NATIONAL LOW INCOME HOUSING COALITION

www.nlihc.org
Dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes
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NLIHC FY16 Budget and Appropriations Priorities

April 2015

HUD FY16 Budget Chart and NLIHC Requests

HUD Programs (Figures in millions)	**FY13 Enacted** post-sequestration	**FY14 Enacted**	**FY15 Enacted**	**FY16 HUD Request**	**FY16 NLIHC Request**
Tenant-Based Rental Assistance The President's budget request would renew all vouchers in use in 2015, and restore an additional 67,000 vouchers that were cut due to 2013's sequestration. Of the 67,000 vouchers, 30,000 would be for homeless families, homeless veterans, survivors of domestic and dating violence, and families that need rental assistance to reunite with children in the foster care system. The President's request also includes a $490 million increase for voucher administration expenses.	$17,964	$19,177	$19,304	$21,123	$21,123
Project-Based Rental Assistance Funds needed for FY16 will increase over FY15's enacted level because all PBRA renewals are now being funded on a calendar year cycle. The increase in necessary funding is not the result of increased program costs or additional families assisted, but rather a long-range plan by HUD and Congress to fully fund PBRA renewals with greater consistency.	$8,851	$9,917	$9,730	$10,760	$10,845
Public Housing Operating Fund The President's request would restore funding to the FY11 level but still provide only 86% of full funding.	$4,054	$4,400	$4,440	$4,600	$5,226
Public Housing Capital Fund NLIHC supports the President's request to increase capital funding, even though this is insufficient to address the $26 billion backlog in capital needs.	$1,777	$1,875	$1,875	$1,970	$5,083
Resident Opportunity and Self-Sufficiency (ROSS)	*$47*	*$45*	*$45*	*$0*	*$55*
Homeless Assistance Grants The President's budget request continues to support efforts to end veteran homelessness in 2015, end chronic homelessness in 2017, and end homelessness for families, youth, and children in 2020.	$1,933	$2,105	$2,135	$2,480	$2,480
HOME Investment Partnerships Program NLIHC supports restoring HOME funds to provide critical production financing and rental assistance for supportive housing, among other uses.	$948	$1,000	$900	$1,060	$1,200
USDA Programs	**FY13 Enacted** post-sequestration	**FY14 Enacted**	**FY15 Enacted**	**FY16 UDSA Request**	**FY16 NLIHC Request**
Section 514 Farm Labor Housing	$22*	$24	$24	$24	$27
Section 515 Rental Housing Direct Loans	$28	$28	$28	$42	$70
Section 516 Farm Labor Housing	$7*	$8	$8	$8	$10
Section 521 Rental Assistance ** indicates pre-sequester funding levels*	$837	$1,110	$1,089	$1,172	$1,177

Sequestration and the Budget Control Act

Issue: Sequestration Spending Caps

NLIHC Position: End the sequester's cuts for FY16 and beyond.

Background: The 2011 Budget Control Act established spending caps and additional sequestration cuts. In FY14 and FY15, the "Murray-Ryan" deal softened most of the sequestration cuts' impact. There is no such deal in place for FY16 yet.

President's Request: For FY16, President Obama has requested a replacement of sequestration's cuts with changes in mandatory programs and receipts. Unless such a reversal of the sequester's cuts occurs, the FY16 spending cap for non-defense discretionary programs will be relatively flat with the cap that is in place for FY15. Flat-funding for housing programs can spell disaster at the local level, as programs' costs increase because of rising rents and other factors even when no new households are assisted. For programs to receive needed funding in FY16, the sequester's caps must end.

NLIHC FY16 HUD and USDA Budget Policy Positions

Issue: Restoration of Tenant-Based Rental Assistance Vouchers

NLIHC Position: Support President's request of $21.213 billion, which will renew all vouchers in use in 2015 and restore 67,000 vouchers lost because of the 2013 sequester cuts.

Background: Data from the Center on Budget and Policy Priorities confirm that due to 2013's sequestration, state and local public housing agencies were assisting 100,000 fewer low income families as of July 2014. These PHAs began to restore vouchers in the final months of 2014 and should have had sufficient funds from FY14 and FY15 to restore at least one-third of the vouchers lost.

HUD FY16 Request: The President's FY16 budget request seeks $512 million to provide 67,000 new vouchers, including:

- 37,000 vouchers to be distributed to agencies based on "relative need," as determined by HUD;
- 30,000 vouchers targeted to vulnerable individuals and families, including:
  - 22,500 vouchers for families, veterans (without regard to discharge status), and tribal families who are homeless, as well as victims of domestic and dating violence;
  - 4,900 vouchers to implement the Violence Against Women Act's emergency transfer provisions for victims of domestic violence under; and,
  - 2,600 vouchers under the Family Unification Program (FUP) to help families who are engaged with the child welfare system, such as foster care.

Issue: Funding for Project-Based Rental Assistance (PBRA)

NLIHC Position: Support President's request to fund all PBRA contracts for 12 months, from January through December 2016. HUD says that the amount requested is sufficient to renew all contracts. In addition to the $10.760 billion HUD is requesting, NLIHC seeks an additional $85 million for this account because NLIHC disagrees with HUD's proposal to increase the medical expense deduction threshold from 3% to 10% of income (see below), which the Administration says would result in $85 million in savings for the PBRA account.

Background: In FY15, at HUD's request, Congress provided an FY15 PBRA funding level that reflects one-time savings from realigning PBRA contracts to a calendar year cycle. While this shift provided one-time savings in FY15, Congress understood that the shift to a calendar year cycle would require an increase for FY16. HUD's FY16 budget request reflects the increase needed to provide 12 months of funding for all contracts under the new model. The requested increase does not mean that new contracts will be funded or additional households will be served; neither is the case.

HUD FY16 Proposal: The President's budget request for FY16 seeks sufficient funds, according to HUD, to fully fund all contracts on the new calendar-year cycle. NLIHC seeks $85 million above HUD's request because low income seniors, people with disabilities, and others with high medical care costs may be negatively impacted by the medical expense deduction changes the Administration is requesting.

Issue: Medical Deduction Changes to Rental Assistance Programs

NLIHC Position: NLIHC opposes this increase unless it is imposed concurrently with an increase to the standard deduction for households whose head, spouse, or sole member is 62 or older or has a disability. Otherwise, rent increases could be burdensome for households with medical or related care costs of more than 3%, but less than 10%, of family income.

HUD FY16 Proposal: For FY16, HUD proposes changing the threshold above which households whose head, spouse, or sole member is 62 or older or has a disability can deduct medical care and related expenses from their incomes, from 3% of income to 10% of income, for purposes of determining rents, but does not propose a concurrent increase in the standard deduction for such households. This proposal would apply to the public housing, housing choice voucher, and project-based rental assistance programs.

Issue: USDA Rural Development (RD) Minimum Rent Proposal

NLIHC Position: NLIHC opposes the USDA proposal to impose a minimum rent requirement for households with incomes below $2,000 a year.

Background: Residents served by the Section 521 rental assistance program in Section 514/516 or 515 properties currently pay 30% of their income towards rent.

USDA FY16 Proposal: RD proposes requiring that residents in properties with Section 521 rental assistance pay a rent level of at least $50 per month. This policy would only increase rents for households earning the lowest incomes, of $2,000 per year. USDA would model its hardship exemptions after HUD's, which is broadly accepted as insufficient and in need of reform.

Issue: Moving to Work (MTW) Expansion

NLIHC Position: NLIHC opposes HUD's proposal in its FY16 request to expand the MTW demonstration unless meaningful program reforms are included, such as those agreed to by HUD, NLIHC, and others in 2012 as part of the "stakeholder agreement." The chart below outlines key areas where HUD's MTW proposal is inadequate. NLIHC also believes that any MTW expansion should be addressed by House and Senate authorizing committees, not the appropriations committees.

HUD FY16 Proposal: The President's FY16 budget request includes a significant expansion of the Moving to Work demonstration, a deregulation initiative that allows waivers of most statutory and regulatory provisions governing the voucher and public housing programs for MTW-designated public housing agencies. The President's proposal would allow HUD to expand the MTW program to up to another 15 PHAs (or consortia of PHAs) with up to a total of 150,000 public housing and housing choice voucher units. There are currently 39 PHAs in the MTW demonstration, administering 440,000 public housing and housing choice voucher units.

Key Issue Area	Current MTW Sites	2012 Stakeholder Agreement	HUD FY16 MTW Expansion Request
Households Served	MTW sites are required to serve at least the same number of families they assisted when the PHA entered the MTW demonstration. But, many MTW sites were not using all of their authorized vouchers at the onset. While MTW agencies serve 40,000 few voucher households than they once did, the lack of transparency makes it difficult to track how voucher funds were otherwise spent (on capital needs, for operating costs, to be held in reserve, etc.).	MTW sites must provide meaningful assistance to a baseline number of households or face financial consequences. To become an MTW agency, must have at least a 95% voucher utilization rate and a 95% public housing occupancy rate.	Must maintain an undefined 90% voucher "utilization" rate, which could lead to fewer assisted households. In HUD's 2015 negotiations to extend current MTW contracts, the definition of "utilization" includes the use of voucher funds for capital costs of housing development (potentially in a way that results in very shallow subsidies), thereby reducing the number of families receiving rental assistance. As a result, the budget proposal's utilization requirement may do little to prevent agencies from reducing the number of families they assist.
Income Targeting	No requirement to target any public housing or voucher admissions to extremely low income households. Extremely low income households (with incomes below 30% of area median) have the greatest housing affordability challenges. At least 75% of families assisted by MTW agencies must be very low income (incomes below 50% of area median).	MTW sites must ensure that a large share of the families they admit to rental assistance have extremely low incomes (40% in public housing and 75% in voucher program, or a blended rate).	No requirement to target any public housing or voucher admissions to extremely low income households. Extremely low income households (with incomes below 30% of area median) have the greatest housing affordability challenges. At least 75% of families assisted by MTW agencies must be very low income (incomes below 50% of area median).

Key Issue Area	Current MTW Sites	2012 Stakeholder Agreement	HUD FY16 MTW Expansion Request
Evaluation	HUD has required almost no controlled, experimental evaluation of alternative policies, including evaluation of policies that have potential to impose the most harm to residents, such as major rent reforms, work requirements, and time limits. HUD has conducting controlled rent reform evaluation at only four of the 39 MTW sites. The Government Accountability Office and HUD's Office of the Inspector General have repeatedly found that the MTW demonstration has failed to generate any conclusive results about whether such alternative policies have been effective.	MTW policies, particularly major rent reform, work requirement, and time limit policies, would be rigorously evaluated by HUD. MTW agency participation in the evaluation would be mandatory if major alternative policies were imposed.	No explicit evaluation component, except, "Participating public housing agencies shall comply with all reporting and evaluation requirements, as established by the [HUD] Secretary."
Tenant Rights	HUD can waive public housing lease requirements, voucher lease and eviction requirements, and rights of judicial review for MTW sites.	Current public housing lease requirements, voucher lease and eviction requirements, and rights of judicial review are maintained.	HUD can waive public housing lease requirements, voucher lease and eviction requirements, and rights of judicial review for MTW sites.
Portability	HUD can waive portability rights of voucher holders for MTW sites.	Current portability rights are maintained.	HUD can waive portability rights of voucher holders for MTW sites if necessary to implement rent and occupancy policies, subject to evaluation.