

CRS Report for Congress

The Department of Housing and Urban Development: FY2007 Budget

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Summary

On February 6, 2006, the President submitted his FY2007 budget to the Congress. It proposed funding the Department of Housing and Urban Development (HUD) at \$34.1 billion, just over the FY2006 level (not including FY2006 supplementals related to Hurricane Katrina). HUD's FY2007 budget summary stated that the budget intended to use "taxpayer money more wisely" and "reform programs in need of repair."

The President's budget would have increased funding for the Section 8 Housing Choice Voucher program from \$15.4 billion in FY2006 to \$15.9 billion in FY2007. It proposed to reduce funding to the Public Housing Capital Fund to \$2.2 billion from the \$2.4 billion that was appropriated for FY2006. The proposed budget also would have eliminated funding for public housing's HOPE VI program, which replaces distressed public housing units with new or rehabilitated mixed-income developments. Within the community development programs, the President's FY2007 budget proposed cutting funding to the Community Development Block Grant (CDBG) program by nearly 20% from the FY2006 level. CDBG provides grants to states and localities to use for housing and community development projects. The FY2007 budget proposal would have increased funding for the Housing Opportunities for Persons with AIDS (HOPWA) program from \$286 million to \$300 million and the HOME program from \$1.7 billion to \$1.9 billion. Additionally, it would have increased funding for the four Homeless Assistance Grants by \$209 million, and provided funding for two new initiatives: the Samaritan Initiative for the chronically homeless and the Prisoner Re-entry Initiative. The President's budget proposed to cut in half funding for the Section 811 Housing for the Disabled program, as proposed in FY2006. The FY2007 budget would have provided \$119 million for Section 811, down from \$237 million in FY2006. Funding for the Section 202 Housing for the Elderly program would have been reduced from just under \$735 million to \$546 million, a drop of 25.7%.

The House passed its version of the HUD funding bill on June 14, 2006 (H.R. 5576). It funded most programs at or near the President's requested level, although it increased funding for the Section 8 voucher program, CDBG, and the Section 202 Housing for the Elderly and Section 811 Housing for the Disabled programs. The Senate Appropriations Committee passed its version of H.R. 5576 on July 20, 2006. It would have provided over \$2 billion more for HUD than the President's request and the House bill, increased funding for Public Housing and restored funding for programs slated for elimination, including HOPE VI.

Since the majority of the FY2007 appropriations bills were not approved before the end of FY2006, Congress has enacted a series of stop-gap funding measures, or continuing resolutions, to maintain government operations until the final FY2007 funding bills are enacted. On February 15, 2007, Congress approved a revised year-long continuing resolution, funding most accounts at their FY2006 level (P.L. 110-5). This report will be updated to reflect legislative activity.

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Division abbreviations:

- DSP — Domestic Social Policy
- G&F — Government and Finance

The Department of Housing and Urban Development: FY2007 Budget

Most Recent Developments

FY2007 appropriations legislation enacted. On February 15, 2007, President Bush signed a revised year-long continuing resolution into law (P.L. 110-5). With some exceptions, the act funds accounts at their FY2006 levels. Those exceptions include funding a number of HUD programs at levels higher than those enacted in FY2006:

- Tenant Based Rental Assistance: \$15,920 million
- Project-Based Rental Assistance: \$5,976 million
- Public Housing Operating Fund: \$3,864 million
- Indian Housing Loan Guarantee: \$6 million
- Homeless Assistance Grants: \$1,442 million
- Salaries and Expenses: the FY2006 levels, plus such sums as necessary to meet 50% of the need for cost-of-living increases for federal employees

The act funds three HUD accounts below their FY2006 level:

- Self Help Homeownership: \$49 million
- Research and Technology: \$50 million
- Community Development Fund: \$3,772 million

The decrease in funding for the Community Development Fund does not decrease funding for the primary program funded by the account, the Community Development Block Grant (CDBG) program. Instead, the decline can be attributed to the Congress's decision not to fund the Economic Development Initiatives (EDI) program that is also funded under that account. The EDI account has traditionally been a source of funding for congressionally driven projects, or earmarks.

The remainder of this report is not yet updated to reflect enactment of P.L. 110-5. It will be updated when committee estimates of the FY2007 enacted levels become available.

Continuing Resolutions Enacted. Congress did not enact the majority of FY2007 appropriations bills before the end of the 2006 fiscal year. In order to fund government operations until final appropriations bills are enacted, Congress attached a continuing resolution (CR) to the FY2007 Defense Appropriations conference report (H.Rept. 109-676). It was adopted by Congress on September 26, 2006, and signed into law on September 29, 2006 (P.L. 109-289). It funded HUD programs

— through November 17, 2006 — at the lower of the House-passed or FY2006 enacted funding level. Programs that received funding in FY2006, but were not slated to receive any funding under the House-passed bill, were funded at the FY2006 level. A second CR, extending the previous CR through December 8, 2006, was approved by Congress on November 15, 2006 (P.L. 109-369). A third CR was enacted on December 8, 2006, just prior to adjournment of the 109th Congress (P.L. 109-383). It extended the original CR through February 15, 2007. For more information, see CRS Report RL33681, *FY2007 Regular Appropriations Acts: Procedures for End-of-Session Wrap-Up*, by Robert Keith.

Senate Committee Passage. Two days after subcommittee passage, on July 20, 2006, the Senate Appropriations Committee approved its version of the FY2007 Transportation, Treasury, and Housing and Urban Development, the Judiciary and Independent Agencies Appropriations bill, providing \$36.6 billion for HUD (H.R. 5576).

House Passage. On June 14, 2006, the House passed its version of the FY2007 Transportation, Treasury, and Housing and Urban Development, the Judiciary, District of Columbia and Independent Agencies Appropriations bill (H.R. 5576), providing \$35.3 billion for HUD. Several floor amendments were adopted to the bill, which had been reported out of subcommittee on May 26, 2006, and out of full committee on June 6, 2006.

President's Budget Submitted. The President submitted his FY2007 budget to the Congress on February 6, 2006, requesting \$34.1 billion for HUD. This represents an increase of just under 2% over the regular FY2006 appropriation (not including FY2006 supplementals related to Hurricane Katrina), and an increase of about 17% over the President's FY2006 request of \$29.1 billion.

Introduction to the Department of Housing and Urban Development (HUD)

Most of the appropriations for the Department of Housing and Urban Development (HUD) are designed to address housing problems faced by households with very low incomes or other special housing needs. These include programs of rental assistance for the poor, elderly, or disabled, housing assistance for persons with AIDS, and shelter for those who are homeless. The two large HUD block grant programs, HOME and Community Development Block Grants (CDBG), also help communities finance a variety of activities to address the housing and community development needs of disadvantaged populations. In recent years, HUD has focused more attention on efforts to increase the homeownership rates for lower-income and minority households. HUD's Federal Housing Administration (FHA) insures mortgages made by lenders to lower-income home buyers, many with below-average credit records, and to developers of multifamily rental buildings containing relatively affordable units.

Table 1. Department of Housing and Urban Development Appropriations, FY2002-FY2006
(net budget authority in billions)

FY2002	FY2003	FY2004	FY2005	FY2006
\$30.15	\$31.01	\$31.20	\$31.92	\$50.68 ^a

Source: Figures are from the House Appropriations Committee estimate tables. FY2006 figures are adjusted to reflect the 1% across-the-board rescission enacted in P.L. 109-148. Final appropriations levels for any fiscal year include all supplemental appropriations or rescissions. They do not reflect revised estimates of offsetting receipts.

a. Figure includes \$17.1 billion (\$11.9 billion in P.L. 109-148 and \$5.2 billion in P.L. 109-234) in emergency supplemental appropriations enacted in response to the 2005 Hurricanes. Regular FY2006 HUD appropriations totaled just under \$33.6 billion.

FY2006 Appropriations

On November 30, 2005, the President signed P.L. 109-115, the FY2006 Appropriations Act for the Departments of Transportation, Treasury, and HUD, the Judiciary, the District of Columbia and Related Agencies. The bill included just under \$34 billion for HUD, a significant increase from the President's \$29 billion request. The law rejected the President's proposal to eliminate the CDBG program and replace it with a new block grant program called "Strengthening America's Communities" in the Department of Commerce (for more information, see CRS Report RL32823, *An Overview of the Administration's Strengthening America's Communities Initiative*, coordinated by Eugene Boyd). Congress also rejected major cuts requested by the President for the Section 811 Housing for the Disabled program and the HOPE VI program. (For more information, see CRS Report RL32869, *The Department of Housing and Urban Development (HUD): FY2006 Budget*, by Maggie McCarty, Libby Perl, Bruce E. Foote, and Eugene Boyd.)

On December 30, 2005, the FY2006 Department of Defense Appropriations bill (P.L. 109-148) was enacted, including supplemental appropriations for Hurricane Katrina relief. The act provided almost \$12 billion in supplemental funds for HUD, \$11.5 billion of which was allocated for the CDBG program, and \$390 million for HUD's Disaster Assistance Vouchers. To offset the cost of hurricane recovery, the act also included a 1% across-the-board rescission to all domestic discretionary programs, including all HUD programs. In total, the rescission reduced HUD's budget by \$380 million. On June 15, 2006, the President signed a second supplemental appropriations, P.L. 109-234, that provided an additional \$5.2 billion in CDBG assistance for Hurricane Katrina relief activities, bringing the total supplemental appropriations for CDBG-supported hurricane relief to \$16.7 billion. (For more information, see CRS Report RL33298, *FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Katrina Hurricane Relief*, co-coordinated by Paul M. Irwin and Larry Nowels, and CRS Report RL33330, *Community Development Block Grant Funds in Disaster Relief and Recovery*, by Eugene Boyd.)

FY2007 Budget Issues

Budget Pressures. The President’s FY2007 request highlights growing pressures within the HUD budget between the discretionary programs that require appropriations and the rescissions and offsetting collections and receipts that subsidize — or offset — the cost of those appropriations. As can be seen in **Table 2**, while the President’s overall funding request is a slight increase over the previous year (1.6%), the amount of appropriations requested is actually a slight decrease (less than 1%). This seeming contradiction results from the reality that the amount of offsetting collections and receipts has been decreasing as the Federal Housing Administration’s mortgage insurance programs have produced a smaller amount in offsetting receipts. From FY2006 to FY2007, under the President’s budget,¹ the amounts of offsetting receipts will drop by more than a billion dollars, from more than \$1.6 billion to about \$650 million. (For an expanded discussion, see *Federal Housing Administration (FHA)* and **Table 16**.) With less available to offset the cost of the budget, higher appropriations are required to maintain the same funding level. At the same time, many programs — such as the Section 8 voucher program — require increased appropriations to maintain current service levels. Also, the President has set a goal of restraining domestic discretionary spending increases to at or below the rate of inflation, and has encouraged the executive branch Secretaries to examine programs to ensure that they are using taxpayer dollars wisely. HUD’s FY2007 budget summary states that the budget intends to use “taxpayer money more wisely,” and “reform programs in need of repair.” The combination of these factors has led to proposals for flat funding or cuts for many HUD programs.

Table 2, below, presents the President’s FY2007 HUD budget request compared to the prior year’s budget, and the Congressional response to date.

Table 2. Appropriations: Housing and Urban Development, FY2006-FY2007

(budget authority in billions of dollars)

Program	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Appropriations				
Tenant Based Rental Assistance (includes advanced appropriation) (Sec. 8)	15.418	15.920	15.846	15.920
Project Based Rental Assistance (Sec.8)	5.037	5.676	5.476	5.676
Sec. 8 supplemental ^a	0.390	0.000	0.000	0.000
Public housing capital fund	2.439	2.178	2.208 ^b	2.460
Public housing operating fund	3.564	3.564	3.564	3.660
HOPE VI	0.099 ^c	0.000 ^c	0.000 ^b	0.100
Native American housing block grants	0.624	0.626	0.626	0.626
Indian Housing Loan Guarantee	0.004	0.006	0.004	0.006

¹ As can be seen in **Table 16**, the House bill assumes that FHA will find additional administrative savings.

Program	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Native Hawaiian Block Grant	0.009	0.006	0.009	0.009
Native Hawaiian Loan Guarantee	0.001	0.001	0.001	0.001
Housing, persons with AIDS (HOPWA)	0.286	0.300	0.300	0.295
Rural Housing Economic Development	0.017	0.000	0.000	0.020
Community Development Fund (Including CDBG) ^d	4.178	3.032	4.215 ^e	4.215
CDF supplemental ^a	16.700	0.000	0.000	0.000
Section 108 Loan Guarantees	0.004	0.000	0.003	0.003
Brownfields redevelopment	0.010	0.000	0.000 ^e	0.000
HOME Investment Partnerships	1.757	1.917	1.917	1.942
Homeless Assistance Grants	1.327	1.536 ^f	1.536	1.511
Self-help Homeownership	0.060	0.040	0.060	0.066
Housing for the elderly	0.735	0.545	0.747	0.750
Housing for the disabled	0.237	0.119	0.240	0.240
Housing Counseling Assistance ^g	0.000	0.045	0.000	0.000
Rental Housing Assistance	0.026	0.025	0.025	0.025
Research and technology	0.056	0.068	0.056	0.060
Fair housing activities	0.046	0.045	0.045	0.045
Office, lead hazard control	0.150	0.115	0.150	0.152
Salaries and expenses	0.573	0.590 ^h	0.493 ^h	0.594 ^h
Working capital fund	0.195	0.220	0.000 ⁱ	0.220
Manufactured Housing Fees Trust Fund ^j	0.013	0.016	0.016	0.016
Office of Federal Housing Enterprise Oversight ^l	0.060	0.062	0.062	0.068
FHA Expenses ^j	0.727	0.734	0.714	0.724
GNMA Expenses ^j	0.011	0.061 ^k	0.011	0.011
Inspector General	0.081	0.083	0.083	0.091
Appropriations Subtotal without supplemental	37.743	37.527	38.405	39.504
Appropriations Subtotal with supplemental	54.833	37.527	38.405	39.504
Rescissions				
Sec. 8 recaptures (rescission) ^l	-2.050	-2.000	-2.000	-2.000
HOPE VI rescission	0.000	-0.099	0.000	0.000
Brownfields redevelopment rescission	-0.010	0.000	0.000	0.000
Economic Development Initiative Rescission	0.000	-0.356 ^m	0.000	0.000
Rescissions Subtotal	-2.060	-2.455	-2.000	-2.000
Offsetting Collections and Receipts				
Manufactured Housing Fees Trust Fund	-0.013	-0.016	-0.016	-0.016
Office of Federal Housing Enterprise Oversight	-0.060	-0.062	-0.062	-0.068
Federal Housing Administration (FHA)	-1.648	-0.652	-0.849	-0.652
GNMA	-0.368	-0.224 ^k	-0.181	-0.181

Program	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Offsets Subtotal	-2.089	-0.954	-1.108	-0.917
Total before supplementals	\$33.594	\$34.118	\$35.297	\$36.588
Total with supplementals	\$50.684	\$34.118	\$35.297	\$36.588

Source: Prepared by CRS based on H.R. 5576, H. Rept 109-495, and S. Rept 109-293. FY2006 figures are adjusted to reflect the 1% across-the-board rescission enacted in P.L. 109-148. Figures for FY2006 enacted and FY2007 request contained in earlier versions of this table were based on CRS estimates, which have since been replaced with House Appropriations Committee estimates.

- a. P.L. 109-148 provided emergency supplemental hurricane recovery funds, including \$390 million for the Section 8 voucher program and \$11.5 billion for CDBG. An additional \$5.2 billion for CDBG was included in P.L. 109-234. These special purpose funds were not a part of the regular FY2006 appropriations law (P.L. 109-115).
- b. A floor amendment added \$30 million to the Public Housing Capital Fund. Floor statements indicated that the funding was intended for the HOPE VI program; however, no language was included in the bill directing that the funds be used for HOPE VI.
- c. The President's FY2007 budget requested that Congress rescind the \$99 million it provided for the HOPE VI program in FY2006.
- d. The Community Development Fund account funds the CDBG program and other related community development programs. CDBG accounts for the largest portion of the CDF account.
- e. A floor amendment added \$15 million to the Community Development Fund. Floor statements indicated that the funds were to be used for Brownfields.
- f. The President's request included \$25 million that would be transferred to the Department of Labor.
- g. This program is typically funded as a set-aside within the HOME program. In FY2006, it was funded at \$42 million within the HOME account. In recent years, including FY2007, the President's budget has requested that the program be funded separately from HOME. The House and Senate versions of the FY2007 funding bill continued to fund Housing Counseling as a set-aside within the HOME account, each at \$42 million.
- h. The President's request assumed \$4 million in savings from a legislative proposal. Neither the House-passed bill nor the Senate committee-passed bill assumed such savings.
- i. The House Appropriations Committee-passed version included \$100 million for the Working Capital Fund. A floor amendment decreased the account by \$100 million to offset a \$70 million increase in funding for tenant-based rental assistance.
- j. The administrative costs of these programs are generally paid by offsetting receipts collected by the program. In some cases, the administrative costs are fully offset by collected fees; in others, they are partially offset, and in others, the offsetting receipts are larger than the administrative costs, and the excess are used to offset the total cost of the HUD budget. See the offsetting receipts portion of **Table 2**.
- k. The President's budget documents indicate that a new GNMA proposal would cost \$43 million, but its costs would be offset by an additional \$43 million in offsetting receipts. The House and Senate bills did not include that assumption.
- l. Each year, unobligated balances are recaptured from the Housing Certificate Fund, an account that previously funded the tenant-based and project-based Section 8 rental assistance programs, and which still contains long-term Section 8 contracts funded in prior years.
- m. The President's FY2007 budget requested that Congress rescind the full amount it provided in FY2006 for Economic Development Initiative and Neighborhood Initiative earmarks within the CDF account.
- n. The CR appropriates such sums as may be necessary to fund 50% of the cost of the statutory cost-of-living increase approved for FY2007. It is unclear at this time how much HUD will receive under this provision.

Tenant-Based Rental Assistance (Section 8 Vouchers). The tenant-based rental assistance account funds the Section 8 Housing Choice Voucher program. (See CRS Report RL32284, *An Overview of the Section 8 Housing Program*, by Maggie McCarty.) Section 8 vouchers are portable rent subsidies that low-income families use to reduce their housing costs in the private market. HUD currently funds more than two million Section 8 vouchers, which are administered

at the local level by quasi-governmental Public Housing Authorities (PHAs). This account funds the cost of those vouchers and the cost of administering the program.

Table 3. Section 8 Tenant-based Rental Assistance (Vouchers), FY2006-FY2007
(in millions of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Section 8 Tenant-based Rental Assistance (vouchers)	\$15,418^a	\$15,920	\$15,846	\$15,920
Voucher renewals	13,949	14,436	14,506	14,436
<i>Rental subsidy reserve</i>	<i>45^b</i>	<i>100^c</i>	<i>100^c</i>	<i>100^c</i>
Administrative costs	1,238 ^d	1,281 ^e	1,137 ^e	1,271 ^e
Family Self Sufficiency	48	48	48	48
Incremental Vouchers (FUP)	0	0	0	10
Tenant Protection	178	149	149	149
Working Capital Fund	6	6	6	6

Source: See **Table 2**.

Note: Figures may not add due to rounding. Approximately \$4.2 billion of the funds shown in the table above are provided in the form of an advance appropriation for the following year, and each year approximately \$4.2 billion is available from the previous year (adjusted for rescissions).

- a. Amount does not include \$390 million in emergency supplemental appropriations provided in the FY2006 Department of Defense Appropriations bill. The supplemental funds are to be used to provide vouchers to families that were receiving HUD assistance prior to Hurricane Katrina and were displaced by the storm. For more information see CRS Report RL33173, *Hurricane Katrina: Questions Regarding the Section 8 Housing Voucher Program*, by Maggie McCarty.
- b. These funds were set-aside to adjust the budgets of agencies that (1) applied for an adjustment because they had unusually low leasing levels during the May-July period that was the basis for FY2005 funding or (2) the Secretary determined to have a significant increase in renewal costs due to unforeseen circumstances or portability vouchers.
- c. These funds would be used to make one-time portability adjustments to agency budgets or to provide additional rental subsidy funding in response to unforeseen exigencies.
- d. \$10 million of this amount was set aside for special fees as determined by the Secretary. They were awarded to agencies administering homeownership vouchers and tenant protection vouchers.
- e. \$30 million of this amount would be set aside for special fees as determined by the Secretary, \$20 million of which would be used for agencies administering tenant protection vouchers. The remaining \$10 million, according to the President's budget documents, would be used at the Secretary's discretion for fees associated with other special programs, including homeownership vouchers.

Voucher Renewals. The majority of tenant-based rental assistance funding is dedicated to voucher renewals. Congress has authorized the creation of more than 2 million vouchers over the history of the program, and the funding for virtually all of them expires every year. If a family is using a voucher to lease an apartment but funding is not sufficient to renew it, then the family will lose its assistance and likely lose its current housing. Prior to FY2004, HUD funded PHAs based on the number of vouchers they were using and the cost of those vouchers. If costs went up or PHAs were able to use more of their vouchers, they received additional funds to cover those costs. Since FY2004, Congress has moved away from funding PHAs based on their actual costs, and now provides agencies with a pro rata share of renewal funding based on what they received in the prior year. This formula change has provoked much controversy among low-income housing advocates and PHA advocacy groups, who argue that it does not reflect agencies' actual needs and results in some agencies receiving less funding than they need to maintain their programs, and others receiving more than they can use under the current law (for more information, see CRS Report RS22376, *Changes to Section 8 Housing Voucher Renewal Funding, FY2003-FY2006*, by Maggie McCarty). The Administration's budget documents state that HUD supports the current budget-based funding formula, and that it complements the Administration's Section 8 voucher reform initiative, the Flexible Voucher Program proposal (for more information, see CRS Report RL33270, *The Section 8 Housing Voucher Program: Reform Proposals*, by Maggie McCarty).

The President's FY2007 budget requested \$14.4 billion for voucher renewals, an increase of 3.5% over FY2006. Most of these funds (\$14.3 billion) would have been distributed to PHAs based on the amounts they were eligible to receive in FY2006, prior to proration, plus the HUD-developed regional inflation factor (the annual adjustment factor, or AAF). The Secretary would have been permitted to adjust agency budgets to account for deposits to Family Self Sufficiency program escrow accounts or for the first-time renewal of tenant-protection vouchers. The amounts would then be reduced proportionally to fit within the amount appropriated. Agencies participating in the Moving to Work demonstration would be funded based on their contracts, but their budgets would be subject to proration. The President's budget request would have removed a clause included in the FY2006 appropriations law requiring that the entire amount of funding for renewals be obligated up front. It also would have lifted the ban on overleasing² that Congress enacted in FY2003. Presumably, lifting this ban would permit agencies with decreased costs to more fully utilize their funding.

The remaining \$100 million would have been used by the Secretary to provide one-time adjustments to agency budgets for increased portability costs or additional rental subsidies in response to unforeseen exigencies. In FY2006, Congress provided the Secretary with a \$45 million set-aside to adjust agencies' budgets under a number of circumstances, including cost increases due to portability.

² Overleasing, or maximized leasing, occurs when PHAs sign leases for more vouchers than they are authorized to lease. This practice was a common way that agencies used excess funds prior to FY2003.

The House-passed bill provided \$70 million more than the President requested for voucher renewals, and would have distributed the funds following the President's request (including the \$100 million set-aside). The additional \$70 million was not included in the bill reported by the Appropriations Committee, but was added in a floor amendment, and its cost was offset by a \$100 million reduction in HUD's Working Capital Fund.

The Senate Appropriations Committee-passed version of the FY2007 HUD funding bill would have funded voucher renewals at the President's request, but adopted a different formula for allocating the funds. The Secretary would have been directed to fund agencies based on their leasing and costs for the most recent 12 consecutive months for which data are available, adjusted by the Annual Adjustment Factor, deposits to tenant escrow accounts, first-time renewal of tenant protection vouchers, and vouchers set aside for project-based commitments. Budgets would have then been prorated to fit within the amount appropriated. Moving to Work agencies would have been funded according to their agreements. Up to \$100 million would have been made available to adjust agency budgets for significant increases in renewal costs resulting from unforeseen exigencies or from portability vouchers.³ Agencies would have continued to be prohibited from overleasing.

Administrative Fees. Prior to FY2004, PHAs were paid a fixed fee per voucher administered. Beginning in FY2004, at Congress's direction, HUD changed the way it distributed administrative fees, providing agencies with a pro-rata share of the amount appropriated for administrative fees, based on what they had received in the previous year. The change was designed to contain the cost of administrative fees, which were estimated to have grown to account for 10% of the cost of a voucher. For FY2007, the Administration requested \$1.3 billion for administrative fees, \$30 million of which would have been available to the Secretary to use for special purposes. The request represents a 4% increase over the amount provided in FY2006; however, since more would have been set aside for special fees in FY2007 (only \$10 million was set aside in FY2006), the base administrative fees would have only increased by 2%.

The House-passed version of the HUD funding bill would have cut administrative fees by 8% from the FY2006 enacted level, providing just over \$1.1 billion. Like the President's request, the House bill would have set aside \$30 million for the Secretary to distribute for special fees. With the set-aside, the base amount for administrative fees to be allocated across agencies would have been reduced by almost 10%.

The Senate Appropriations Committee-passed version of the bill would have provided just under \$1.3 billion for administrative fees. The funds would have been allocated to PHAs based on the formula that was in effect prior to FY2004 and prorated to fit within the amount appropriated. Of the amount, \$30 million would have been set aside for the Secretary to allocate to PHAs needing extra funds to administer their programs. Under the Senate bill, base administrative fees would have been increased about 1% over the FY2006 level.

³ This language is similar to language in the President's request and House bill, but is not identical and does not specify that the adjustments be one-time adjustments.

Tenant Protection Vouchers. Tenant protection vouchers are provided to families in a variety of circumstances, including families who are threatened with displacement because the contract on their assisted unit is ending (project-based Section 8, for example), families who are displaced from public housing (due to demolition or disposition), families in the witness protection program, and families in the child welfare system (through the Family Unification Program).

In FY2006, Congress provided \$178 million for tenant protection vouchers. The President's FY2007 budget requested \$149 million for tenant protection vouchers and also requested the authority to supplement the amount provided with amounts recaptured from unobligated Section 8 balances. In a change of past policy, the President proposed providing tenant protection vouchers to replace only units that were under lease at the time they were demolished or disposed, rather than all units. The House bill adopted the President's request for tenant protection vouchers.

The Senate committee-passed bill would have funded tenant protection vouchers at the President's requested level; however, it would not have limited them to units under lease, as requested by the President.

Incremental Vouchers. Congress has not funded any new vouchers — called incremental vouchers — since FY2002 (outside of tenant protection vouchers). The Senate Appropriations Committee-passed FY2007 HUD funding bill contained \$10 million for new incremental vouchers targeted to the Family Unification Program (FUP). FUP vouchers are given to families involved in the child welfare system for whom housing is a major barrier to reunification. They are also provided to youths aging out of foster care.

Section 8 Project-Based Rental Assistance. This account provides funding to administer and renew existing project-based Section 8 rental assistance contracts between HUD and private landlords. Under those contracts, HUD provides subsidies to units owned by private landlords that allow eligible low-income families to live in the units but pay only 30% of their incomes toward rent. No new contracts have been entered into under this program since the early 1980s; the funding provided is used only to renew existing contracts and pay administrative costs.

**Table 4. Section 8 Project-based Rental Assistance,
FY2006-FY2007**
(in millions of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Section 8 Project-based Rental Assistance	\$5,037	\$5,676	\$5,476	\$5,676
Project-based Renewals	4,890	5,526	5,326	5,526
Contract Administrators	146	146	146	146
Working Capital Fund	1	4	4	4

Source: See Table 2.

Note: Totals may not add due to rounding.

Contract Renewals. The President's budget included a request for a 13% increase in project-based renewal funding for FY2007. The level of funding requested was based on an assumption that recaptured funds will be available to supplement the account as necessary, although budget documents do not provide an estimate of how much the Administration believes may be necessary. The House-passed version of the HUD funding bill would have provided \$200 million less than the President's request for contract renewals. The committee report accompanying the bill notes that the Secretary can use recaptured funds to supplement the amount appropriated. The Senate committee version would have funded the President's request.

Contract Administrators. Contract administrators are subcontracted by HUD to manage the contracts between landlords and the Department. HUD formerly administered all of the contracts directly, but has set a goal to transfer all contract administration to subcontractors. The amount requested by the Administration was a decrease from the FY2006 enacted level, but the Administration asked for the authority to supplement the appropriated amount with amounts recaptured from Section 8 unobligated balances. The Administration states in its budget documents that full transition over to contract administrators depends on whether sufficient funds can be obtained from unobligated balances, although an estimate of the full amount required is not provided. The House-passed and Senate committee-passed bills would have funded the President's request for contract administrators.

Housing Certificate Fund Rescission. The two Section 8 programs — tenant-based rental assistance and project-based rental assistance — were previously funded under a joint account called the Housing Certificate Fund (HCF). The HCF was split by the FY2005 appropriations law, although the account still retains funding from prior years' appropriations. Each year, the Administration makes available for rescission an amount it estimates will be available from unobligated or recaptured Section 8 funds within the HCF. In FY2006, the President requested that Congress rescind \$2.5 billion from the HCF, and that Congress provide the Secretary with the authority to use funds from other accounts to meet the rescission if the HCF had insufficient funds. Out of concern that the full amount may not be available from within the HCF, Congress rescinded about half a billion less than the Administration requested, and directed the Secretary to inform the committee before taking funds from other accounts.

For FY2007, the Administration requested that Congress rescind \$2 billion from the HCF, and again requested the authority to meet the rescission from other sources if sufficient funds are not available within the HCF. The House bill matched the President's request. The Senate committee-passed version would also have rescinded \$2 billion; however, the bill included language directing the Secretary to take \$10 million each from HUD and the Office of Management and Budget's (OMB) salaries and expenses account before taking funds from other HUD programs. The report language indicates that the Administration provided insufficient evidence that \$2 billion is available in the Housing Certificate Fund, despite requesting such a large rescission. Note that similar language was included in the Senate-passed version of the FY2006 funding bill, but was not included in the final version.

Public Housing. The public housing program provides publicly owned and subsidized rental units for very low-income families. While no new public housing developments have been built for many years, Congress continues to provide funds to the more than 3,100 public housing authorities (PHAs) that maintain the existing stock of more than 1.2 million units. Through the Operating Fund, HUD provides funds to PHAs to help fill the gap between tenants' contributions toward rent and the cost of ongoing maintenance, utilities, and administration. Through the Capital Fund, HUD provides funding to PHAs for large capital projects and modernization needs. HOPE VI is a competitive grant program that provides funds to help demolish and/or redevelop severely distressed public housing developments, with a focus on building mixed-income communities.

Table 5. Public Housing, FY2006-FY2007
(in millions of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Public Housing Operating Fund	\$3,564	\$3,564	\$3,564	\$3,660
Operating Subsidies	3,564	3,548	3,548	3,630
Self Sufficiency Initiative	0	10	10	0
Transition to asset-based management/new formula	0	6	6	30 ^a
Public Housing Capital Fund	\$2,439	\$2,178	\$2,208^b	\$2,460
Formula Grants	2,347	2,085	2,085 ^c	2,361
Technical assistance/remediation	11	11	11	11
Administrative receivership	9	8	8	8
Emergency reserve	17	20	20	20
Service coordinators and supportive services (ROSS)	38	24	24	30
Financial and physical assessments	—	15	15	15
Neighborhood Networks	7	0	0	0
Working Capital Fund	11	15	15	15
HOPE VI	\$99	-\$99^d	\$0^b	\$100

Source: See **Table 2**.

Note: Figures may not add due to rounding. Earlier versions of this report contained an error. Numbers in the House figure for Operating Subsidies were transposed, showing \$3,458, rather than the correct figure, \$3,548 (amounts are in millions of dollars).

- a. Available only to small PHAs (500 units or less).
- b. An amendment offered by Representative Artur Davis and adopted during floor consideration added \$30 million to the Capital Fund. Although floor statements indicate the funds were intended to be used for HOPE VI, no language was added to bill directing that the funds be used for HOPE VI.
- c. This amount includes the \$30 million added by the floor amendment described above. If the amount were to be used for HOPE VI, \$2,115 million would be available for capital grants.
- d. The President's FY2007 budget proposed no new funding for HOPE VI and requested that Congress rescind the full amount provided to the program in FY2006.

Operating Fund. FY2007 will be the first year that a new operating subsidy formula will be used to distribute funds to PHAs. Under the new rule, some agencies will qualify for a significant increase in funding, while others will be eligible for less funds. The President's budget asked for a set-aside of \$6 million to help agencies transition to asset-based management, which can serve as a stop-loss option for agencies facing major funding decreases in their operating subsidies. Even for those that will benefit under the formula, the amount the President requested for operating subsidies was not enough to fund agencies at 100% of their eligibility. Rather, HUD estimated that agencies would receive only 85% of their eligible budget, compared to just under 89% in FY2005. Some advocates contend that the final proration would be even lower than the President's estimate because of factors such as increasing utility costs.⁴ Because of the proration, some agencies that will qualify for an increase under the new formula may face a decrease from their prior year's funding, and those facing a decrease will likely face an even deeper reduction. The President's budget also requested a new set-aside for "housing self sufficiency" funds, which would be provided to agencies, presumably on a competitive basis, to fund economic self-sufficiency and financial management skills training for residents. This appears to replace the Graduation Bonus initiative that was funded in FY2005, but not in FY2006.

The House-passed bill would have funded the account at the President's request. The Senate committee-passed bill would have provided a \$100 million increase in funding for formula grants, but would not have funded the self-sufficiency initiative. The Senate bill provided \$30 million to aid small PHAs in adjusting to the new operating fund formula. Language in the administrative provisions portion of the bill would have delayed for one year the phase-in of increases and decreases under the new formula and the requirements for converting to asset-based management, although it specified that agencies facing a decrease would still face a 5% reduction in FY2007.

Capital Fund. The President's FY2007 budget proposed an 11% reduction in capital funds. The largest numeric decrease came from an 11% decrease in funding for formula grants. The Administration claims that the funding requested is sufficient to meet the estimated \$2 billion in annual accrual of capital needs, and that the backlog in unmet capital needs — which is estimated to be between \$18 and \$20 billion — is decreasing as units are rehabilitated, either through HOPE VI or capital funds, or demolished. The President's budget notes that 85% of public housing units now meet HUD physical standards, compared to 82% in 2001. The Department's budget documents also highlight the use of private financing to meet capital needs, noting that PHAs have used their stream of capital funds to secure more than \$2.5 billion in approved private capital funds, and that requests for another \$88 million are pending.

⁴ Public Housing Directors Association, *HUD announces 85.5 percent proration for 2006: Implications for 2007 funding even more dire than previously forecast*, PHADA Advocate, July 19, 2006.

The President's budget included a 37% decrease in Resident Opportunities for Self Sufficiency (ROSS) program funding. This follows a 29% decrease enacted in FY2006. ROSS is a competitive grant program that funds job training and supportive services to help residents of public housing transition to work, and provides funding to provide independent living services to elderly and disabled residents. Budget documents note that the Administration changed the structure of the grants to expand eligible activities. As in FY2006, the President's budget also proposed to eliminate funding for Neighborhood Networks, which provides funds to PHAs to establish, expand, and update community technology centers.

The version of the House bill that was reported by the Appropriations Committee funded the Capital Fund at the President's request. A floor amendment offered by Representative Artur Davis added \$30 million to the Capital Fund, although his floor statements indicated it was intended for the HOPE VI program. Language was not added to the bill directing the funds to be used for HOPE VI, so it is unclear whether the additional \$30 million would be distributed via the Capital Fund formula or through the competitive HOPE VI program.

The Senate committee-passed bill would have increased the Capital Fund to just above the FY2006 level. Formula grants were increased slightly over the FY2006 level, which was almost \$300 million more than the President's request and the House-passed level. The bill would have funded ROSS at \$30 million, \$6 million more than the President requested, but \$8 million less than FY2006.

HOPE VI. Each year since FY2003, the President has requested no new funding for HOPE VI, although each year Congress has continued to fund the program. The Administration notes that in 2003, the Office of Management and Budget's Program Assessment and Rating Tool (PART) rated the program as ineffective due to slow expenditure of funds as well as the costs of development. Furthermore, the Department argues that the program has largely met its goal of eliminating the worst public housing. For FY2007, as in FY2006, the President asked Congress to provide no new money for the HOPE VI program, and to rescind the funding that Congress provided in the previous year before the Department awards it to grantees. The House version of the FY2007 funding bill as reported out of committee did not rescind FY2006 HOPE VI funds, but did not provide FY2007 funds for the program. As noted in the previous "Capital Fund" section, an amendment adopted during floor consideration of the bill added \$30 million to the Capital Fund. Floor statements by the amendment's sponsor indicated that the funds were intended for the HOPE VI program, although legislative language directing the funds to HOPE VI was not included in the bill, making it unclear whether the funds would be used for the competitive HOPE VI program or distributed through the capital fund formula. The Senate committee-passed version of the bill would have funded HOPE VI at \$100 million, nearly level with FY2006 funding. It did not rescind FY2006 funding.

Native American Block Grants. The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) reorganized the system of federal housing assistance to Native Americans by eliminating several separate programs of assistance and replacing them with a single block grant program. In addition to simplifying the process of providing housing assistance, the purpose of NAHASDA

was to provide federal assistance for Indian tribes in a manner that recognizes the right of Indian self-determination and tribal self-governance. NAHASDA provides block grants to Indian tribes or their tribally designated housing entities (TDHE) for affordable housing activities. Affordable housing activities include any programs currently authorized in law, as well as model activities as approved by HUD.

Table 6. Native American Block Grants, FY2006-FY2007
(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Native American housing block grants	\$623,700	\$625,680	\$625,680	\$625,680
Formula Grants	616,275	620,235	619,096	618,086
Loan Guarantee (Title VI Credit Subsidy)	1,831	1,831	1,980	1,980
Administrative Expenses	149	149	149	149
Technical Assistance	4,455	3,465	3,465	3,465
National American Indian Housing Council	990	0	990	2,000

Source: See **Table 2**.

For FY2007, the Administration requested an increase in formula grants and a decrease in technical assistance from the amounts provided for these purposes in FY2006. No funding was proposed for the National American Indian Housing Council.

Both the House-passed version of H.R. 5576 and the version passed by the Senate Appropriations Committee would have funded NAHASDA at just under \$626 million as requested by the budget. In determining the amount to be allocated to each tribe, both versions of H.R. 5576 required HUD to make the two calculations. One calculation would be based on single-race Census data, and the other calculation would be based on multi-race Census data.⁵ The greater result would be the tribe's allocation. The Senate Appropriations Committee noted its concern that HUD did not use notice and comment rulemaking when changing the allocation formula. The committee directed HUD to reassess the decision through notice and comment rulemaking.

The Senate Appropriations Committee noted its concern that HUD has attempted to micro-manage many of the activities of NAIHC "to the detriment of NAHIC, the tribes, and the program." The committee provided \$2 million to NAHIC to provide training and technical assistance in support of NAHASDA.

⁵ In the 2000 Census, respondents were given the option of reporting more than one race. So data could be based on American Indian and Alaska Native alone, or on American Indian and Alaska Native and others.

An administrative provision in both versions of the bill would have required that NAHASDA funds made available to Native Alaskans must be allocated to the same Native Alaskan recipients who received funds in FY2005.

Housing for Persons with AIDS (HOPWA). HOPWA provides housing assistance and related supportive services for low-income persons with HIV/AIDS and their families. Funding is distributed both by formula allocation and competitive grants to states, localities, and nonprofit organizations.

Table 7. HOPWA, FY2006-FY2007

(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Housing for Persons with AIDS (HOPWA)	\$286,000	\$300,100	\$300,100	\$295,000

Source: See Table 2.

The President's budget for FY2007 proposed to increase funding for HOPWA to just over \$300 million. This is an increase of nearly 5% over FY2006, and more than \$30 million more than the Administration's budget request for FY2006. According to HUD, the President's FY2007 requested funding level would be sufficient to continue to serve the same number of households as in FY2006, plus 3,500 additional households. The House version of the HUD funding bill (H.R. 5576), passed on June 14, 2006, would have funded the HOPWA program at the same level as that proposed by the President. The Senate Appropriations Committee, which reported H.R. 5576 to the Senate on July 26, 2006, would have provided \$295 million for HOPWA, an increase of \$9 million over FY2006, but \$5 million less than the President's budget request and House proposal.

In addition, the President's budget proposal stated that legislation would be introduced to amend the formula that is used to determine the distribution of HOPWA formula grants. The change would take account of the number of people living with HIV/AIDS (instead of the total cumulative number of cases), and the need for housing in a given community (which is not currently considered). Both S. 2339, introduced on February 28, 2006, and H.R. 5009, introduced on March 13, 2006, would allocate HOPWA funds based on the number of people living with HIV/AIDS rather than the total cumulative number of cases.

Rural Housing and Economic Development. This program provides competitive grants to states and localities to fund capacity building and innovative housing and economic development activities in rural areas.

**Table 8. Rural Housing and Economic Development,
FY2006-FY2007**

(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Rural Housing Economic Development	\$17,000	\$0	\$0	\$20,000

Source: See Table 2.

The Administration proposed no funding for the Rural Housing and Economic Development program, and none is proposed in the House-passed version of H.R. 5576. The Administration argued that the program's efforts can be continued through the HOME and CDBG programs of HUD, and through the rural housing programs of the U.S. Department of Agriculture. The House-passed version of H.R. 5576 did not contain funds for the Rural Housing and Economic Development program, while the Senate version would have funded the program at \$20 million.

Community Development Fund/Block Grants. The CDBG program is the largest source of federal assistance in support of the housing, community, and economic development activities of states and local governments. For the second consecutive year, the Administration included in its budget request a proposal that would eliminate a number of federal economic and community development programs. Last year, the Administration's FY2006 budget recommendations included a proposal that would have consolidated the activities of at least 18 existing community and economic development programs into a two-part grant proposal called the "Strengthening America's Communities Initiative" (SACI). Seven of the programs that would have been eliminated are administered by HUD. Under the Administration's FY2006 proposal, the Department of Commerce would have administered a core program and a bonus program. The bonus program would have awarded additional funds to communities that demonstrated efforts to improve economic conditions. Congress rejected the proposal and appropriated \$4.2 billion for the seven HUD programs that would have been eliminated, including \$3.7 billion in CDBG funding.

The President's FY2007 budget also contained an outline of some general elements of a SACI proposal, although no formal legislative proposal was introduced when the budget was first released on February 6, 2006. Under the FY2007 version, two of the 18 existing community and economic development programs would be funded and retooled — HUD's CDBG and a new Regional Development Account (RDA) to be administered by the Economic Development Administration (EDA). As initially outlined in Administration budget documents, the proposal would likely call for the following:

- the development of a new CDBG allocation formula targeted to the neediest communities;
- the development of a bonus fund component for the CDBG program;
- reforms that would address the CDBG program's shortcomings as outlined in the Program Assessment Rating Tool;

- the creation of a new Regional Development Account (RDA) that would be administered by EDA, replacing the agency's current budget categories of public works, economic adjustment assistance, technical assistance, and research and evaluation.
- the continued funding of planning grants to EDA-designated Economic Development Districts and university programs; and
- the development of a common set of goals and performance measures for CDBG and EDA programs.

The FY2007 budget proposed a SACI funding level of \$3.360 billion — nearly \$2 billion less than the aggregate FY2006 appropriation for the 18 programs included in the Administration's original proposal. The CDBG would have been funded at just under \$3 billion in FY2007. The budget also requested \$327.2 million for EDA assistance, including \$257 million for RDA assistance.

On May 25, 2006, the Secretary of HUD unveiled its reform proposal for the CDBG — The Community Development Block Grant Reform Act of 2006. The legislative proposal, which has not been formally introduced because of a lack of congressional sponsor, would

- eliminate the dual CDBG formula and replace it with a single weighted formula that targets assistance based on a community or state's relative share of households living in poverty (excluding college students); female-headed households with minor children; overcrowded housing; housing 50 years or older occupied by low-income families; and per capita income;
- no longer allocate funds to entitlement communities and states using a 70%/30% formula allocation split; instead, states and entitlement community allocations would be drawn from a single pool of funds;
- require entitlement communities to meet a minimum grant threshold in order to receive a direct annual allocation — communities that fail to meet the minimum grant amount could join with their urban county, creating a new combined entitlement community, or could have their data included in the state totals;
- establish a two-year transition for communities that no longer meet the minimum grant threshold amount;
- direct HUD to establish a set of performance measures and accountability standards; and
- create a \$200 million bonus grant program dubbed the Economic Development and Revitalization Challenge Grant, which would reward entitlement communities that have programs resulting in improving living conditions in distressed neighborhoods.

On June 14, 2006, the House approved the HUD funding bill, H.R. 5576. It included \$4.2 billion for the Community Development Fund, which is \$1.2 billion more than requested by the Administration. The \$4.2 billion funding level recommended by the House included \$3.9 billion for the CDBG formula program, which is \$898 million more than requested by the President; \$57 million for Indian tribes, \$250 million for EDI assistance; \$20 million for Neighborhood Initiative (NI) funding and \$15 million for HUD's Brownfields Redevelopment Program. Funding

for brownfields was approved as an amendment (H.Amdt. 1013) during floor consideration of the bill.

On July 26, 2006, the Senate Appropriations Committee reported its version of H.R. 5576 (S.Rept. 109-293). The bill recommended an appropriation of \$4.2 billion for CDF activities, including \$3.9 billion for CDBG formula grants and \$58 million for Indian tribes, \$250 million for EDI assistance, and \$30 million for NI funding.

Economic Development Initiatives (EDIs) and Neighborhood Initiatives (NIs). During the past few budget cycles, Congress has used both the EDI and NI accounts to fund hundreds of congressionally earmarked projects. For FY2006, Congress approved \$307 million in EDI funds for 1,126 earmarked projects and \$49 million in NI funds for 50 projects identified in the conference report (H.Rept. 109-307) accompanying the FY2006 TTHUD Appropriations Act, P.L. 109-115. The Administration's budget document would have rescinded any unobligated balances remaining from EDI and NI funds appropriated in FY2006. The House-passed version of H.R. 5576 would have appropriated \$250 million for EDI earmarks and \$20 million for NI projects. In addition, recipients of EDI and NI funding would have been required to provide 40% in matching funds, which would have been a new requirement for the programs. The Senate Appropriations Committee also recommended \$250 million in EDI funding, but recommended \$30 million in NI assistance, which is \$10 million more than recommended by the House.

**Table 9. Community Development Fund (CDF):
Community Development Block Grants (CDBG)
and Related Set-Asides, FY2006-FY2007**
(in thousands of dollars)

Program	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
CDF (see Note below)	\$15,677,800	\$3,032,000	\$4,215,000	\$4,215,000
CDBG (Formula-based grants) ^a	3,710,916	2,974,580	3,872,580	3,877,000
Disaster Assistance	16,700,000 ^b	NA	NA	NA
Set-asides (see below for details):	466,884	57,420	342,420	338,000
Indian Tribes	59,400	57,420	57,420	58,000
Working capital fund transfer	1,584	0	0	0
Youthbuild	49,500	c	c	c
Neighborhood initiative demonstration	49,500	d	20,000	30,000
Economic development initiatives	306,900	d	250,000	250,000
Brownfields Redevelopment	[10,000] ^e	0	15,000	0

Source: See Table 2.

Note: Several programs and initiatives that were funded as set-asides within the CDF account were moved to different accounts in FY2006 (P.L. 109-115). Section 107 assistance to university-based programs was transferred to the Research and Technology Account, and the President proposed to maintain that transfer in FY2007 (see **Table 20**). P.L. 109-115 also created a new account, the Self-Help Assisted Homeownership account, to fund community development-related initiatives, such as the Self-Help Homeownership Program. The President’s FY2007 budget proposed to maintain the new account (see **Table 13**).

- a. The amount specified in each appropriations bill for formula grants is split between grants to entitlement communities (which receive 70% of grant funds) and states (which receive 30% of formula grant funds). The account also includes funds for insular areas (\$6.9 million for FY2006 and \$7 million in the FY2007 request).
- b. P.L. 109-148, the Defense Appropriations Act for FY2006, included an \$11.5 billion supplemental appropriation to the CDF account for emergency disaster assistance to communities affected by Hurricanes Katrina, Rita, and Wilma. P.L. 109-234, Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery for 2006, includes a \$5.2 billion supplemental appropriation to the CDF account for emergency disaster assistance to communities affected by Hurricanes Katrina, Rita, and Wilma.
- c. This program would be transferred to the Department of Labor with a funding level of \$50 million.
- d. The President’s FY2007 budget requested that Congress rescind the full amount provided in FY2006 for Economic Development Initiative and Neighborhood Initiative earmarks within the CDF account.
- e. Funds appropriated under a separate stand-alone account. See section on HUD Brownfield Redevelopment program.

CDBG Section 108 Loan Guarantees. The Section 108 loan guarantee program allows states and entitlement communities to leverage their annual CDBG allocation in order to help finance brownfield redevelopment, large scale economic development, and housing projects. CDBG entitlement communities and states are allowed to borrow up to five times their annual CDBG allocation for qualifying activities. As security against default, states and entitlement communities must pledge their current and future CDBG allocation. Consistent with the Administration’s budget request, the bill as reported by the House Appropriations Committee did not include funding for the program. During floor consideration of the measure, the full House approved an amendment (H.Amdt. 1023) sponsored by Representative Maxine Waters that would have appropriated more than \$2.9 million for the program for FY2007. Funding for the program would have been offset by a reduction in HUD’s management and administration account. Inclusion of funding for Section 108 loan guarantee activities is an important element in the effort to restore funding for HUD’s Brownfield Redevelopment program. (See the discussion of HUD’s brownfields program). The Senate Appropriations Committee bill recommended \$3 million for loan guarantee activities.

Table 10. CDBG Section 108 Loan Guarantees, FY2006-FY2007
(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Sec. 108 loan guarantee	\$3,713	\$0	\$2,970	\$3,000

Source: See **Table 2**.

Brownfields Redevelopment. The Brownfields Redevelopment program is a competitive grant program that provides funds to assist cities with the redevelopment of abandoned, idled, and underused industrial and commercial facilities where expansion and redevelopment are burdened by real or potential environmental contamination. The Administration requested no funding for this program for FY2007. Its budget documents note that this program activity would be eligible for CDBG funding. The House bill as reported out of committee did not include funding for the program for FY2007. During floor consideration of the measure, the House approved an amendment (H.Amdt. 1013), offered by Representative Gary Miller, that would have appropriated \$15 million for the program for FY2007. Funding for the brownfield program would have been offset by reducing funding for IRS business systems modernization program by \$15 million.

The availability of Section 108 loan guarantees for FY2007 makes it possible to fund HUD's brownfield program as it is presently authorized. The statutory authority governing the HUD program (42 U.S.C. §5308) restricts the use of brownfield funds to projects that also include Section 108 loan guarantees. Although a community can receive CDBG Section 108 loan guarantees without receiving HUD brownfield funds, it can not receive brownfield funds without procuring Section 108 loan guarantee authority. This peculiar arrangement has proven troublesome for some communities, particularly small nonentitlement jurisdictions, which must have the cooperation of the state government agency that controls the state CDBG program in order to access the loan guarantee program. Last year, the House approved H.R. 280, which was introduced by Representative Gary Miller. The bill would decouple the brownfield program from the Section 108 loan guarantee program, thus allowing small communities direct access to the program and relieving entitlement communities and states of the requirement of pledging their CDBG allocation as security against defaulting on the Section 108 loan guarantee. The Senate version of the bill did not include funding for the brownfield program.

Table 11. Brownfields Redevelopment, FY2006-FY2007
(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Brownfields Redevelopment	\$10,000	\$0	[\$15,000] ^a	0

Source: See **Table 2**.

a. FY2007 appropriation included as a set-aside under the Community Development Fund (CDF) account. See **Table 9** of this report.

The HOME Investment Partnership Program. Created in 1990, the HOME Investment Partnership Program provides formula-based block grant funding to states, units of local government, Indian tribes, and insular areas to fund affordable housing initiatives. Eligible activities include acquisition, rehabilitation, and new construction of affordable housing, as well as rental assistance for eligible families. The HOME program account has also been used to fund related programs. The American Dream Downpayment Initiative (ADDI), created in 2003 (P.L. 108-186),

funds HOME grantees to provide downpayment, closing cost, and rehabilitation assistance to first-time home buyers. Housing counseling assistance is authorized under Section 106 of the Housing and Urban Development Act of 1968 (P.L. 90-448). HUD provides competitive grants to local housing counseling agencies, intermediaries, and state Housing Finance Agencies to provide several categories of housing counseling, including comprehensive counseling, counseling services that address predatory lending, counseling in conjunction with HUD's Homeownership Voucher Program, counseling services that specifically target colonias (rural communities on the U.S.-Mexico border), and Home Equity Conversion Mortgage counseling.

**Table 12. The HOME Investment Partnership Program,
FY2006-FY2007**
(in millions of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
HOME (total)	\$1,757	\$1,917	\$1,917	\$1,942
Formula grants ^a	1,680	1,803	1,837	1,862
American Dream Downpayment Initiative	25	100	25	25
HOME/CHDO technical assistance	10	10	10	9
Housing counseling assistance	42	b	42	42
Working capital fund transfer	1	3	3	4

Source: See **Table 2**.

Note: Totals may not add due to rounding.

- a. Includes funding for insular areas, which received \$3.4 million in FY2006, and for which the President requested \$3.6 million in FY2007. The House bill did not specify an amount for insular areas.
- b. The FY2007 budget would fund Housing Counseling at \$45 million in a separate account; see line item in **Table 2**.

Formula Grants. The President proposed an increase of 7% in funding for HOME formula grants. This increase followed a decrease of 6% from FY2005 to FY2006. The FY2007 requested level was less than a 1% increase over the FY2005 enacted level (\$1,789 million). The House-passed bill would have funded formula grants at \$1,837 million, an increase of 2% over the President's request, 9% over the FY2006 enacted level, and 3% over the FY2005 level. The Senate committee-passed bill included a larger increase for formula grants than did the House bill. The Senate committee-bill would have provided a 3% increase over the President's request, an 11% increase over the FY2006 level, and a 4% increase over the FY2005 level.

American Dream Downpayment Initiative. From FY2002-FY2006, the President requested funding for the ADDI at an annual level of \$200 million; each year, Congress funded it below the President's request. At its highest, ADDI was funded at \$87 million (FY2004); at its lowest, ADDI was funded at \$25 million (FY2006). For FY2007, the President requested that Congress fund the program at \$100 million, half of what he has requested in the past but four times as much as

Congress provided in FY2006. The House-passed and Senate committee-passed bills would have funded ADDI at \$25 million.

Housing Counseling Assistance. Since FY2003, the President has requested that Congress provide funding for housing counseling assistance in a separate account, rather than as a set-aside within the HOME program. Each year, Congress has rejected that proposal and funded the program as a set-aside within HOME. While the FY2007 budget does not explain the desire to move the program, one factor may be that the HOME program is within the jurisdiction of the Assistant Secretary for Community Planning and Development, while housing counseling assistance is currently administered by the Assistant Secretary for Housing. If it were funded in a separate account, the account would be within the jurisdiction of the Assistant Secretary for Housing. The House-passed and Senate committee-passed bills would have continued funding for Housing Counseling assistance within the HOME account. Each would have provided \$42 million for FY2007, even with the FY2006 enacted level and \$3 million less than the President's request.

Self Help and Assisted Homeownership. Under the Self-Help Homeownership Opportunity Program (SHOP), HUD makes grants to national and regional organizations and consortia that have experience in providing or facilitating self-help homeownership opportunities. Prospective home buyers and volunteers provide "sweat equity" by contributing labor toward the construction of their homes.

For FY2007, the Administration requested a \$19.9 million increase in SHOP funding, but proposed no funding for capacity building under the National Community Development Initiative or for several nonprofit organizations that received funding in FY2006. The House bill would have funded the Self Help and Assisted Homeownership program at the same overall level as FY2006, although the funds would be distributed differently. The Senate bill appropriated \$66 million for account activities. This is just under \$6 million more than appropriated in FY2006 or recommended by the House, and would have been used to fund several initiatives proposed for elimination in the President's budget and the House bill.

**Table 13. Self Help and Assisted Homeownership,
FY2006-FY2007**

(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com
Self Help and Assisted Homeownership^a	\$60,390	\$39,700	\$60,390	\$66,000
Self Help Homeownership (SHOP)	19,800	39,700	21,920	23,000
Capacity Building	29,700	0	32,000	35,000
Housing Assistance Council	2,970	0	3,500	3,500 ^b
National Housing Development Corp.	1,980	0	1,980	0
Technical Assistance	0	0	990	0
National American Indian Housing Council	990	0	0	2,000
Special Olympics	990	0	0	0
National Council of La Raza	3,960	0	0	2,500

Source: See **Table 2**.

- a. Prior to FY2006, these programs were funded as set-asides in the Community Development Fund (see **Table 9**).
- b. This includes \$31 million for LISC and Enterprise Foundation, and \$4 million for Habitat for Humanity.

Homeless Programs. Homeless Assistance Grants is the blanket title given to the four homeless programs authorized by the McKinney-Vento Homeless Assistance Act (P.L. 100-77) and administered by HUD. Three of the four programs are competitive grant programs: the Supportive Housing Program (SHP), the Shelter Plus Care program (S+C), and the Section 8 Moderate Rehabilitation Assistance for Single Room Occupancy program (SRO). Funding for the fourth HUD program, the Emergency Shelter Grants program (ESG), is distributed via a formula allocation to states and local communities.

Table 14. HUD Homeless Programs, FY2006-FY2007

(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Homeless Assistance Grants	\$1,326,600	\$1,536,000	\$1,536,000	\$1,511,190
Formula and Competitive Grants	1,314,053	1,298,380	1,523,130	1,498,320
Technical Assistance/Data	11,557	10,395	10,395	10,395
Working Capital Fund	990	2,475	2,475	2,475
Samaritan Initiative	0	200,000	0	0
Prisoner Re-entry Initiative	0	24,750 ^a	0	0

Source: See **Table 2**.

- a. Funds for the Prisoner Re-entry Initiative would be transferred from HUD to the Department of Labor.

On June 14, 2006, the House of Representatives passed the HUD funding bill (H.R. 5576), which would have allocated \$1.5 billion to the Homeless Assistance Grants, the same amount proposed by the Administration, and an increase of just under \$210 million over FY2006. However, while the Administration's budget proposal contained funding for two new programs — the Samaritan Initiative and the Prisoner Re-Entry Initiative — the House version of the HUD funding bill did not contain funding for these two programs. The Senate Appropriations Committee's version of H.R. 5576, which was reported to the Senate on July 26, 2006, would have allocated approximately \$25 million less to the Homeless Assistance Grants than the President's request and the House proposal, but would have still increased total funding over FY2006 by nearly \$185 million. Like the House version of H.R. 5576, the Senate Appropriations Committee version did not fund the Samaritan Initiative and the Prisoner Re-Entry Initiative.

In addition, for the fourth year in a row, the Administration's budget called for the consolidation of the three competitive Homeless Assistance Grants — S+C, SHP, and SRO — into one grant. Both S. 1801, introduced on September 29, 2005, and H.R. 5041, introduced on March 29, 2006, would consolidate the three programs.

Housing Programs for the Elderly and the Disabled. Formerly known together as Housing for Special Populations, the Section 202 housing for the elderly program and the Section 811 housing for the disabled program provide capital grants and ongoing project rental assistance contracts (PRAC) to developers of new subsidized housing for these populations. In addition, the Section 811 program provides vouchers for tenants with disabilities to use in the private housing market.

Table 15. Sections 202 and 811, FY2006-FY2007
(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Housing for the Elderly (202)	\$734,580	\$545,490	\$746,580	\$750,000
Section 202 New Capital Grants and PRAC	597,856	414,843	615,900	— ^a
Section 202 PRAC Renewals	36,932	44,517	44,550	— ^a
Service coordinators	51,084	59,400	59,400	59,400
Grants for conversion to assisted living	24,552	24,750	24,750	24,750
Pre-development grants	19,800	0	0	20,000
Working Capital Fund	396	1,980	1,980	1,980
Intergenerational Housing Demonstration	3,960	0	0	0
Housing for the Disabled (811)	\$236,610	\$118,800	\$239,610	\$240,000
New Capital Grants and PRAC	140,364	13,210	148,875	— ^a
PRAC Renewal and Amendments	13,383	15,005	15,000	— ^a
New Mainstream Vouchers	4,950	14,850	0	5,000
Mainstream Voucher Renewal	77,517	74,745	74,745	— ^a
Working Capital Fund	396	990	990	990

Source: See **Table 2**.

a. The amount is not specified.

The Administration's budget proposed to reduce funding for the housing for the elderly program from \$735 million in FY2006 to \$545 million in FY2007, a cut of almost 26%. However, the House-passed version of the HUD funding bill (H.R. 5576) would have funded the program at approximately \$747 million, about \$12 million more than FY2006. Before the bill went to the House floor, it contained \$735 million for housing for the elderly, but an amendment (H.Amdt. 1020), passed by a vote of 335 to 90, added \$12 million to the Section 202 program. Both the President's budget and the House-passed version of H.R. 5576 would have increased funding for service coordinators, from \$51 million to \$59 million, while grants for conversion to assisted living facilities would have remained approximately the same at just under \$25 million. The Senate Appropriations Committee's version of H.R. 5576 would have increased funding above the House-approved amount by just under \$3.5 million, to \$750 million, and would have provided identical amounts for service coordinators and the assisted living conversion program.

For the second year in a row, the Administration's budget proposed to cut in half funding for the Section 811 program, to \$119 million from \$237 million in FY2006. However, H.R. 5576, as passed by the House, would have increased funding by approximately \$120 million more than the President's proposal, and \$3 million more than the FY2006 appropriation, to nearly \$240 million. The House added \$3 million more to the Section 811 program than was originally contained in H.R. 5576 before

it went to the floor through H.Amdt. 1020. Unlike funding for FY2006, though, the House version of H.R. 5576 did not provide any funding for new Section 811 vouchers, down from approximately \$5 million in FY2006. The Senate Appropriations Committee's version of H.R. 5576 would have slightly increased funding over the House-passed version, and would have provided \$5 million for new vouchers.

Federal Housing Administration (FHA). The FHA administers a variety of mortgage insurance programs that insure lenders against loss from loan defaults by borrowers. Through FHA insurance, lenders make loans that otherwise may not be available, and enable borrowers to obtain loans for home purchase and home improvement, as well as for the purchase, repair, or construction of apartments, hospitals, and nursing homes. The programs are administered through two program accounts — the Mutual Mortgage Insurance/Cooperative Management Housing Insurance fund account (MMI/CMHI) and the General Insurance/Special Risk Insurance fund account (GI/SRI). The MMI/CMHI fund provides insurance for home mortgages. The GI/SRI fund provides insurance for more risky home mortgages, for multifamily rental housing, and for an assortment of special-purpose loans such as hospitals and nursing homes.

The budget proposed comprehensive reform of the FHA single family insurance program to enable FHA to be more flexible in responding to changes in the mortgage market, and to provide a lower cost alternative to borrowers who might otherwise choose subprime mortgage products or even become the victims of predatory lending. The budget assumed budget savings from transferring several single-family housing programs from the GI/SRI fund to the MMI fund. Neither version of H.R. 5576 assumed the transfer of these programs.

Many of the Administration's reform proposals were included in H.R. 5121, as passed by the House. An administrative provision in the House-passed version of H.R. 5576 includes language from H.R. 5121. It would have amended the National Housing Act (12 U.S.C. 1709(b)(2)) to limit FHA-insured home loans to the lesser of the median price for the area or the Federal Home Loan Mortgage Corporation (Freddie Mac) conforming loan limit.⁶ The loan limit for low-cost areas would have been raised from 48% to 65% of the Freddie Mac limit. FHA would have had authority to insure 100% mortgages, and HUD would have been permitted to determine what, if any, down payment would be required based upon the likelihood of borrower default. The borrower's mortgage insurance premium would have been based upon the risk that the borrower poses to the mortgage insurance fund.

The Senate committee did not include these provisions because the committee does not believe that the proposal includes the necessary reforms to allow HUD to compete on the private market without increased financial risk to the FHA insurance fund and without subjecting the program to significant fraud and abuse. The committee is concerned that the proposals would move FHA closer to becoming the lender of last resort.

⁶ Under present law the loan limit is the lesser of 95% of the median home price for the area or 87% of the Freddie Mac limit.

The budget and both versions of H.R. 5576 would have limited FHA mortgage insurance to \$220 billion in FY2007. The total includes \$185 billion in commitments under the MMI/CHMI account and \$35 billion under the GI/SRI account. In addition, both funds would have been able to make up to \$50 million in direct loans to facilitate the sale of HUD-owned properties for occupancy or ownership by low- and moderate-income families. An appropriation of \$8.6 million was requested for the credit subsidies associated with the GI/SRI account.

Table 16. Federal Housing Administration, FY2006-FY2007
(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Net Total FHA Appropriations	\$(920,597)	\$81,674	\$(134,686)	\$71,647
Net Appropriations — MMI	(894,576)	(120,150)	30,850	227,850
Total Expenses	414,442	413,850	403,850	403,850
Offsetting receipts	(1,309,000)	(176,000)	(176,000)	(176,000)
Move programs to GI/SRI	n/a	(358,000)	n/a	n/a
FHA modernization & reform	n/a	n/a	(197,000)	n/a
Net Appropriations — GI/SRI	(26,021)	201,797	(165,536)	(156,203)
Total Expenses	304,267	311,197	310,464	319,797
Offsetting receipts	(339,000)	(476,000)	(476,000)	(476,000)
Move programs from MMI	n/a	358,000	n/a	n/a
Credit Subsidy	8,712	8,600	8,600	8,600

Source: See Table 2.

Government National Mortgage Association (Ginnie Mae). Ginnie Mae is the entity within HUD that guarantees the timely payment of principal and interest on securities backed by mortgages insured or guaranteed by FHA, the Department of Veterans Affairs (VA), or the Rural Housing Service. The budget is requesting \$10.6 million for the administrative expenses of carrying out the mortgage-backed securities program.

The Administration proposed that the administrative expense be made discretionary instead of mandatory. It also proposed that issuers of Ginnie Mae securities be charged an upfront fee to offset the administrative expense of the program. Both versions of the bill would have authorized Ginnie Mae to issue commitments that total no more than \$100 billion.

**Table 17. Government National Mortgage Association,
FY2006-FY2007**
(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Net Appropriations	(\$357,300)	(\$163,300)	(\$170,300)	(170,300)
Total Expenses	10,700	60,700 ^a	10,700	10,700
Offsetting Receipts	(368,000)	(224,000) ^a	(181,000)	(181,000)

Source: See **Table 2**.

- a. Assumes adoption of a legislative proposal that would cost \$43 million in administrative expenses and would be offset by \$43 million in fees paid by issuers of Ginnie Mae securities.

Office of Federal Housing Enterprise Oversight (OFHEO). OFHEO is the office within HUD that is responsible for regulating the safety and soundness of Fannie Mae's and Freddie Mac's operations. The appropriations for OFHEO are completely offset by fees collected from Fannie Mae and Freddie Mac. In recent years, OFHEO has been criticized as ineffective in its role. The Administration's budget expected OFHEO to be transferred to a new, strengthened regulator. H.R. 1461, as passed by the House, would have combined OFHEO and HUD's regulatory division into a new independent agency called the Federal Housing Finance Agency.

The House-passed bill would have appropriated \$62 million for OFHEO, while the Senate Appropriations Committee recommended \$67.6 million.

Fair Housing. The Office of Fair Housing and Equal Opportunity enforces the Fair Housing Act and other civil rights laws that make it illegal to discriminate in the sale, rental, or financing of housing based on race, color, religion, sex, national origin, disability, or family status. This is accomplished through the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). FHAP provides grants to state and local agencies to enforce laws that are substantially equivalent to the federal Fair Housing Act. It provides grants on a non-competitive basis. FHIP provides funds for public and private fair housing groups, as well as state and local agencies, for activities that educate the public and housing industry about the fair housing laws.

Table 18. Fair Housing Programs, FY2006-FY2007
(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Fair Housing	\$45,740	\$44,550	\$44,550	\$45,540
Fair Housing Assistance	25,740	24,750	25,750	19,800
Fair Housing Initiatives	20,000	19,800	18,800	24,759

Source: See **Table 2**.

As requested by the budget, both versions of H.R. 5576 would have funded the Fair Housing and Equal Opportunity program at \$44.55 million. The budget requested \$24.75 million for the Fair Housing Assistance program, a decrease of \$990,000 from the FY2006 level. The House-passed version of H.R. 5576 would have funded the program at \$25.75 million, while the version passed by the Senate committee would have funded the program at \$19.8 million. The budget requested \$19.8 million for the Fair Housing Initiatives program, a \$200,000 decrease from the FY2006 level. The House bill would have decreased the funding even more, to \$18.8 million. The Senate committee would have funded the program at \$24.6 million. The budget assumed that legislation would be introduced and enacted that would enable HUD to collect tuition fees from participants in the National Fair Housing Training Academy. In response, the House bill provided that HUD may assess and collect fees to cover the cost of the Fair Housing Training Academy.

Lead-Based Paint Hazard Reduction. The Office of Lead Hazard Control at HUD administers both the Lead-Based Paint Hazard Control Grant Program and the Healthy Homes Initiative (HHI), designed to reduce the hazards of lead-based paint in homes.

For FY2007, the budget requested \$114.8 million for the program, the House-passed bill would have appropriated \$114.8 million, and the Senate committee would have appropriated \$152 million.

Table 19. Lead-Based Paint Hazard Control, FY2006-FY2007
(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Office of Lead Hazard Control	\$150,480	\$114,840	\$114,840	\$152,000

Source: See Table 2.

Research and Technology. The Office of Policy Development and Research (PD&R) at HUD is responsible for maintaining current information on housing needs, market conditions, and existing programs, as well as conducting research on priority housing and community development issues. The Research and Technology account funds PD&R's core research. Beginning in FY2006, the account was expanded to fund the Section 107 University Partnerships, which were previously funded as set-asides within the CDF account. Section 107 grants are awarded to institutions of higher education to assist them in building partnerships with the communities in which they are located to foster and achieve neighborhood development and revitalization. The funds are also used to support a work study program for disadvantaged and minority students in graduate-level community building curricula. The Administration request did not set aside funding for the PATH (Partnership in Advancing Technology in Housing) program, but requested that it remain an eligible activity under the Research and Technology account. The House and Senate bills included \$5 million for PATH.

Table 20. Research and Technology, FY2006-FY2007
(in thousands of dollars)

	FY2006 enacted	FY2007 request	FY2007 House	FY2007 S. Com.
Research and Technology	\$55,786	\$68,360	\$55,787	\$60,000
Core Research and Technology	35,392	39,650	30,393	34,400
PATH	4,950	^a	5,000	5,000
Section 107 Grants	20,394	28,710	20,394	20,600
<i>Historically Black Colleges & Universities</i>	8,910	8,910	^b	9,000
<i>Hispanic-Serving Institutions</i>	5,940	5,940	^b	6,000
<i>Community Development Work Study</i>	0	2,376	^b	0
<i>Alaskan Native and Native Hawaiian-Serving Institutions</i>	2,970	2,970	^b	3,000
<i>Tribal Colleges and Universities</i>	2,574	2,574	^b	2,600
<i>Community outreach partnership</i>	0	5,940	^b	0

crsphpgw

Source: See **Table 2.**

- a. The President did not request a set-aside amount of funding for PATH, but noted that it remains an eligible activity under Core Research and Technology.
- b. Amount not specified.