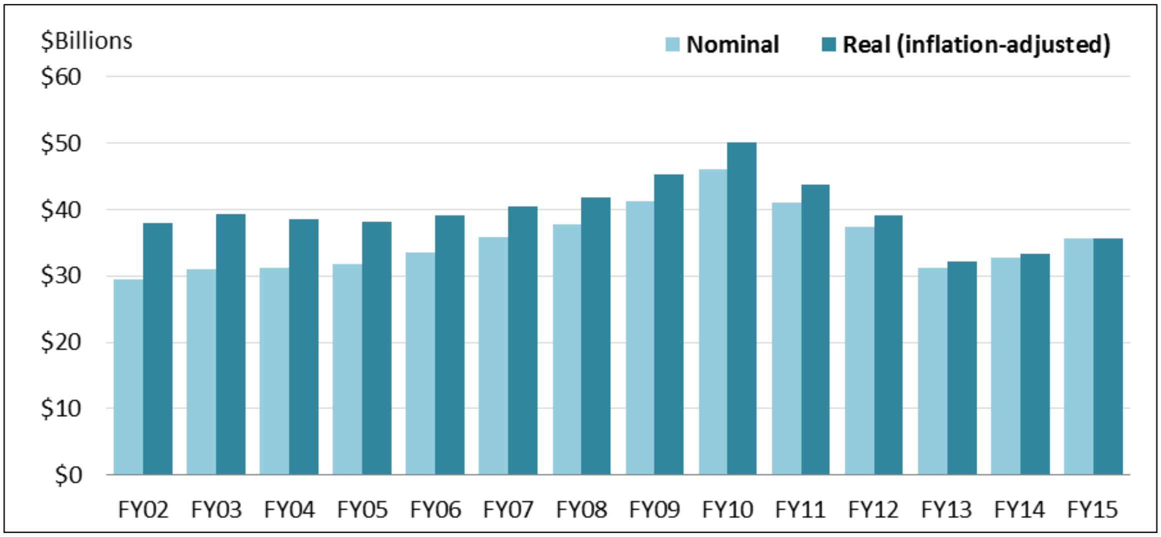
6 According to *Congressional Quarterly's American Congressional Dictionary*, scorekeeping is defined as the process of calculating the budgetary effects of pending and enacted legislation and assessing its impact on applicable budgetary targets, as required by the Congressional Budget Act of 1974.

7 For more information about discretionary spending caps, see "The Budget Control Act" later in this report.

the year of discretionary spending sequestration, declines in regular net budget authority for HUD erased most of the growth that had been seen since FY2002 in terms of nominal dollars, and all of the growth in terms of real (or inflation-adjusted) dollars. In the two years since then, HUD's net budget authority has again increased in nominal dollars, but only to about the FY2007 level; in inflation-adjusted dollars, it has declined. Accounting for inflation, HUD's net budget authority was lower in FY2015 than it was in FY2002.

Figure 1. HUD Regular (Non-emergency) Net Budget Authority, FY2002-FY2015

In nominal and real (2015) dollars



Source: CRS analysis of congressional funding data contained in conference reports accompanying annual appropriations acts. See **Table A-1** for data.

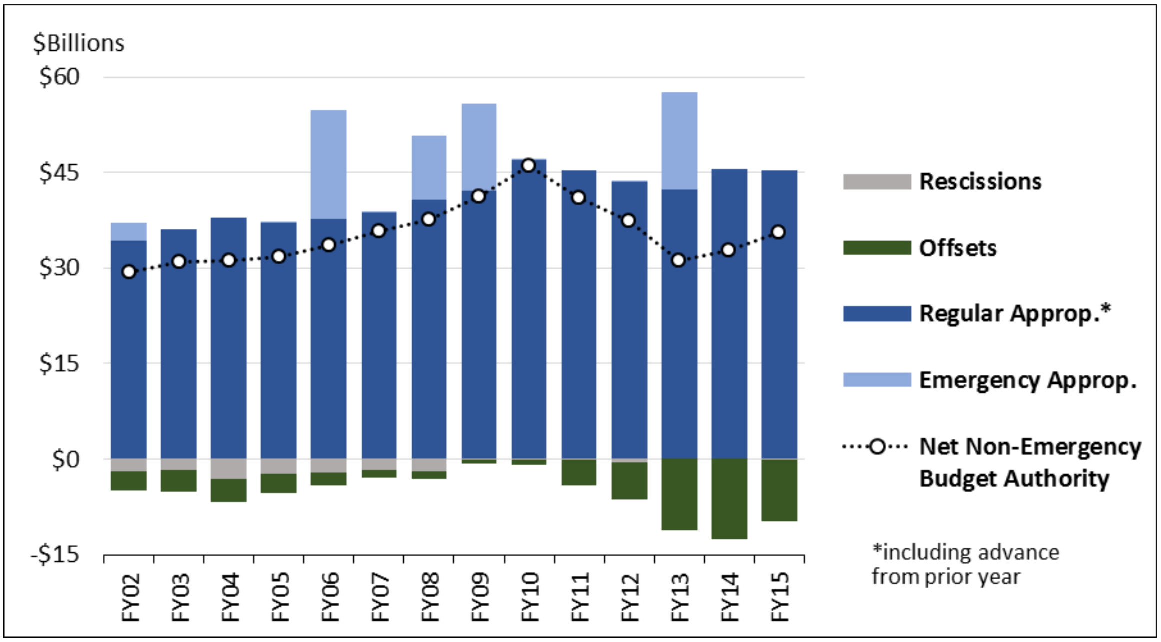
Notes: Real figures are presented in 2015 dollars, adjusted using the GDP chained index from the President's FY2016 budget documents. Figures represent regular net budget authority, which includes appropriations, offsets, and rescissions, and excludes funding designated as emergency. Figures include advance appropriations available in the fiscal year.

These increases and decreases in regular net budget authority tell an accurate story of HUD's funding from a federal budgeting standpoint. However, the story they tell in terms of resources available for HUD's programs and activities is more complicated. Some of the ups and downs are attributable as much or more to changes in the amount of savings available from offsets and rescissions as they are to changes in the amount of funding available for HUD's programs and activities.

The next figure helps illustrate that interplay. As shown by the line in **Figure 2**, which repeats the nominal data shown by the light-colored bars in **Figure 1**, regular net budget authority for HUD increased about 21% between FY2002 and FY2015, from more than $29 billion to more than $35 billion, in nominal dollars. Yet, this overall increase masks several important interactions, which are illustrated by the bars in **Figure 2**.

Figure 2. Components of HUD Funding, FY2002-FY2015

(nominal)



Source: CRS analysis of congressional funding data contained in conference reports accompanying annual appropriations acts. See **Table A-1** for data.

Between FY2002 and FY2010, HUD's regular (non-emergency) net budget authority increased by 57% (shown by the dotted line in **Figure 2**). However, the amount of regular appropriations (which is the amount available for HUD's programs and activities) grew at a slower rate. During that period, regular annual appropriations—excluding emergency appropriations—grew by 37% (shown by dark blue bars in **Figure 2**). This means that from FY2002 to FY2010, funding for HUD's programs and activities (i.e., appropriations) did not grow as rapidly as it would appear from looking at the growth in HUD's regular net budget authority.

The difference between the growth in HUD's regular net budget authority and regular appropriations during this period is attributable to declines in offsets. Specifically, from FY2002 to FY2010 the amount available from offsetting receipts and collections and rescissions declined by more than 70% and 96%, respectively (shown by the green and gray bars in **Figure 2**). As explained earlier, these offsets are used to reduce the "cost" of appropriations for federal budget enforcement purposes.

That trend was completely reversed beginning in FY2011 and continuing through FY2013, when Congress cut the amount of regular appropriations relative to FY2010 and, at the same time, the amount of offsets increased. Regular appropriations were cut by about 4% in FY2011 relative to FY2010, by 4% in FY2012 relative to FY2011, and by 3% in FY2013 relative to FY2012. However, the reductions to HUD's regular net budget authority were much larger during this period. HUD's regular net budget authority was reduced by 11% in FY2011 compared to FY2010, by another 9% in FY2012 compared to FY2011, and by 16% in FY2013 relative to FY2012. The difference in the size of the cut in *net budget authority* compared to the size of the cut in *regular appropriations* is the result of a nearly 12-fold increase in available offsets during this period (largely attributable to FHA, discussed in the next section).

As a result of the increase in offsets, the "cost" (for federal budgeting purposes) of providing appropriations for HUD's programs and activities declined from FY2010 to FY2013. In other words, the increases in offsets over this period meant that federal appropriators could realize larger budget savings even with smaller cuts in appropriations for HUD's programs and activities than they could have in the absence of such offsets.

Since FY2013, net budget authority for HUD has begun to rise. In FY2014, the rise (+5%, relative to FY2013) was attributable to an increase in appropriations for HUD's programs activities (+$3 billion) that was even greater than the increase in savings from offsets and rescissions (+$1.4 billion). In FY2015, net budget authority again grew (+8.6%, relative to FY2014), but this time, the amount of appropriations for HUD's programs and activities declined (-$89 million) as did the amount of savings from offsets and rescissions (-$2.9 billion). If FHA receipts continue to decline, as predicted (discussed in the next section of this report), it will be more expensive, from a budget enforcement standpoint, to provide funding for current services than it has been in recent years.

FHA Offsetting Receipts

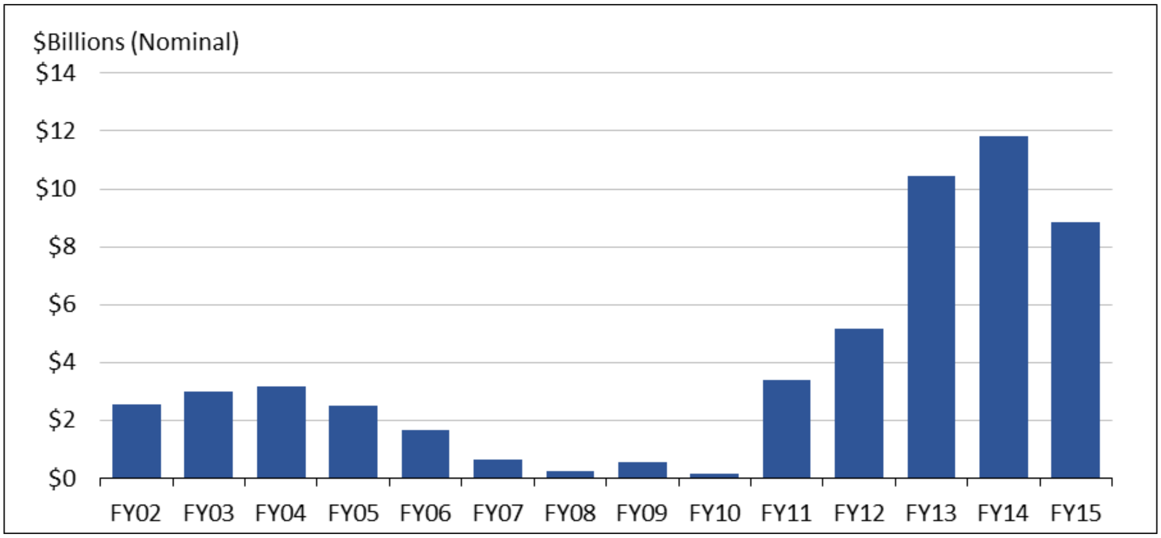
As discussed earlier and shown in **Figure 2**, the amount of receipts available to offset the cost of the HUD budget declined by about 70% between FY2002 and FY2010. That decline was largely attributable to reductions in offsetting receipts available from the FHA mortgage insurance programs. FHA generates offsetting receipts when the loans that are insured by the program in a given year are estimated to collect more in fees paid by borrowers than will be needed to pay default claims to lenders.[8] As shown in **Figure 3**, during that period the amount available from FHA to offset the cost of new HUD appropriations declined from a high of more than $3 billion in FY2004 to $140 million in FY2010. That trend completely reversed in FY2011, when the amount of offsetting receipts from FHA increased to more than $3.4 billion, the highest level in a decade. This trend continued into FY2012, with FHA receipts reaching over $5 billion and into FY2013 and FY2014, with offsetting receipts reaching historical highs of over $10 billion and $11 billion. These increases were attributable to FHA's increased market share following the 2007-2009 economic recession and downturn in the housing market, as well as to policy changes made by FHA that increased the fees charged to new FHA-insured borrowers.[9]

FY2015 saw the first decline in FHA receipts since FY2010. While still at near-record levels (almost $9 billion), FY2015 may be the beginning of a future decline in receipts, as the housing and credit markets continue to recover from the recent economic recession and FHA's market share is anticipated to decline.

[8] The Federal Credit Reform Act of 1990 (FCRA) provided that the cost of federal loan insurance in a given fiscal year be recorded in the budget as the net present value of all expected cash flows from loans insured in that year. For the FHA accounts, the cash inflows are mainly the insurance premiums paid by borrowers, and the cash outflows are mainly the payments to lenders for the cost of loan defaults. If the estimated cash flows in are expected to exceed cash outflows for the loans insured in that year, then offsetting receipts are available; if cash flows out are expected to exceed cash flows in for the loans insured in that year, appropriations are needed to supplement the program. For more information, see CRS Report R42875, *FHA Single-Family Mortgage Insurance: Financial Status of the Mutual Mortgage Insurance Fund (MMI Fund)*, by (name redacted)

[9] Ibid.

Figure 3. FHA Offsetting Receipts, FY2002-FY2015



Source: CRS analysis of congressional funding data contained in conference reports accompanying annual appropriations acts. See **Table A-1** for data.

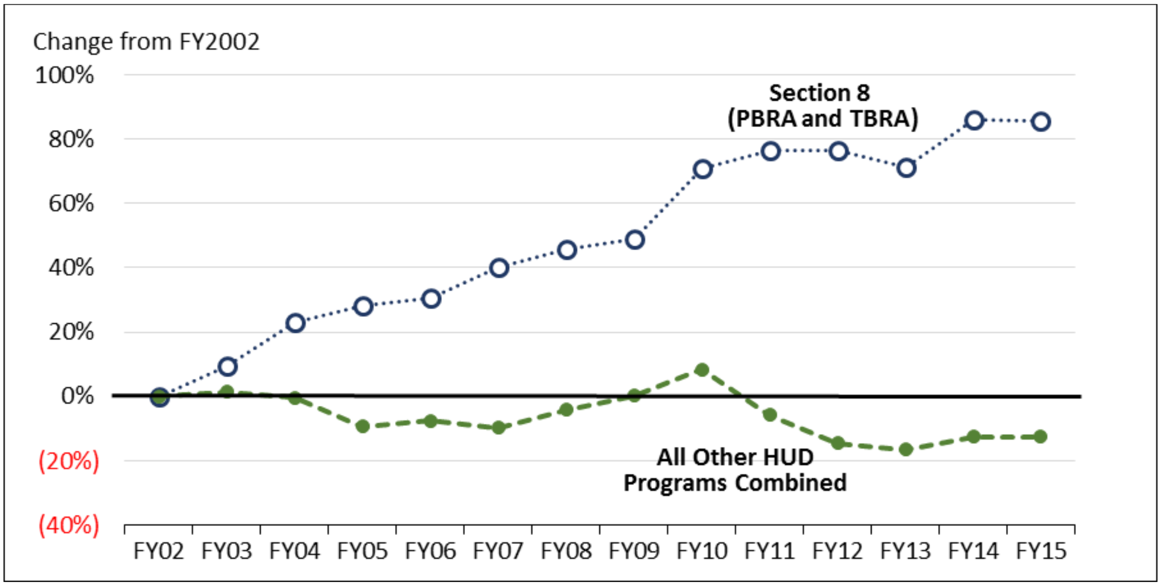
Growth in Section 8 Costs

The growth in regular appropriations since FY2002 (shown by the dark blue bars in **Figure 2**) is largely attributable to growth in HUD's Section 8 tenant-based and project-based rental assistance accounts, which combined are the largest component of the HUD budget. The tenant-based rental assistance account funds the Section 8 Housing Choice Voucher program, and the project-based rental assistance account funds the Section 8 project-based rental assistance program.[10] The vast majority of the funding provided to these accounts is used to maintain rental housing assistance for the roughly 3.5 million low-income families they serve.

As can be seen in **Figure 4**, from FY2002 to FY2015 appropriations for the combined Section 8 programs grew by 86%, while combined funding for all other HUD programs and activities declined by about 13%. During this period, the Section 8 programs went from accounting for about 46% of HUD's regular appropriations to accounting for about 64% of HUD's regular appropriations.

[10] For more information about these programs, see CRS Report RL32284, *An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance*, by (name redacted) .

Figure 4. Percent Change Since 2002 in Annual Appropriations for Section 8 Programs, Compared to All Other HUD Programs Combined



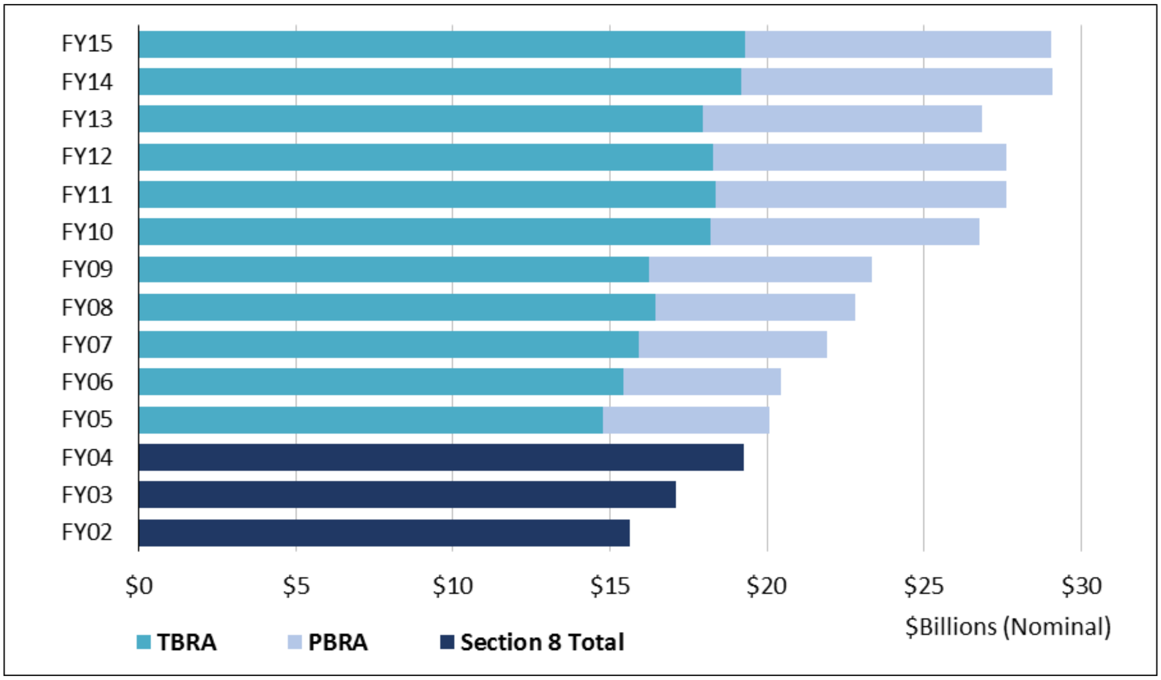
Source: CRS analysis of congressional funding data contained in conference reports accompanying annual appropriations acts. See **Table A-1** for data.

Notes: Figures represent regular appropriations, not reduced for rescissions or offsets, and not including emergency appropriations. Figures for Section 8 include both tenant-based and project-based rental assistance, including advance appropriations available in the fiscal year, and are reduced for rescissions of funding from advance appropriations, but not rescissions of prior-year unobligated balances. TBRA: tenant-based rental assistance; PBRA: project-based rental assistance.

As noted earlier, there are two Section 8 programs: tenant-based rental assistance (vouchers) and project-based rental assistance. These two programs were funded in the same account for many years, but since FY2005 they have been funded separately. As stated above and shown in **Figure 4**, appropriations for the Section 8 programs combined have grown by about 86% from FY2002 to FY2015. However, it is important to note that the rates of growth have not been the same across the two Section 8 programs. As shown in **Figure 5**, appropriations for the Section 8 project-based rental assistance (PBRA) account grew by 84% from FY2005 to FY2015; appropriations for the Section 8 tenant-based rental assistance (TBRA) account also grew, but by less than half the rate of the PBRA account, about 31%. The growth in appropriations for PBRA is largely attributable to the renewal of old rental assistance contracts. PBRA contracts were originally created and funded in the 1970s and 1980s with long-term appropriations. When the contracts expire, 20-40 years later, they require new annual appropriations in order to be renewed so that they continue to be available to subsidize the housing of low-income families. The vast majority of PBRA contracts are now renewed and funded with annual appropriations, but some contracts continue to expire and require new first-time renewal funding.

Figure 5. Section 8 Appropriations (TBRA and PBRA), FY2002-FY2015

(nominal)



Source: CRS analysis of congressional funding data contained in conference reports accompanying annual appropriations acts. See **Table A-1** for data.

Notes: Figures include advance appropriations available in the fiscal year and are reduced for rescissions of funding from advance appropriations, but not rescissions of prior-year unobligated balances. PBRA and TBRA were funded in the same account until FY2005.

Decline in Funding for Block Grant Programs

As illustrated in **Figure 4**, while funding for Section 8 has grown by about 86% since FY2002, funding for all other HUD programs combined has declined by about 13%. HUD's two largest block grant programs—the HOME Investment Partnerships program[11] and the Community Development Block Grant (CDBG) program[12]—have seen some of the largest declines in funding over this period.

Of the two programs, formula grants under the HOME program have had the steepest decline in funding (-48% since FY2002, compared to -39% for CDBG). However, in terms of dollars, funding for CDBG formula grants has declined by the largest amount (about -$1.3 billion, compared to -$850 million for HOME).

Combined, the formula grants under the HOME and the CDBG programs have seen a 36% decline in funding from FY2002 to FY2015 (see **Figure 6**). While they accounted for nearly a fifth of HUD's total regular appropriations in FY2002, as shown in **Figure 6**, their combined share of HUD's total regular appropriations declined to 8.6% in FY2015.[13]

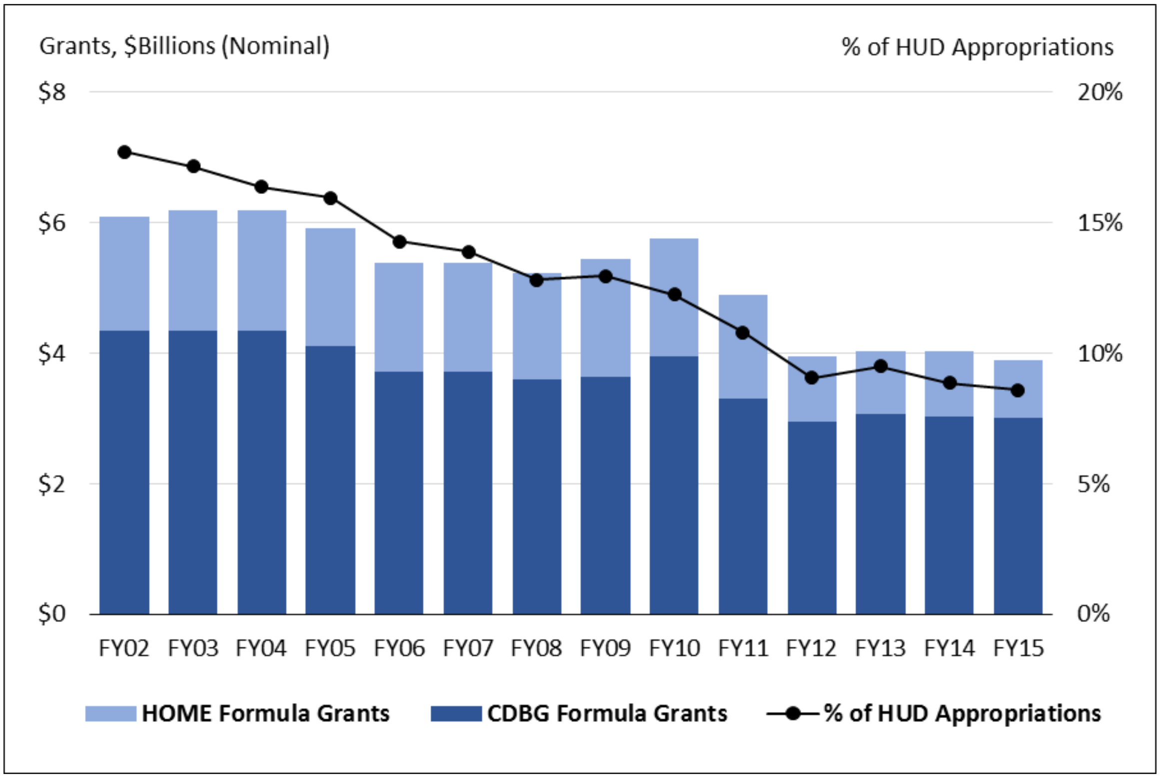
[11] For more information about HOME, see CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by (name redacted)

[12] CRS Report R43394, *Community Development Block Grants: Recent Funding History*, by (name redacted)

[13] Figures discussed in this section of the report refer to appropriations for CDBG and HOME formula grants. Funding (continued...)

Figure 6. Appropriations for HOME and CDBG Formula Grants, FY2002-FY2015

Totals, and combined share of total HUD appropriations (nominal)



Source: CRS analysis of congressional funding data contained in annual appropriations acts and data contained in CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by (name redacted) and CRS Report R43394, *Community Development Block Grants: Recent Funding History*, by (name redacted). See **Table A-1** for data.

Notes: Figures represent regular appropriations, not reduced for rescissions or offsets, and not including emergency appropriations.

Supplemental Funding for CDBG

While funding for regular CDBG formula grants has declined over this period, it is important to note that Congress has also provided the Community Development Fund account (which funds CDBG) with supplemental funding over this period on several occasions for special purposes, including to provide aid to communities in response to disasters, to respond to foreclosures, and to promote economic stimulus.[14] Most of the nearly $60 billion in emergency funding provided to HUD from FY2002 through FY2015 (shown in **Figure 2**) was provided through the Community Development Fund account for these special purposes.

(...continued)

for the formula grant programs are provided in the Community Development Fund and HOME accounts, which also include funding for related set-asides. Funding for set-asides is excluded from the analysis presented in this section.

[14] For more information, see CRS Report R43208, *Community Development Block Grants: Funding Issues in the 113th Congress*, by (name redacted); CRS Report RL33330, *Community Development Block Grant Funds in Disaster Relief and Recovery*, by (name redacted); and CRS Report RS22919, *Community Development Block Grants: Neighborhood Stabilization Program; Assistance to Communities Affected by Foreclosures*.

Program Terminations

The decline in appropriations for all other HUD programs (excluding the two Section 8 programs) does not appear to be primarily attributable to program eliminations. Looking at the accounts funded in FY2002, only three have been zeroed out and were not funded in FY2015, as shown in **Table 1**. Combined, they accounted for less than $100 million in FY2002.

While not included in the table below, it is important to note that some programs and activities that were funded as set-asides within HUD accounts have been eliminated or consolidated.[15] When set-asides within accounts are no longer funded, it is not always clear whether their elimination reduced or otherwise changed the total amount of funding provided to the account.

Table 1. Accounts De-funded Since FY2002

(in millions of dollars)

Program/Account	FY2002 Funding Level	Final Year of Funding	Final Funding Level
Rural Housing and Economic Development	25	FY2009	26
Empowerment Zones and Enterprise Communities	45	FY2005	10
Brownfields Redevelopment	25	FY2010	18

Source: CRS analysis of congressional funding data contained in annual appropriations acts.

Note: Table does not include programs and activities funded as set-asides within existing accounts that have been consolidated, merged, or eliminated.

Looking Ahead

The same factors that have driven the trends in funding for HUD and its programs and activities over the last decade are likely to continue to influence future trends. Further, new factors that may influence HUD's funding going forward have emerged, such as the budget enforcement provisions in the Budget Control Act.

The Budget Control Act and Budget Enforcement

Among the factors that may influence HUD's future funding levels, the Budget Control Act of 2011 (BCA, P.L. 112-25), as amended, may be one of the most important. In addition to other provisions, the BCA established enforceable discretionary spending limits. It also resulted in a sequestration in FY2013. The sequestration process required automatic, largely across-the-board, spending cuts at the account and program level to achieve specified deficit reduction targets.[16] It took place on March 1, 2013, and resulted in a reduction of approximately $3 billion in funding for HUD in FY2013.

[15] For example, from FY2002 until FY2010 congressionally directed projects, or earmarks, were funded under the Economic Development Initiative (EDI) and Neighborhood Initiative (NI) programs within the Community Development Fund (CDF) account. Funding for EDI and NI was eliminated in FY2011. For more information about EDI and NI, see CRS Report R41754, *Community Development Block Grants: Funding Issues in the 112th Congress and Recent Funding History*, by (name redacted)

[16] For more information about the BCA, see CRS Report R41965, *The Budget Control Act of 2011*, by (name redacted), (name redacted), and (name redacted) .

Looking ahead, the lower discretionary spending limits contained in the BCA, as amended, are meant to reduce the growth of discretionary spending over time. As a result, in order to meet these lower discretionary spending limits, congressional appropriators will be required to provide less in appropriations, more in offsets, or both, across the federal budget and, presumably, also in HUD's budget.[17]

Growth in Section 8 Costs

Future cost growth in the Section 8 project-based rental assistance account should begin to slow now that most of the old rental assistance contracts are on an annual renewal cycle, although inflation costs built into renewal contracts may result in the need for increased funding in the future. Cost growth in the Section 8 Housing Choice Voucher program is not expected to slow. The cost of individual vouchers is largely driven by market factors. The subsidies the program provides make up the difference between the low, income-based rents paid by tenants and the cost of housing in the private market. If the gap between tenant incomes and private market rents grows, the cost of each individual subsidy also grows. The Government Accountability Office (GAO) released a report citing these market factors as being the primary driver of recent cost growth in the Section 8 voucher program.[18] Additionally, the Section 8 voucher program has seen growth in the number of people it serves, as policy changes have transferred families from other housing assistance programs (such as public housing, Section 8 project-based rental assistance, and Section 811 Housing for Persons with Disabilities), into the voucher program.[19] However, it is important to note that, even as more people are served by the program, far more families are eligible for assistance than are served, which means there are waiting lists for assistance in most communities.

Congress has heretofore demonstrated a commitment to providing sufficient funding so that all Section 8 project-based rental assistance contracts are renewed and every family that is receiving a voucher—roughly 3 million families, including individuals who are elderly or have disabilities and families with children—can continue to receive assistance. As the cost of the programs has risen in recent years, due to the expiration of old PBRA contracts and growth in the cost and number of vouchers, questions about the future of that commitment have arisen and interest has grown in reforms that could lead to cost savings.[20] However, to the extent that commitment remains, and assuming market trends continue and significant cost-saving reforms are not enacted, it is unlikely that the cost of the PBRA and voucher programs will decline, and they may continue to increase.

Funding for Other HUD Programs

As noted earlier, as funding for Section 8 has increased, funding for all other HUD programs has decreased, particularly, but not limited to, funding for HUD's two largest block grant programs:

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[17] For more information on current discretionary spending limits, see CRS Report R44062, *Congressional Action on FY2016 Appropriations Measures*, by (name redacted) .

[18] U.S. Government Accountability Office (GAO), *Housing Choice Vouchers: Options Exist to Increase Program Efficiencies*, GAO-12-2003, March 19, 2012, http://www.gao.gov/products/GAO-12-300.

[19] The shift from other forms of housing assistance to Section 8 rental assistance is discussed in greater detail in the "Shift to Tenant-Based Assistance" section of CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*, by (name redacted), (name redacted), and (name redacted)

[20] For more information about reform proposals, see CRS Report RL34002, *Section 8 Housing Choice Voucher Program: Issues and Reform Proposals*, by (name redacted) .

HOME and CDBG. This dynamic may be attributable, in part, to the way the different programs are perceived by funders. Unlike the Section 8 voucher program, where a potential cut in funding can easily translate into a specified number of families losing their assistance, the implications of cutting funding for many of the other HUD programs—particularly broad-purpose block grant programs—may be less clear to congressional appropriators.[21] This perception, to the extent it continues, may make the remaining HUD programs more vulnerable to future funding reductions in a limited funding environment.

If the pressure to reduce funding continues, federal policymakers may re-evaluate HUD's programs and activities and consider cost-saving program reforms. Such reforms may include program eliminations; as noted in **Table 1**, some such eliminations have already occurred. Reforms may also include program consolidations. Program consolidations may include proposals to merge programs considered duplicative[22] or proposals to expand the role or purposes of block grant programs to absorb existing or new programs or activities.[23]

Future of FHA

As noted earlier, increases in the amount of offsets available from FHA receipts may have served to shield appropriations for HUD programs from deeper cuts. However, the future of FHA is uncertain. Part of the reason FHA has generated such large surplus receipts in recent years is because its business has grown as credit availability has tightened. If housing credit markets fully recover, FHA loans may become less desirable, which means less business and less offsetting receipts. Similarly, due in part to tightened credit availability, FHA is insuring loans made to borrowers with higher credit profiles, setting stronger underwriting standards and requiring some borrowers to provide higher downpayments. This means the loans that are being insured today are considered less risky than those FHA has backed in the past. To the extent that FHA returns to serving a higher share of borrowers with lower credit scores in the future, as markets recover and those with higher credit profiles can more easily qualify for other types of loans, estimates of future loan performance might not be as strong and FHA offsetting receipts could consequently decrease.

Also, both Congress and the Obama Administration have expressed interest in revisiting the role of the federal government in U.S. mortgage markets. Future reforms could serve to shrink the role of FHA, thus shrinking its offsetting receipts. Finally, some budget experts and policymakers have proposed requiring the Congressional Budget Office (CBO) to change the way that it accounts for FHA in the budget.[24] While the details of the accounting change are complicated, it is generally understood that this change would mean that FHA would generate fewer offsetting receipts, and it may end up needing regular appropriations.[25] Any of these changes to FHA and

[21] For more information about the considerations involving block grants, see CRS Report R40486, *Block Grants: Perspectives and Controversies*, by (name redacted) and (name redacted)

[22] There is often disagreement about when programs are considered duplicative. However, the Government Accountability Office has begun releasing annual reports on the topic. See U.S. Government Accountability Office (GAO), *Opportunities to Reduce Fragmentation, Overlap and Duplication and Achieve Savings and Other Financial Benefits*, GAO-15-404SP, April 14, 2015, http://www.gao.gov/assets/670/669613.pdf.

[23] For more information on the role block grants may play in program consolidations, see CRS Report R40486, *Block Grants: Perspectives and Controversies*, by (name redacted) and (name redacted)

[24] See "Congressional Debate" section in CRS Report R44193, *Federal Credit Programs: Comparing Fair Value and the Federal Credit Reform Act (FCRA)*, by (name redacted)

[25] For example, see the Congressional Budget Office (CBO) report, *Fair-Value Estimates of the Cost of Selected Federal Credit Programs for 2015 to 2024*, May 22, 2014, available at https://www.cbo.gov/publication/45383.

any resulting reduction in offsetting receipts could increase pressure to further reduce appropriations for HUD's programs and activities.

Appendix. Data

Table A-1. Components of HUD Budget Authority, FY2002-FY2015

(nominal dollars in billions)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13[a]	FY14	FY15
Regular Appropriations[b]	**34.34**	**36.09**	**37.89**	**37.01**	**37.74**	**38.78**	**40.72**	**42.07**	**47.00**	**45.28**	**44.24**	**42.40**	**45.46**	**45.37**
Section 8 Total[c]	15.64	17.11	19.26	20.06	20.46	21.90	22.81	23.33	26.74	27.64	27.60	26.81	29.09	29.03
Tenant-Based Rental Assistance	*N/A*	*N/A*	*N/A*	*14.77*	*15.42*	*15.93*	*16.43*	*16.23*	*18.18*	*18.38*	*18.26*	*17.96*	*19.18*	*19.30*
Project-Based Rental Assistance	*N/A*	*N/A*	*N/A*	*5.30*	*5.04*	*5.98*	*6.38*	*7.10*	*8.56*	*9.26*	*9.34*	*8.85*	*9.92*	*9.73*
All Other HUD Programs	18.70	18.98	18.64	16.94	17.29	16.88	17.91	18.74	20.26	17.64	16.64	15.59	16.37	16.34
CDBG Formula Grants	*4.34*	*4.34*	*4.34*	*4.12*	*3.71*	*3.71*	*3.59*	*3.64*	*3.95*	*3.30*	*2.95*	*3.08*	*3.03*	*3.00*
HOME Formula Grants	*1.74*	*1.85*	*1.86*	*1.79*	*1.68*	*1.68*	*1.63*	*1.81*	*1.80*	*1.61*	*1.00*	*0.95*	*1.00*	*0.90*
Offsets	**-2.98**	**-3.38**	**-3.51**	**-2.92**	**-2.09**	**-1.33**	**-1.04**	**-0.73**	**-0.87**	**-4.13**	**-5.83**	**-11.21**	**-12.65**	**-9.74**
FHA Offsetting Receipts[d]	-2.55	-2.98	-3.15	-2.48	-1.65	-0.65	-0.25	-0.53	-0.14	-4.13	-5.70	-10.43	-11.82	-8.86
Rescissions[e]	**-1.96**	**-1.71**	**-3.18**	**-2.32**	**-2.06**	**-1.65**	**-2.01**	**-0.04**	**-0.07**	**-0.04**	**-1.08**	**0.00**	**0.00**	**-0.01**
Emergency Appropriations	**2.78**	**0.00**	**0.00**	**0.15**	**17.09**	**0.01**	**10.02**	**13.66**	**0.10**	**0.00**	**0.10**	**15.20**	**0.00**	**0.00**
Total Regular (Non-emergency) Net Budget Authority	**29.41**	**31.00**	**31.20**	**31.77**	**33.59**	**35.80**	**37.67**	**41.29**	**46.07**	**41.11**	**37.33**	**31.20**	**32.81**	**35.62**
Total Net Budget Authority (Including Emergency Funding)	**32.19**	**31.00**	**31.20**	**31.92**	**50.68**	**35.81**	**47.69**	**54.96**	**46.17**	**41.11**	**37.43**	**46.40**	**32.81**	**35.62**

Source: CRS analysis of congressional funding data contained in conference reports accompanying annual appropriations acts.

a. FY2013 figures reflect the reductions resulting from the March 1, 2013, sequestration ordered by the Office of Management and Budget, under the terms of the Budget Control Act of 2011, as amended. The source for FY2013 post-sequestration figures is a table provided by HUD.

b. Figures represent regular appropriations, not reduced for rescissions or offsets and not including emergency appropriations.

c. Figures for Section 8 include both tenant-based and project-based rental assistance, including advance appropriations available in the fiscal year, and are reduced for rescissions of funding from prior advance appropriations, but not rescissions of prior-year unobligated balances. Beginning in FY2014, funding for the Family Self Sufficiency program, which was previously funded as a set-aside within the TBRA account, is included with "All Other HUD Programs."

d. Figures reflect congressional estimates for FHA receipts at the time of enactment of annual appropriations legislation.

e. Totals include rescissions of prior years' funding, not rescissions of current year funding, such as rescissions of prior-year advance appropriations.

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