



Campaign for Housing and Community Development Funding

Working to ensure maximum federal resources for housing and community development.

IMPACTS OF INCONSISTENT FUNDING ON AFFORDABLE HOUSING PROGRAMS

November 2021

The Campaign for Housing and Community Development Funding (CHCDF) urges Congress to approve and the President to sign full-year Fiscal Year (FY) 2022 spending bills for the Departments of Housing and Urban Development (HUD) and Agriculture (USDA) to avoid a long-term continuing resolution (CR) or government shutdown. With the country in the midst of an ongoing pandemic that has left millions of households struggling to make ends meet, the importance of passing comprehensive spending bills in a timely manner and avoiding a long-term CR or full government shutdown cannot be overstated.

LONG-TERM CONTINUING RESOLUTIONS CAUSE SHORTFALLS

Continuing resolutions maintain a consistent level of funding for federal programs approved by Congress for the previous fiscal year. Because the cost of housing and development programs are tied to market rates, which generally rise every year, flat funding acts as a cut and reduces the number of people served.

- **Grant Programs.** CRs cause delays to states and localities that receive CDBG, HOME, and other formula grants since allocations are calculated only after a full-year appropriation is enacted. This, in turn, causes delayed submission, review and approval of grantees' action plans and access to grant funds. The lag in funding delays affordable housing and community development projects and programs that depend on these funds to serve low and moderate-income people. This is particularly problematic for smaller grantees and grantees with a program start date of January 1 because they may not have the local resources to front funding until their grants are approved.

The Service Coordinator Grant Program funds approximately 1,600 staff who provide vital services to residents of properties for older adults and persons with disabilities. CRs create delays in grant processing, forcing properties to enact temporary layoffs of service coordinator staff, and long-term CRs impact programs' ability to retain existing staff and maintain current levels of service.

- **PRAC Section 202.** More than 125,000 older adults live in Section 202 housing supported by Project Rental Assistance Contracts (PRAC) and rely on consistent federal funding for continuous operation (the other two-thirds of Section 202 residents have Section 8 Project-Based Rental Assistance as their operating subsidy). HUD's available PRAC renewal funding has been extremely tight since 2019. In the continuing resolutions before a final fiscal year 2021 HUD funding bill was enacted, the Section 202/PRAC account received an anomaly to ensure continued funding. Absent a final FY22 HUD funding bill, advocates are once again closely monitoring this

account as no anomaly has been requested by HUD. Inadequate funding during a CR would mean that some owners do not receive needed funds for the operation of their affordable senior housing communities. Without adjustments to any CR, and certainly in the event of a shutdown, 202/PRAC owners will be in a precarious financial situation.

- **Project-Based Rental Assistance.** Inadequate funding for project-based rental assistance (PBRA) under a long-term CR could leave property owners without the necessary resources to maintain properties and provide critical resident services, potentially leading to a reduction in affordable apartments for low-income households. Over time, funding instability could deter private owners from continuing to participate in the program, thereby reducing private investment in the portfolio.
- **Housing Choice Vouchers.** Housing Choice Vouchers (HCVs) function as a public-private partnership that helps families rent affordable units in the private market. Rising rents and other factors cause the cost of providing assistance to increase most years. If policymakers fail to provide the additional funding needed to cover rising costs year-to-year, state and local housing agencies may need to cut assistance for tens of thousands of seniors, families with children, and people with disabilities in communities across the country.
- **Enforcement of the Fair Housing Act.** Over two-thirds of reported complaints of housing discrimination are investigated by private nonprofit fair housing organizations. These organizations rely on multi-year grants awarded through the Fair Housing Initiatives Program to provide direct services to victims of discrimination. Continuing resolutions delay grant award cycles, putting in jeopardy strategically designed multi-year investigations that root out housing and lending discrimination and forcing various grantees on different funding timelines to close their doors to victims of discrimination.

GOVERNMENT SHUTDOWNS HAVE LASTING IMPACTS

A government shutdown – particularly in the midst of an ongoing pandemic – would exacerbate these issues and create new hardships for low-income households.

- **Housing Choice Vouchers.** Uncertainty about program budgets and the rising cost of rent has led administrators of HCVs to reissue fewer vouchers and families to leave the program. As a result, HCVs serve tens of thousands of fewer households today than they did two years ago. Participating landlords rely on payments from housing authorities to ensure building expenses are covered. The budgetary uncertainty caused by a shutdown increases participating landlords' financial risk, which may exacerbate the decline in landlord participation that the HCV program has experienced in recent years.
- **Public Housing.** Shutdowns may cause issues for the timing of allocations for capital funding, which Public Housing Authorities (PHAs) use for repairs critical to ensuring the health and safety of residents. During a shutdown, PHAs must rely on their limited operating reserves, which may force PHAs to limit services for residents and furlough staff.
- **PRAC Section 202.** In the FY19 partial government shutdown, HUD's Section 202 Supportive Housing for the Elderly Project Rental Assistance Contracts had immediate impact on the hundreds of Section 202 PRAC contracts that were not renewed during the shutdown. Owners, who are all nonprofits in the Section 202 program, had to borrow from themselves if they did not have sufficient reserves to cover expenses. Furthermore, it takes HUD several months to recover after a shutdown. During these several months, most payments to owners are late as HUD's antiquated systems play catch-up with newly appropriated funding. On-time funding is necessary to keep the contracts fully funded.
- **USDA Rental Assistance.** Over a quarter million families in rural communities rely on USDA rental assistance to afford a roof over their heads. Under a shutdown, these contracts cannot be renewed when they expire. This could have dire consequences for some recipients of rental assistance, who would either have to pay their rent in full or face eviction.
- **USDA Loan Programs.** Loan and grantmaking, as well as processing loan or rent payments, are suspended during a shutdown. When federal funds for housing development are delayed, other resources may decide the uncertainty makes their involvement too risky and opt-out of participation. Developers may have to pay penalties or premiums to extend deadlines for necessities like land purchase options or loan rate commitments, adding expenses and reducing affordability.
- **Grant Programs.** Shutdowns that last for more than a week cause problems for CDBG and HOME programs because HUD staff is needed to approve Requests for Release of Funds after Environmental Reviews are completed. This inaction delays set-up of projects, ultimately resulting in the halt of grantee draw-down of funds to CDBG and HOME-funded projects. Another shutdown could push back funding even further, which may eventually require grantees to halt funding to non-profit organizations who count on money from HOME, CDBG, and homelessness assistance grants to serve thousands of low-income families. Grant agreements not processed before a shutdown can also cause hardship to local jurisdictions that count on these funds to complete housing and infrastructure projects already underway.
- **Homeless Assistance Programs.** Shutdowns can cause significant problems if they continue for an extended period of time and occur before Continuum of Care awards are announced. Uncertainty over grant renewals can disrupt the continuity of services to people experiencing homelessness, and Victim Service Providers rely on federal reimbursement to keep victims of domestic violence who are escaping an abuser safely housed. Funding delays put programs at risk of shutting down if they are not ultimately fully funded.
- **Disaster Recovery.** A shutdown of the federal government has serious impacts on disaster recovery efforts, including delayed funding and guidance for use of previously appropriated dollars.

The [Campaign for Housing and Community Development Funding](#) (CHCDF) is an education, strategy and action hub for national organizations dedicated to adequate federal housing and community development funding for lower income families and communities. [CHCDF's members](#) represent a full continuum of national housing and community development organizations, including more than 70 faith-based, private sector, financial/intermediary, public sector and advocacy groups. For more information, contact Kim Johnson, policy analyst, at kjohnson@nlihc.org, or Xavier Arriaga, policy analyst, at xarriaga@nlihc.org.