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PRELIMINARY ANALYSIS OF THE HUD PROVISIONS OF THE OMNIBUS APPROPRIATIONS BILL FOR FY 2008

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Here is a preliminary assessment of the HUD provisions of H.R. 2764, the Consolidated Appropriations Act of 2008 (or “omnibus”), which includes funding for programs administered by HUD and every other federal agency outside of Defense. The bill was approved by Congress on December 19 and signed into law by the President on December 26.

The HUD portion of the omnibus bill is similar in most respects to the bill agreed to by the Transportation-HUD conference committee on November 13 and passed by the House on November 14. The President had threatened to veto the original T-HUD bill, in large part because it included \$3 billion more for HUD programs than the President’s budget had requested.¹ Because the President’s threat was supported by Republican members of Congress in sufficient numbers to prevent a two-thirds majority from overriding a veto, the appropriations committees were forced to revise the T-HUD funding levels (as well as parts of ten other appropriations bills, most of which had received similar veto threats).

Overall, the omnibus bill trims about \$1 billion of HUD funding from the November Transportation-HUD conference report. As a result, total funding for HUD programs in 2008 under the omnibus will be \$273 million below the 2007 level, adjusted for inflation, yet still exceed the President’s proposed budget by \$2.1 billion.² The omnibus bill thus represents a significant improvement over the President’s budget for HUD programs.

Most of the HUD program “savings” in the new bill are taken from the Section 8 voucher program, though they are achieved in a manner that should have no adverse impact in the next year. Additional funding reductions were made in the two largest housing block grant programs, HOME and the Community Development Block Grant program, and in the HOPE VI program, in comparison to the original conference bill. A chart at the end of this memo provides funding details for the major HUD programs.

¹ For more information on the original conference bill, see the CBPP paper at <http://www.cbpp.org/11-14-07hous.htm>.

² These figures are based on the Congressional Budget Office’s (CBO) analysis of the omnibus bill. The inflation-adjusted 2007 funding levels used for comparison are based on CBO’s March 2007 baseline estimate.

Section 8 Voucher Program

The Section 8 voucher section of the omnibus contains two changes from the original conference bill.

- First, total voucher funding for 2008 is reduced to \$16.391 billion, \$45 million less than the conference bill, but still \$471 million above 2007 funding. (In this memo, all program-level funding comparisons are based on 2007 funding figures that are not adjusted for inflation.) The amount included for voucher renewals under this total (\$14.66 billion, \$35 million less than the conference bill) *will be sufficient to renew all vouchers in use during FY 2007*, according to CBPP's estimates, and likely will be adequate to renew additional vouchers leased during the final quarter of calendar year 2007.³ In addition, the omnibus retains funding for approximately 15,000 new incremental vouchers, including \$20 million for the Family Unification Program (\$10 million less than the conference bill), \$75 million for new HUD-VASH vouchers, and \$30 million for new vouchers for non-elderly people with disabilities.⁴
- Second, the voucher renewal funding formula is modified for housing agencies with large unspent balances of funding from prior years. Like the conference bill, the omnibus bases most agencies' 2008 renewal funding on their actual leasing and costs during federal fiscal year 2007 (with adjustments for costs associated with the Family Self Sufficiency program, new tenant-protection vouchers, and commitments of project-based vouchers). A new provision, however, states that agencies' renewal funding shall be reduced by an amount equal to:

the unusable amount (as determined by the Secretary, due to limits...[on] an agency's authorized level of units under contract) in such agency's net restricted assets account...which exceeds 7 percent of the amount of renewal funding allocated to the agency for the calendar year 2007 funding cycle [emphasis added].

Generally, this policy appears to reflect an underlying judgment that it is better to reduce large, unusable voucher funding reserve balances — and thereby to retain funding for voucher renewals, the first incremental vouchers in six years, and key investments in public housing, project-based Section 8 renewals, and other HUD programs — than to enable agencies to maintain these balances for possible use in future years. This new policy is linked to budgetary savings of \$723 million in FY 2008, the lion's share of the difference between the HUD portion of the omnibus and the original conference bill.

³ The omnibus bill text released prior to the House vote showed \$14.695 for voucher renewals, an amount identical to the original conference report. As noted above, however, total funding for the Section 8 voucher account was reduced by \$45 million, including a \$10 million reduction in funding for vouchers for the Family Unification Program. The source of the remaining \$35 million in reductions is left unclear in the bill. We assume that the remaining \$35 million in reductions will come out of the renewal account.

⁴ The omnibus bill provides only dollar amounts for the incremental vouchers, and does not specify the number of vouchers funded. The figure provided here is based on CBPP's estimate of the national average cost of a housing voucher in 2008. The actual number of vouchers funded may be higher or lower depending on local costs where the vouchers are awarded. The HUD-VASH program funds supportive housing for low-income veterans with serious mental health or substance abuse problems. Under the program, HUD-provided rental assistance is combined with supportive services funded by the Department of Veterans' Affairs. The Family Unification Program provides rental assistance needed to reunify families with children in foster care or to prevent children from entering foster care.

Under the new bill language, if an agency has balances of unused funds from prior years that it could not use in 2008 to lease additional authorized vouchers (because the agency's renewal funding allocation plus available reserve funds would exceed the amount needed to lease 100 percent of its authorized vouchers), then its 2008 renewal funding will be reduced by an amount equal to such "unusable" reserve funds that exceed 7 percent of its 2007 renewal funding allocation. While there are significant questions about how HUD will interpret and implement this provision, it would appear to have no effect on renewal funding for housing agencies with fully "usable" reserves (i.e., where 100 percent of reserves could be used in 2008 to lease additional authorized vouchers) or with "unusable" reserves (i.e., any portion of reserves that could not be used in 2008 to lease additional authorized vouchers) in an amount that is not greater than 7 percent of its 2007 funding allocation. For example, an agency that did not use 10 percent of its vouchers in 2007 — perhaps due to HUD's delay in awarding 2007 renewal funding — would receive full renewal funding for its leased vouchers if all of its unspent funding from prior years could be used in 2008 to lease the remaining 10 percent of its authorized vouchers.

The remainder of the voucher funding provisions in the omnibus are the same as those included in the conference bill: a modified formula is used for certain agencies in the Gulf Coast, operating under receivership, or that have overspent funds in 2007; and \$50 million is set aside for adjustments in renewal funding due to portability costs and for agencies whose leasing at the end of *calendar year* 2007 exceeds their average leasing during the *fiscal year* base period. In addition, the omnibus bill retains the requirement that HUD issue tenant protection vouchers for all otherwise eligible units that were occupied within the previous 24 months prior to demolition, disposition, or conversion. Administrative fees will be allocated based on vouchers in use, rather than being tied to the prior year's fee allocation.

HOME, Community Development Block Grants (CDBG), and HOPE VI

HOME, CDBG, and HOPE VI are the only other HUD programs receiving funding reductions in the omnibus, in comparison to the original conference bill.⁵ The HOME block grant program is funded at \$1.70 billion, a reduction of \$63 million from the conference bill level. This includes \$1.63 billion for formula grants, \$275 million less than the President requested and a cut of \$62 million below the 2007 level.⁶

For CDBG formula grants, the omnibus bill provides \$3.59 billion, \$130 million less than the conference bill provided and \$117 million below the 2007 level. Like the conference bill, however, the omnibus rejects the much deeper cut of \$1.1 billion proposed by the Administration.⁷

⁵ In addition to these program cuts, the omnibus reduced HUD's administrative accounts by \$20 million, and rescinded an additional \$10M from the Rent Supplement program.

⁶ Again, program-level funding comparisons in this paper are based on 2007 figures that are not adjusted for inflation.

⁷ This cut figure takes into account the Administration's proposed rescission of \$356 million from economic development and neighborhood initiatives. Because no such initiatives were funded in FY 2007, meeting the Administration's HUD budget target would have required making a \$356 million reduction in other HUD accounts. We assumed that the entire reduction would have been born by CDBG formula grants, which make up over 90 percent of community development funding administered by HUD.

Congress also rejected the Administration's proposal to eliminate the HOPE VI program, providing \$100 million for 2008, \$1 million more than in 2007 (but \$20 million less than the amount included in the original conference bill).

Public Housing, Project-Based Section 8, and Other Programs

The omnibus bill retains key investments made in Congress' original T-HUD conference bill. Specifically, the bill provides:

- \$4.2 billion for the public housing operating fund, \$200 million more than the President's budget request and \$336 million above the 2007 level. The public housing capital fund, which the Administration had proposed to cut by \$415 million in 2008, was level-funded by Congress at \$2.4 billion. For more discussion of the implications of these funding levels, see our paper cited in note 1.
- \$6.14 billion for renewal of project-based Section 8 contracts in FY 2008, an increase of \$310 million over 2007 and \$616 million over the President's budget request. This additional funding sends an important signal that Congress opposes the Administration's new policy of "short-funding" Section 8 rental assistance contracts, although a substantial amount of additional funding will be needed to provide a full 12 months of funding for every renewal in FY 2008. (Again, more information about this issue is available in the paper referenced in note 1.)
- \$1.59 billion for homeless assistance, an increase of \$145 million over 2007.
- \$735 million and \$237 million for supportive housing for the elderly (Section 202) and people with disabilities (Section 811), respectively, thereby rejecting the President's proposal to slash funding for these programs.

Mortgage Foreclosure Assistance

The omnibus bill includes \$300 million for the Neighborhood Reinvestment Corporation, \$180 million more than the President requested, but \$20 million less than was provided in the conference bill. This funding will be distributed to housing counseling agencies to assist troubled homeowners in retaining their homes by modifying or restructuring their mortgages to prevent foreclosure.

Immigrant eligibility restriction

The conference report includes language first proposed in an amendment on the House floor by Rep. King (R-Iowa.) that restricts eligibility for funds provided by the bill for "homeownership assistance" to applicants who are U.S. citizens or are lawfully present and authorized to work in the U.S.⁸ The amendment was accepted by the subcommittee chairman on the grounds that it restated current law, but its effects could go far beyond current law. For example, it could prevent legal immigrants who are elderly or have disabilities (and therefore do not have work authorization) from participating in the Section 8 homeownership program. In addition, it could delay allocation or use of CDBG and HOME funds while HUD devises instructions about the new restriction, and could tangle local grantees administering homeownership programs in a substantial amount of red tape.

⁸ See Division K, Section 409.

**2008 Funding Levels for Major HUD Programs
(millions)**

<i>Program</i>	<i>2007</i>	<i>Bush Budget, 2008</i>	<i>November Conference Bill, 2008</i>	<i>Final Omnibus Bill, 2008</i>
Section 8 Vouchers – Total	\$15,920	\$16,000	\$16,436	\$16,391
<i>Renewals</i>	\$14,436	\$14,445	\$14,695	\$14,660
<i>Administrative fees</i>	\$1,281	\$1,351	\$1,351	\$1,351
<i>Incrementals</i>			\$135	\$125
Section 8 Project-Based Rental Assistance – Renewals	\$5,829	\$5,523	\$6,139	\$6,139
Public Housing Capital Fund	\$2,439	\$2,024	\$2,439	\$2,439
Public Housing Operating Fund	\$3,864	\$4,000	\$4,200	\$4,200
HOPE VI	\$99	\$-99	\$120	\$100
CDBG Formula Grants	\$3,711	\$2,618	\$3,723	\$3,593
HOME Formula Grants	\$1,690	\$1,903	\$1,686	\$1,628
Homeless Assistance	\$1,441	\$1,561	\$1,586	\$1,586
HOPWA	\$286	\$300	\$300	\$300
Section 202 Elderly Housing	\$735	\$575	\$735	\$735
Section 811 Housing for People with Disabilities	\$237	\$125	\$237	\$237