

CRS Report for Congress

Transportation, Housing and Urban Development, and Related Agencies (THUD): FY2008 Appropriations

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Prepared for Members and
Committees of Congress

Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bound by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations.

This report is a guide to one of the regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the Subcommittees on Transportation, Housing and Urban Development, and Related Agencies of the House and Senate Committees on Appropriations. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

This report is updated as soon as possible after major legislative developments, especially following legislative action in the committees and on the floor of the House and Senate.

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Transportation, Housing and Urban Development, and Related Agencies (THUD): FY2008 Appropriations

Summary

The FY2008 Transportation, Housing and Urban Development, and Related Agencies appropriations bill provides funding for the Department of Transportation (DOT), the Department of Housing and Urban Development (HUD), and five independent agencies related to these two departments.

The Bush Administration requested \$100.3 billion (after scorekeeping adjustments) for FY2008, an increase of \$300 million (less than 1%) over FY2007. DOT would receive \$64.5 billion, \$1.3 billion more than provided in FY2007. HUD would receive \$35.6 billion, \$1.0 billion less than provided in FY2007.

The conference agreement (H.Rept. 110-446) on H.R. 3074, the FY2008 THUD appropriations bill, follows both the House- and Senate-passed versions of the bill in recommending more funding for both DOT and HUD than requested by the Administration. The agreement recommends \$105.8 billion (after rescissions and other adjustments), \$6.2 billion more than the FY2007 enacted funding level, and \$5.5 billion over the Administration's budget request. Within that total, the agreement recommends \$66.7 billion for DOT and \$38.8 billion for HUD.

For DOT, the agreement recommends increases in the requested level for highways, transit, Amtrak, and aviation. The agreement also includes a provision included in both the House- and Senate-passed bills that would bar FY2008 funding for the DOT's cross-border trucking pilot program, which allows Mexican trucking companies to operate beyond the commercial zones on the United States-Mexico border. For HUD, the agreement recommends increases in the requested level for Section 8 tenant-based rental assistance, Housing for the Elderly, Housing for the Disabled, and the Community Development Block Grant program, and recommends funding for HUD programs that were slated for elimination in the President's budget.

The conference agreement was published on November 13 and brought to the House floor and approved on November 14, 2007. The primary topics of discussion were that members had less than 24 hours to review the agreement, that some earmarks had been added in conference, and that conferees had included a provision prohibiting the agencies covered by the bill from providing their FY2009 budget justifications to any congressional committees other than the appropriations committees until May 31, 2008.

The President threatened to veto the conference agreement because it exceeded the amount of the Administration's request (a similar threat has been issued against other FY2008 appropriations bills, and the President did veto the FY2008 Labor-HHS bill). The agreement's margin of approval in the House was short of the two-thirds majority that would be required to override a veto.

FY2008 funding is being provided, generally at FY2007 funding levels, through December 14, 2007, by a continuing resolution passed by Congress as Division B of P.L. 110-116, enacted on November 13, 2007. This report will be updated.

Key Policy Staff

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Department of Transportation			
Aviation Safety, Federal Aviation Administration	Bart Elias	RSI	7-7771
Airport Improvement Program, Transportation Infrastructure Policy, Transportation Trust Funds	John W. Fischer	RSI	7-7766
Federal Railroad Administration; Maritime Administration; Surface Transportation Board	John Frittelli	RSI	7-7033
Airport Improvement Program, Federal Highway Administration	Robert S. Kirk	RSI	7-7769
Surface transportation policy; transit policy	William J. Mallett	RSI	7-2216
Amtrak, Federal Motor Carrier Safety Administration, Federal Transit Administration, National Highway Traffic Safety Administration, Surface Transportation Safety	David Randall Peterman	RSI	7-3267
Department of Housing and Urban Development			
Low-income housing programs and issues and general HUD: Section 8, Public Housing, HOPE VI, HOME	Maggie McCarty	DSP	7-2163
Community Development programs and issues: Community Development Block Grants (CDBG), EZ/EC, Brownfields redevelopment	Eugene Boyd	G&F	7-8689
Housing programs and issues for special populations: Elderly (202), Disabled (811), Homeless, AIDS housing	Libby Perl	DSP	7-7806
Homeownership and other housing issues: FHA, Rural, Indian housing, Fair Housing	Bruce E. Foote	DSP	7-7805
Related Agencies			
Architectural and Transportation Barriers Compliance Board	Nancy Lee Jones	ALD	7-6976
Federal Maritime Commission	John Frittelli	RSI	7-7033
National Transportation Safety Board	Bart Elias	RSI	7-7771
Neighborhood Reinvestment Corporation	Eugene Boyd	G&F	7-8689
United States Interagency Council on Homelessness	Maggie McCarty	DSP	7-2163

ALD = American Law Division
 DSP = Domestic Social Policy Division
 G&F = Government and Finance Division
 RSI = Resources, Science, and Industry Division

Contents

Most Recent Developments	1
Overview	1
The President's Budget Request	1
House and Senate Action	2
The Conference Agreement	3
Changing Appropriations Subcommittee Structures	4
Transportation Appropriations	7
Department of Transportation Budget and Key Policy Issues	8
Federal Aviation Administration (FAA)	11
Federal Highway Administration (FHWA)	12
Federal Motor Carrier Safety Administration (FMCSA)	13
National Highway Traffic Safety Administration (NHTSA)	13
Federal Railroad Administration (FRA)	13
Federal Transit Administration (FTA)	14
Maritime Administration (MARAD)	15
Housing and Urban Development Appropriations	16
Department of Housing and Urban Development Budget and Key Policy Issues	18
Tenant-Based Rental Assistance (Section 8 Vouchers)	19
Public Housing	20
Community Development Programs	21
Homeless Programs	21
Housing Programs for the Elderly and the Disabled	22
Federal Housing Administration (FHA)	22

List of Tables

Table 1. Status of FY2008 Transportation, Housing and Urban Development, and Related Agencies Appropriations	4
Table 2. Transportation, Housing and Urban Development, and Related Agencies Appropriations, FY2007-FY2008	4
Table 3. Funding Trends for Transportation, Housing and Urban Development, and Related Agencies, FY2003-FY2008	5
Table 4. Department of Transportation Appropriations, FY2007-FY2008	7
Table 5. Appropriations: Housing and Urban Development, FY2007-FY2008	16

Transportation, Housing and Urban Development, and Related Agencies (THUD): FY2008 Appropriations

Most Recent Developments

On November 14, 2007, the House approved the conference agreement on H.R. 3074, the FY2008 THUD appropriations bill. The conference committee reported the conference agreement (H.Rept. 110-446) on November 13, 2007. The committee recommended \$105.8 billion (after rescissions and other adjustments). This is \$6.2 billion more than the FY2007 enacted funding level, and \$5.5 billion over the Administration's budget request.

On November 8, 2007, Congress passed a continuing resolution (Division B of P.L. 110-116, enacted on November 13, 2007) that provides FY2008 funding, generally at FY2007 funding levels, through December 14, 2007.

On September 12, 2007, the Senate passed H.R. 3074, which provides \$105.9 billion (after rescissions and other adjustments) for transportation and housing and urban development appropriations for FY2008. The Senate Committee on Appropriations had reported a draft of the legislation (in the form of S. 1789) on July 16, 2007. The committee recommended a total of \$104.7 billion (after rescissions and other adjustments); \$1.2 billion was added to the bill during deliberations on the Senate floor for highway bridge repair and replacement, in response to concerns about the integrity of bridges raised by the collapse of an interstate highway bridge in Minnesota on August 1, 2007. This is \$5.9 billion (6%) more than the comparable amount for FY2007, and \$5.6 billion (6%) more than requested for FY2008.

On July 24, 2007, the House passed H.R. 3074, which provides \$104.4 billion (after rescissions and other adjustments) in THUD appropriations for FY2008. This is \$4.4 billion (4%) more than the comparable amount provided for FY2007, and \$4.1 billion (4%) more than requested for FY2008.

Overview

The President's Budget Request. The President's net FY2008 request for the programs covered by this appropriations bill was \$100.3 billion (after scorekeeping adjustments). This was \$300 million (less than 1%) over the net total provided for FY2007.

The DOT request was \$64.5 billion, \$1.3 billion (2%) more than the amount provided for FY2007. This increase was largely for highway (net \$1.7 billion increase) and transit (net \$447 million increase) programs. These increases reflected the increase in the FY2008 authorized funding level over the FY2007 level for these two programs, which receive almost all of their funding from transportation trust funds. However, the request did not provide the full authorized funding level: it was \$631 million below the authorized level for highway programs and \$309 million below the authorized level for transit programs.

The HUD request was \$35.6 billion, \$1.0 billion (3%) less than the amount provided for FY2007. This reduction reflected the Administration's continued effort to reduce or eliminate funding for a number of HUD programs that it regards as ineffective or inefficient. Secretary Jackson's introductory letter to the FY2008 HUD budget summary document noted, "In a budget season marked by the President's goal to continue to support what works and cut the Federal budget deficit, the FY 2008 HUD budget request demonstrates an effort to prioritize funding towards programs with measurable, documented results."¹

The Administration's FY2008 budget request included spending reductions that had also been proposed by the Administration in previous budget requests, without success. These proposed reductions from FY2007 funding included roughly \$1 billion from reductions in several HUD programs and elimination of several other programs, and roughly \$1 billion from cuts to several DOT programs. Among the programs proposed for reductions or elimination were

- DOT's Airport Grants (-\$764 million), Amtrak (-\$494 million), and subsidies for air service to small communities (-\$59 million) programs;
- HUD's Community Development Funds (-\$735 million), Housing for the Elderly (-\$160 million), and Housing for the Disabled (-\$112 million) programs; and
- HUD's HOPE VI, Rural Housing and Economic Development, Brownfields Redevelopment, and Section 108 Loan Guarantees programs, for which no funding was requested (-\$130 million total).

House and Senate Action. Both the House and the Senate have passed versions of H.R. 3074, the FY2008 appropriations bill, for THUD. Both chambers rejected the Administration's proposed reductions, and provided increases for both DOT and HUD over both the FY2007 levels and the FY2008 requested levels.

The House-passed version of H.R. 3074 would provide a total of \$104.4 billion, \$4.1 billion (4%) more than requested and \$4.4 billion (4%) more than the FY2007 funding. Within that total the bill provides \$65.5 billion for DOT (\$1.1 billion more than requested and \$2.4 billion more than FY2007), \$38.7 billion for HUD (\$3.1 billion more than requested and \$2.0 billion more than FY2007), and \$235 million for the related agencies (\$1 million more than requested and \$12 million more than FY2007).

¹ United States Department of Housing and Urban Development, *Fiscal Year 2008 Budget Summary*, p. 1.

The Senate-passed version of H.R. 3074 would provide a total of \$105.9 billion, \$5.6 billion (6%) more than requested and \$6.3 billion (6%) more than the FY2007 level. Within that total, the bill provides \$66.9 billion for DOT (\$2.4 billion more than requested and \$3.8 billion more than the FY2007 level), \$38.7 billion for HUD (\$3.1 billion more than requested and \$2.1 billion over the FY2007 level), and \$235 million for the other independent agencies (\$1 million more than requested and \$12 million over the FY2007 level). The Senate bill's major funding difference with the House bill is in providing more funding for DOT; most of that additional funding is for repairs to bridges in response to the collapse of an interstate highway bridge in Minnesota after passage of the House version of the bill.

The Conference Agreement. The conference agreement on H.R. 3074 recommends a total of \$105.8 billion. This is \$5.5 billion (6%) more than requested and \$6.2 billion (6%) more than the FY2007 enacted level. The agreement recommends \$66.7 billion for DOT, \$2.2 billion more than requested and \$3.5 billion more than provided in FY2007. The conferees recommended \$38.7 billion for HUD, \$3.1 billion more than the budget request and \$2.4 billion more than the amount provided in FY2007.

The conference agreement was reported on November 13, 2007. It was brought to the House floor on November 14, 2007, and approved by a vote of 270-147 later that day. The primary topics of discussion during consideration of the agreement had to do with the time available to review the bill and additions made by conferees. Some members complained that not only had the rule that members should be given three days to review a bill before voting on it been waived, but also that the informal practice that members be given at least 24 hours to review a bill was being ignored. There were also criticisms of the number of earmarks in the bill, and of the addition by conferees of some earmarks that had not been in either the House- or Senate-passed versions of the bill (a practice known as "air-dropping" earmarks).

Complaints were also voiced about a provision (Section 193) added by conferees that would prohibit any funds in the agreement from being used to provide budget justifications to any congressional committee, other than the appropriations committees, prior to May 31, 2008. In 2006, the Office of Management and Budget began directing agencies to make their budget justifications available to the public, and to post the justifications on the Internet, within two weeks of the transmittal of those materials to Congress in early February. A similar provision was inserted in the conference agreement on the Transportation, Treasury, Housing and Urban Development, the Judiciary, District of Columbia, and Independent Agencies Appropriations Act of 2006 (TTHUD) (P.L. 109-115, Section 182), and was added to the Senate-passed version of the FY2007 TTHUD appropriations bill (H.R. 5576); that bill was never passed by the Senate, and the prohibition was not included in the continuing resolution that provided funding for those agencies for FY2007 (P.L. 110-5).

The President issued a Statement of Administration Policy on the conference agreement, threatening to veto the bill for exceeding the level of funding requested by the Administration. The margin of passage of the bill in the House was less than the two-thirds majority that would be required to override a veto.

Table 1 notes the status of the FY2008 THUD appropriations bill.

Table 1. Status of FY2008 Transportation, Housing and Urban Development, and Related Agencies Appropriations

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/11/07	7/10/07	H.Rept. 110-238 7/18/07	7/24/07 268-153	S.Rept. 110-131 7/16/07	9/12/07 88-7	110-446 11/13/07	11/14/07 270-147		

Table 2 lists the total funding provided for each of the titles in the bill for FY2007 and the amount requested for that title for FY2008.

Table 2. Transportation, Housing and Urban Development, and Related Agencies Appropriations, FY2007-FY2008
(millions of dollars)

Title	FY2007 Enacted	FY2008 Request	FY2008 House	FY2008 Senate	FY2008 Conf	FY2008 Enacted
Title I: Department of Transportation	\$63,181	\$64,479	\$65,542	\$66,913	\$66,712	
Title II: Housing and Urban Development	36,633	35,597	38,666	38,737	38,659	
Title III: Related Agencies	223	234	235	235	435	
Total	\$100,038	\$100,310	\$104,444	\$105,885	\$105,806	

Source: The budget tables in H.Rept. 110-238 and S.Rept. 110-131. "Total" represents total budgetary resources after scorekeeping adjustments. Totals may not add up due to rounding and scorekeeping adjustments.

Changing Appropriations Subcommittee Structures

Since 2003, the House and Senate Committees on Appropriations have reorganized their subcommittee structure three times. In 2003, a new subcommittee (Homeland Security) was added; in order to maintain the existing number of subcommittees at 13, the Transportation appropriations subcommittees were combined with the Treasury, Postal Service, and General Government appropriations subcommittees, becoming the Subcommittees on Transportation, Treasury, and Independent Agencies.

In early 2005, the House and Senate Committees on Appropriations again reorganized their subcommittee structures. The House Committee on Appropriations reduced its number of subcommittees from 13 to 10. This change included combining the Transportation, Treasury, and Independent Agencies subcommittee with the District of Columbia subcommittee; to the resulting subcommittee, in addition, jurisdiction over appropriations for the Department of Housing and Urban

Development and the Judiciary, as well as several additional independent agencies, was added. The subcommittee was then known as the Subcommittee on Transportation, Treasury, Housing and Urban Development, The Judiciary, District of Columbia, and Independent Agencies (or TTHUD).

The Senate Committee on Appropriations reduced its number of subcommittees to 12. The Senate also added jurisdiction over appropriations for the Departments of Housing and Urban Development and the Judiciary to the Transportation, Treasury, and Independent Agencies subcommittee. The Senate retained a separate District of Columbia Appropriations subcommittee. As a result, the areas of coverage of the House and Senate subcommittees with jurisdiction over this appropriations bill were almost, but not quite, identical; the major difference being that in the Senate the appropriations for the District of Columbia originate in a separate bill.

At the beginning of the 110th Congress in 2007, the House and Senate Committees on Appropriations again reorganized their subcommittee structures. The House and Senate committees divided the responsibilities of the TTHUD subcommittees between two subcommittees: Transportation, Housing and Urban Development, and Related Agencies (THUD); and Financial Services and General Government, whose jurisdiction included the Treasury Department, the Judiciary, the Executive Office of the President, the District of Columbia, and many of the independent agencies formerly under the jurisdiction of the TTHUD subcommittees.

These changes make year-to-year comparisons of Transportation and Housing and Urban Development appropriation bills complex, as their appropriations appear in different bills in combination with various other agencies. Other factors, such as supplemental appropriations for response to disasters (such as the damage caused by the Gulf Coast hurricanes in the fall of 2005) and changes in the makeup of the Department of Transportation (portions of which were transferred to the Department of Homeland Security in 2004), also complicate comparisons of year-to-year funding. **Table 3** shows funding trends over the five-year period FY2003-FY2007, and the amounts requested for FY2008, for the Departments of Transportation and Housing and Urban Development. The purpose of Table 3 is to indicate trends in the funding for these agencies, so emergency supplemental appropriations are not included in the figures. The agencies generally experienced funding increases during the period FY2003-FY2007.

Table 3. Funding Trends for Transportation, Housing and Urban Development, and Related Agencies, FY2003-FY2008

(billions of current dollars)

Department	FY2003 ^b	FY2004 ^c	FY2005 ^d	FY2006 ^e	FY2007	FY2008 Request	FY2008 Conf
Title I: Transportation ^a	\$55.7	\$58.4	\$59.6	\$59.5	\$63.2	\$64.5	\$66.7
Title II: Housing and Urban Development	31.0	31.2	31.9	34.0	36.2	35.6	38.7

Source: United States House of Representatives, Committee on Appropriations, Comparative Statement of Budget Authority tables from fiscal years 2003 through 2008. Figures for FY2006 do not reflect emergency appropriations.

- a. Figures for Department of Transportation appropriations for FY2003 have been adjusted for comparison with FY2004 and later figures by subtracting the United States Coast Guard, the Transportation Security Administration, the National Transportation Safety Board, and the Architectural and Transportation Barriers Compliance Board, and by adding the Maritime Administration.
- b. FY2003 figures reflect a 0.65% across-the-board rescission.
- c. FY2004 figures reflect a 0.59% across-the-board rescission.
- d. FY2005 figures reflect a 0.83% across-the-board rescission.
- e. FY2006 figures reflect a 1.0% across-the-board rescission, but do not reflect emergency supplemental appropriations provided for DOT and HUD. DOT and HUD received emergency funding for response to the effects of the Gulf Coast hurricanes; DOT's total FY2006 funding, including emergency funding, was \$62.3 billion; HUD's total FY2006 funding, including emergency funding, was \$45.5 billion.

Transportation Appropriations

**Table 4. Department of Transportation Appropriations,
FY2007-FY2008**

(in millions of dollars; totals may not add)

Department or Agency (Selected Accounts)	FY2007 Enacted	FY2008 Request	FY2008 House	FY2008 Senate	FY2008 Conference
Office of the Secretary of Transportation	\$171	\$96	\$150	\$160	\$159
<i>Essential Air Service^a</i>	109	50	110	110	110
Federal Aviation Administration (FAA)					
<i>Operations (trust fund & general fund)</i>	8,374	8,726	8,717	8,762	8,750
<i>Facilities & Equipment (F&E) (trust fund)</i>	2,516	2,462	2,515	2,517	2,527
<i>Grant-in-aid for Airports (AIP) (trust fund) (limit. on oblig.)</i>	3,515	2,750	3,600	3,515	3,515
<i>Research, Engineering & Development (trust fund)</i>	130	140	140	149	147
<i>Subtotal, FAA</i>	14,482	14,077	14,622	14,593	14,633
Federal Highway Administration (FHWA)					
<i>(Limitation on Obligations)</i>	39,086	39,585	40,216	41,216	41,216
<i>(Exempt Obligations)</i>	739	739	739	739	739
<i>Additional funds (trust fund)</i>	—	—	—	—	—
<i>Additional funds (general fund)</i>	23	—	—	40	30
<i>Rescissions of contract authority</i>	(4,343)	(2,000)	(3,385)	(3,121)	(3,409)
<i>Subtotal, FHWA^b</i>	36,255	37,915	37,565	39,070	38,766
Federal Motor Carrier Safety Administration (FMCSA)	517	528	528	531	530
National Highway Traffic Safety Administration (NHTSA) ^c	821	833	813	813	815
Federal Railroad Administration (FRA)	1,478	1,081	1,667	1,657	1,656
<i>Amtrak</i>	1,294	800	1,450	1,370	1,375
Federal Transit Administration (FTA)					
<i>General Funds</i>	1,747	1,550	1,838	1,692	1,776
<i>Capital Investment Grants (New Starts)</i>	1,566	1,400	1,700	1,566	1,650
<i>Trust Funds</i>	7,263	7,872	7,873	7,873	7,873
<i>Subtotal, FTA</i>	8,975	9,422	9,710	9,565	9,649
St. Lawrence Seaway Development Corporation	16	17	17	17	17
Maritime Administration (MARAD) ^d	214	295	292	326	307
Pipeline and Hazardous Materials Safety Administration (PHMSA)					
<i>Pipeline safety program</i>	75	75	79	82	80
<i>Emergency preparedness grants</i>	14	28	28	28	28
<i>Subtotal, PHMSA</i>	134	148	154	156	154
Research and Innovative Technology Administration	8	12	12	12	12
Office of Inspector General	64	66	66	66	66
Surface Transportation Board	25	22	25	24	25
Total, Department of Transportation	\$63,181	\$64,479	\$65,542	\$66,913	\$66,712

Source: Figures are from the Comparative Statement of New Budget Authority tables in H.Rept. 110-238, S.Rept. 110-131, and a statement of new budget authority provided by the Senate Committee on Appropriations. Because of differing treatment of offsets, the figures for “FY2008 Request” will not always match the Administration’s budget figures from other sources. The figures within this table may differ slightly from those in the text due to supplemental appropriations, rescissions, and other

funding actions. Columns may not add due to rescissions, rounding, and exclusion of smaller program line-items.

- a. The total comes from a \$50 million annual authorization for the Essential Air Service program to be funded out of overflight fee collections and an additional amount appropriated for the program.
- b. FHWA was appropriated \$39.8 billion for FY2007. The \$36.3 billion figure represents the budgetary total after subtraction of a \$3.5 billion rescission of previously provided contract authority and the transfer of \$121 million to NHTSA. The House and Senate committees recommended \$41.0 billion for FHWA for FY2008; rescissions of contract authority resulted in those proposals being scored as \$37.6 billion and \$37.9 billion, respectively.
- c. The House and Senate committees recommended \$836 and \$835 million, respectively, in new funding for NHTSA; those totals were reduced by rescissions of unobligated contract authority.
- d. MARAD was appropriated \$291 million for FY2007. The \$214 million figure represents the budgetary total after subtraction of a \$74 million rescission of previously appropriated funds for the National Defense Tank Vessel Program.

Department of Transportation Budget and Key Policy Issues

The President's FY2008 budget proposed a total of \$64.5 billion for the Department of Transportation (DOT).² This was \$1.3 billion (2%) more than the \$63.2 billion enacted for FY2007. The major funding changes requested from the FY2007 enacted levels were

- an increase of \$500 million (1%) in the obligation limitation for highways and \$447 million (5%) for transit, reflecting the authorized levels in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) (P.L. 109-59);
- an increase of \$12 million (10%) for the Pipeline and Hazardous Materials Administration, reflecting a requested increase in grants to states for emergency preparedness;
- an increase of \$4 million (55%) for the Research and Innovative Technology Administration;
- a decrease of \$765 million (-22%) in the Federal Aviation Administration's Airport Improvement Program, similar to a requested decrease for FY2007 that was rejected by Congress;
- a decrease of \$494 million (-38%) in the request for Amtrak, similar to a requested decrease for FY2007 that was rejected by Congress; and
- a decrease of \$59 million (-54%) in funding for the Essential Air Service Program.

The Administration request also proposed restructuring the FAA budget, reflecting the Administration's reauthorization proposal for the FAA.

Both chambers have passed bills providing a higher level of DOT funding than requested by the Administration: \$65.5 billion (\$1.1 billion more) by the House and \$66.9 billion (\$2.4 billion more) by the Senate. The major difference between the House and Senate totals is that the Senate version provides an additional \$1 billion for the FHWA's Bridge Repair and Replacement Program and an additional

² This total includes \$66.9 billion in new appropriations and \$2.4 billion in rescissions.

appropriation of up to \$195 million for emergency funding to Minnesota, both in response to the collapse of the Interstate 35 bridge in Minneapolis on August 1, 2007. Neither chamber supported the Administration's requested decreases in the various transportation accounts. Nor did either chamber's bill reflect the proposed restructuring of the FAA budget, as Congress is still considering the reauthorization of the FAA. Among the largest increases over the requested levels were those for the FHWA Bridge Program (\$1 billion by the Senate), the FAA Aviation Improvement Program (\$850 million by the House, \$765 million by the Senate), and for Amtrak (\$600 million by the House, \$570 million by the Senate), and the inclusion by both of a \$631 million increase in funding for the federal-aid highway program (authorized by the Revenue-Aligned Budget Authority (RABA) mechanism included in SAFETEA-LU).

Conferees reported a conference agreement on the bill on November 13, 2007. The conference committee recommended \$66.7 billion for DOT. This is \$3.5 billion more than the amount enacted for FY2007 and \$2.2 billion more than the Administration request for FY2008. The agreed-upon increases include an additional \$1 billion for highway bridge repair and replacement and an additional \$631 million reflecting the RABA adjustment to the authorized funding level for the federal highway program; an additional \$750 million for the FAA airport grant program, restoring the cut proposed by the budget request; and an additional \$475 million for Amtrak (the budget requested a \$394 million cut from the FY2007 level). This agreement was approved by the House on November 14, 2007.

The Administration's budget for DOT identified three priorities of the FY2008 request: reauthorization of the Federal Aviation Administration (FAA), a new highway congestion initiative, and alteration of Amtrak's spending priorities.³

FAA Reauthorization. The FAA's authorization expires at the end of FY2007. The Administration's proposal for aviation reauthorization includes reform of the financial structure of the air traffic control system, a reform reflected in the budget request for FAA. The Administration proposal would also change the revenue sources for FAA funding. Reauthorization of the FAA is still under consideration by Congress. (For more information about FAA reauthorization, see CRS Report RL33920, *Federal Aviation Administration Reauthorization: An Overview of Selected Provisions in Proposed Legislation*, coordinated by Bart Elias.)

Highway Congestion Initiative. The highway congestion initiative would redirect \$175 million (largely from unused funds previously designated by Congress for specific projects) for pilot programs in cities to test comprehensive congestion reduction strategies, including such strategies as congestion pricing, flexible work schedules to reduce the concentration of commuter traffic during peak rush hour periods, and more use of real-time traffic information to encourage drivers to adjust the timing and route of their trips in light of current traffic conditions.

³ United States Office of Management and Budget, *Budget for Fiscal Year 2008*, pp. 108-110.

The House rejected the request for \$175 million for the congestion initiative, noting that DOT has considerable discretion with regard to awarding grants from the FY2007 funding for highway and transit discretionary programs, and that a congestion initiative should be more comprehensive in scope than the Administrative proposal, involving other modes besides highways.

The Senate approved \$136 million for the congestion initiative, but provided the funds from the additional funding produced by the RABA mechanism, rather than by taking money from projects previously designated by Congress.

Reducing Amtrak's Federal Subsidy. For FY2008, the House provided \$1.4 billion for Amtrak — \$475 million for operating assistance and \$925 million in capital assistance and debt service — plus another \$50 million for a matching grant program to encourage state investment in passenger rail. The Senate provided \$1.37 billion for Amtrak — \$485 million for operating assistance and \$885 million for capital assistance and debt service — plus another \$100 million for a matching grant program to encourage state investment in passenger rail. Both amounts represent an increase over the \$1.3 billion provided for FY2007. The Senate also approved a floor amendment eliminating a provision in the FY2006 THUD appropriations act (P.L. 109-115, 119 Stat. 2414, continued in FY2007 by P.L. 110-5, 121 Stat. 9) that prohibited Amtrak from offering discounts of more than 50% off the normal peak fare on a route. Both the House and Senate appropriations committees expressed concerns about Amtrak's failure to reach collective bargaining agreements with the majority of its workforce since the expiration of the previous agreements several years ago, and about the role of freight railroads in Amtrak's poor on-time performance.

The conference agreement recommends \$1.375 billion for Amtrak — \$475 million for operating assistance and \$900 million for capital assistance and debt service. This is \$80 million (6%) more than the amount provided for FY2007. The conference agreement also recommends \$75 million for a matching grant program to encourage states to investment in passenger rail service. The grants will provide a 50% federal share of the capital costs of improving existing intercity passenger rail service and providing new intercity passenger rail service

The Administration requested \$900 million for Amtrak for FY2008. This was \$394 million (31%) less than the amount provided in FY2007, and of the \$900 million requested, \$100 million would not go to Amtrak directly, but to a matching grant program to encourage states to invest in intercity passenger rail-related capital improvements. Only \$300 million was requested for operating assistance; Amtrak received \$490 million in operating assistance in FY2006 and FY2007.

Amtrak's Board of Directors, whose current members have been appointed by the Bush Administration, submits a separate grant request to Congress each year. For FY2008, the Board requested \$1.5 billion to maintain operations and \$100 million for a matching grant program to encourage states to make intercity passenger rail-related capital improvements.

For the past several years, the Administration has sought to force changes in Amtrak's operations, and in intercity passenger rail policy in general, by requesting

less funding for Amtrak than is needed to maintain Amtrak's status quo level of operations, arguing that "only a constrained budget will force Amtrak to change the way it conducts business."⁴ In its FY2008 budget, the Administration states that it expects "the Board's newly-installed management to make significant changes required to enable the company to succeed without Federal operating subsidies."⁵ In previous years, Congress has provided more funding for Amtrak than requested by the Administration, though less than requested by Amtrak's Board, while imposing conditions on Amtrak in the annual appropriations bill.

Amtrak is a quasi-governmental corporation that provides intercity passenger rail service throughout the country and operates and maintains rail infrastructure in the Northeast. It operates at a deficit, and requires federal support each year to continue its operations. Amtrak's authorization expired at the end of FY2002. Reauthorization efforts since then have been stalled by fundamental disagreements between Congress and the Administration over the future shape of federal intercity passenger rail policy.

Federal Aviation Administration (FAA). The FAA budget provides both capital and operating funding for the nation's air traffic control system, and also provides federal grants to airports for airport planning, development, and expansion of the capacity of the nation's air traffic infrastructure. The President's budget requested \$14.1 billion for FY2008, \$1.0 billion less than was provided for FY2007.⁶ Most of that reduction would come from the Airport Improvement Program. Both the House and Senate approved \$14.6 billion for FAA for FY2008, as did the conference agreement.

Airport Improvement Program (AIP). The President's budget proposed a cut of \$764 million to AIP funding, from \$3.5 billion in FY2007 to \$2.8 billion for FY2008. A similar cut was proposed by the Administration for FY2007, but was not supported by Congress.

Both the House and Senate rejected the proposed cut. The House approved \$3.6 billion for FY2008, a \$95 million increase over FY2007. The Senate approved \$3.5 billion, the same amount provided in FY2007. The conference agreement also recommends \$3.5 billion.

AIP funds are used to provide grants for airport planning and development, and for projects to increase airport capacity (such as construction of new runways) and other facility improvements. Some Members of Congress have expressed concern at proposed cuts in the AIP program in the face of forecasts of growth in aviation traffic.

⁴ United States Office of Management and Budget, *Budget for Fiscal Year 2007*, p. 222.

⁵ United States Office of Management and Budget, *Budget for Fiscal Year 2008*, p. 110.

⁶ Total enacted new FY2007 FAA funding was \$15.1 billion. The net total was reduced to \$14.5 billion by a rescission of contract authority.

Essential Air Service. The President's budget requested \$50 million for the Essential Air Service program, a \$59 million (54%) reduction from the \$109 million provided for FY2007. A similar decrease was proposed by the Administration for FY2007, but was rejected by Congress. Both the House and Senate again rejected the proposed cut, providing \$110 million for FY2008. The conference agreement also recommends \$110 million.

This program seeks to preserve air service to small airports in rural communities by subsidizing the cost of that service. Supporters of the Essential Air Service program contend that preserving airline service to rural communities was part of the deal Congress made in exchange for deregulating airline service in 1978, which was expected to reduce air service to rural areas. Some Members of Congress have expressed concern that the proposed cut in funding for the Essential Air Service program could lead to a reduction in the transportation connections of rural communities. Previous budget requests from the current Administration, as well as budget requests from previous Administrations, have also proposed reducing funding to this program.

Federal Highway Administration (FHWA). The President's budget requested \$40.3 billion in new funding for federal highway programs for FY2008, an increase of \$600 million (2%) over the comparable level of \$39.7 billion provided in FY2007.⁷ These increases reflect the originally authorized level of funding provided for surface transportation programs by SAFETEA (P.L. 109-59).

The authorized level of FY2008 highway funding was increased by \$631 million over its original level as a result of higher-than-expected revenues to the Highway Trust Fund, an adjustment provided for in SAFETEA through a mechanism known as RABA. The Administration request did not include this additional funding. The DOT Secretary noted that the Highway Trust Account is projected to go into deficit in FY2009 unless some preventive action is taken, and stated that not requesting the additional \$631 million authorized for FY2008 by the RABA adjustment was one of the steps the Administration was taking to forestall the projected FY2009 deficit.⁸

The House approved \$41.0 billion in new funding for federal highway programs for FY2008, an increase of \$1.1 billion (3%) over the comparable FY2007 amount. This represents the full authorized level for FY2008, as increased by the \$631 million RABA adjustment. The Senate approved \$42.2 billion in new funding, adding \$1 billion to the FHWA bridge program and up to \$195 million in emergency funding for repair of the Interstate 35 bridge in Minneapolis, Minnesota. The conference agreement also recommends \$42.2 billion in new funding.

⁷ The FY2007 enacted figure and FY2008 request were reduced, for accounting purposes, by rescissions of contract authority, resulting in net budgetary totals of \$36.3 billion for FY2007 and \$37.9 billion for the FY2008 request.

⁸ Testimony of Mary Peters, Secretary, U.S. Department of Transportation, before the U. S. House of Representatives Committee on Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, March 14, 2007.

Federal Motor Carrier Safety Administration (FMCSA). The Administration requested the authorized level of funding for FMCSA, \$528 million. This is \$11 million (2%) over the amount provided for FY2007; \$300 million of the request is for grants to states to enforce commercial truck and bus safety regulations.

The House approved \$528 million, the authorized level and the amount requested by the Administration. The House also prohibited any funds in the act from being used to implement the DOT's pilot program allowing Mexican trucking companies to operate beyond the commercial zone (a zone extending 20 miles into the United States from the U.S.-Mexico border). The Senate provided \$531 million, and also prohibited the funds from being used to implement the cross-border trucking program. The cross-border program began operating on September 7, 2007. The conference agreement recommends \$530 million, and also prohibits any funds in the act from being used to implement the cross-border trucking program.

National Highway Traffic Safety Administration (NHTSA). The Administration requested \$833 million for NHTSA, the amount authorized for FY2008. This is an increase of \$12 million (1%) over the amount provided for FY2007; \$599 million of this amount is for grants to states for highway safety programs to reduce deaths and injuries from motor vehicle crashes.

The House approved \$836 million in new funding, \$3 million more than authorized and requested. The Senate approved \$835 million in new funding, \$2 million more than the level authorized and requested. The conference agreement recommends \$838 million in new funding (\$815 million after a \$23 million rescission of contract authority).

Federal Railroad Administration (FRA). The Administration requested \$1.081 billion for FRA for FY2008. This is a decrease of \$400 million (28%) from the \$1.478 billion provided for FY2007. The largest portion of FRA's budget is for support of Amtrak, and virtually all of the proposed reduction was in funding for Amtrak, as discussed above. The next largest portion of FRA's budget is for safety programs intended to reduce railroad accidents. The Administration requested \$148 million, \$2 million (1%) less than provided for FY2007. The other component of the FRA budget is research and development of rail safety improvements. The Administration requested \$32 million for this, \$2 million (6%) less than the \$35 million provided for FY2007.

The House approved \$1.667 billion for FRA, an increase of \$188 million over FY2007 and \$586 million over the Administration request. Aside from \$35 million for a rail line relocation grant program that was authorized in SAFETEA, but not previously funded, and an extra \$1 million for research and development, all of the increase over the Administration request is for Amtrak.

The Senate approved \$1.657 billion for FRA, an increase of \$179 million over the FY2007 funding and \$577 million over the Administration request. All but \$7 million of the increase over the Administration request is related to Amtrak.

The conference agreement recommends \$1.656 billion. This represents the same level of funding as FY2007 for FRA's safety and operations account, an

increase of \$1.5 million over the FY2007 funding for FRA's research and development program, an increase of \$81 million over the FY2007 funding for Amtrak, and funds for two programs that were not funded in FY2007 — \$75 million for a capital grant program for states to support passenger rail service and \$20 million for a rail line relocation and improvement program.

Federal Transit Administration (FTA). The Administration requested \$9.422 billion for FTA for FY2008. This was an increase of \$447 million (5%) over the amount provided for FY2007, but was \$309 million below the authorized FY2008 funding. The increase was in funds provided to states and localities through formula programs. The requested reduction from the authorized funding level was in the popular New Starts program, which helps fund the construction of new transit projects and extensions to existing transit systems. The Administration requested \$1.4 billion for New Starts, a decrease of \$166 million (1%) from the FY2007 figure and \$309 million (2%) less than the authorized level of \$1.7 billion. The Administration defended the reduction in New Starts funding by saying that difficult budget choices had to be made,⁹ and asserted that it had requested enough funding to cover all the New Starts projects that were ready for funding in FY2008, as well as having set aside funding for projects that might become ready for funding during FY2008. The request also included \$100 million for the newly created Small Starts portion of the New Starts program, which provides funding for projects whose total cost is less than \$250 million. The Small Starts portion is authorized for \$200 million for FY2008, but that program's regulations had not been finalized as of the publication of the Administration budget request, so the Administration did not expect that the program would be able to make \$200 million in grants in FY2008.

The House approved \$9.710 billion for FTA, the authorized level for FY2008. This is \$701 million more than the FY2007 level and \$288 million more than the Administration request. The House provided the \$1.7 billion authorized funding level for the Capital Improvement (i.e., New Starts) program, including the \$200 million authorized for the new Small Starts portion of that program. The House Appropriations Committee's report on the bill recommended several recipients for a portion of the Small Starts funding.

The Senate approved \$9.565 billion for FTA, an increase of \$590 million over the FY2007 level and \$143 million over the Administration request, but \$134 million less than the authorized level for FY2008. The primary difference from the House funding, and the authorized level, was the \$1.566 billion provided for the New Starts program. This is the same amount provided for FY2007, and \$166 million more than requested for FY2008, but \$134 million less than the FY2008 authorized level. The Senate committee also recommended several recipients for a portion of the funding provided for the Small Starts component of the New Starts program. The Senate also approved a floor amendment prohibiting FTA from finalizing its proposed New Start evaluation rule.

⁹ Funding for the New Starts Program comes from the General Fund, while almost all other FTA programs are funded from the Mass Transit Account of the Highway Trust Fund.

The conference agreement recommends \$9.649 billion for FTA. The primary difference between this level and the levels approved by the House and Senate is the funding for the New Starts program: the House approved \$1.700 billion, the Senate \$1.566 billion, and the conference agreement recommends \$1.650 billion.

Maritime Administration (MARAD). The Administration requested \$295 million for MARAD for FY2008, \$4 million (2%) above the \$291 million enacted for FY2007.¹⁰ MARAD supports the maritime transportation sector. The largest components of its budget are the Maritime Security Program and Operations and Training.

The Administration requested \$154 million (identical to the amount provided for FY2007) for the Maritime Security Program. This provides payments of roughly \$2.6 million per ship to retain a fleet of 60 active, militarily useful, privately owned vessels to be available to the federal government in the event they are needed for security purposes. A total of \$115 million was requested for Operations and Training, \$4 million (3%) more than the \$111 million provided for FY2007. This program funds the U.S. Merchant Marine Academy, State Maritime Schools, and MARAD's operations.

The House approved \$295 million in new funding for MARAD, \$4 million more than the comparable amount for FY2007 and equal to the amount requested for FY2008. The Senate approved \$330 million in new funding for MARAD, \$39 million more than the comparable FY2007 figure and \$35 million more than requested. The increase is largely due to \$20 million provided for assistance to small shipyards and \$10 million provided for loan guarantees under the Maritime Guaranteed Loan Program; no funding was provided for either of those purposes in FY2007, nor was any requested for FY2008.

The conference agreement recommends \$313 million in new funding for MARAD for FY2008. This is \$23 million more than the comparable amount provided for FY2007 and \$18 million more than the comparable amount requested for FY2008. These increases are largely due to additional funding provided for MARAD's operations and training account, \$10 million provided for assistance to small shipyards, and \$5 million provided for loan guarantees under the Maritime Guaranteed Loan Program. No funding was provided for the latter two purposes in FY2007, nor was any requested for FY2008.

¹⁰ MARAD's FY2007 enacted appropriation was scored at \$214 million, the \$291 million total being reduced by \$76 million in rescissions of previously appropriated funding, primarily from the National Defense Tank Vessel Program.

Housing and Urban Development Appropriations

**Table 5. Appropriations:
Housing and Urban Development, FY2007-FY2008**

(budget authority in billions of dollars)

Program	FY2007 Enacted ^a	FY2008 Request	FY2008 House	FY2008 Senate	FY2008 Conf.
Appropriations					
Tenant Based Rental Assistance (includes advanced appropriation) (Sec. 8 vouchers)	\$15.920	\$16.000	\$16.330	\$16.599	\$16.443
Project Based Rental Assistance (Sec.8)	5.976	5.813	6.480	5.813	6.382
Public housing capital fund	2.439	2.024	2.439	2.500	2.439
Public housing operating fund	3.864	4.000	4.200	4.200	4.200
HOPE VI	0.099	0.000 ^f	0.120	0.100	0.120
Native American housing block grants	0.624	0.627	0.627	0.630	0.630
Indian housing loan guarantee	0.006	0.007	0.007	0.007	0.007
Native Hawaiian Block Grant	0.009	0.006	0.009	0.009	0.009
Native Hawaiian loan guarantee	0.001	0.001	0.001	0.001	0.001
Housing, persons with AIDS (HOPWA)	0.286	0.300	0.300	0.300	0.300
Rural Housing Economic Development	0.017	0.000	0.017	0.017	0.017
Community Development Fund (Including CDBG)	3.772	3.037	4.180	4.060	4.000
Sec.108 loan guarantee; subsidy	0.004	0.000	0.004	0.006	0.005
Brownfields redevelopment	0.010	0.000	0.010	0.010	0.010
HOME Investment Partnerships	1.757	1.967 ^b	1.764 ^l	1.970	1.767
Homeless Assistance Grants	1.442	1.586	1.561	1.586	1.586
Self-help and Assisted Homeownership	0.049	0.070	0.060	0.070	0.060
Housing for the elderly	0.735	0.575	0.735	0.735	0.735
Housing for the disabled	0.237	0.125	0.237	0.237	0.237
Housing Counseling Assistance ^b	b	0.050 ^b	b	b	b
Rental Housing Assistance	0.026	0.028 ⁱ	0.028 ⁱ	0.028 ⁱ	0.028 ⁱ
Research and technology	0.050	0.065	0.058	0.061	0.061
Fair housing activities	0.046	0.045	0.046	0.052	0.050
Office, lead hazard control	0.150	0.116	0.130	0.157	0.145
Salaries and expenses	0.581 ^c	0.654	0.643	1.206 ^j	1.222 ^m
Working capital fund	0.195	0.220	0.125	0.173	0.155
Manufactured Housing Fees Trust Fund ^d	0.013	0.016	0.016	0.016	0.016
Office of Federal Housing Enterprise Oversight ^d	0.066 ^k	0.066	0.066	0.066	0.066
FHA Expenses ^d	0.722	0.767	0.745	0.169 ^j	0.169 ^m

Program	FY2007 Enacted ^a	FY2008 Request	FY2008 House	FY2008 Senate	FY2008 Conf.
GNMA Expenses ^d	0.011	0.011	0.011	0.010 ^j	ⁿ
Inspector General	0.089 ^k	0.088	0.083 ^l	0.112	0.112
Appropriations Subtotal	39.195	38.263	41.029	40.900	40.972
Rescissions					
Housing Certificate Fund (Section 8) rescission	-1.650	-1.300	-1.300	-1.100	-1.250
HOPE VI rescission	0.000	-0.099 ^f	0.000	0.000	0.000
Neighborhood Initiatives (NI) rescission	0.000	-0.050 ^g	0.000	0.000	0.000
Economic Developments Initiative (EDI) rescission	0.000	-0.307 ^g	0.000	0.000	0.000
Rental Housing Assistance rescission	0.000	-0.028 ⁱ	-0.028 ⁱ	-0.028 ⁱ	-0.028 ⁱ
Rescissions Subtotal	-1.650	-1.783	-1.328	-1.128	-1.278
Offsetting Receipts/Program Savings^e					
Manufactured Housing Fees Trust Fund	-0.013	-0.016	-0.016	-0.016	-0.016
Office of Federal Housing Enterprise Oversight	-0.066 ^k	-0.066	-0.066	-0.066	-0.066
Federal Housing Administration (FHA)	-0.652	-0.250	-0.250	-0.250	-0.250
GNMA	-0.181	-0.185	-0.163	-0.163	-0.163
Legislative Proposals	NA	-0.366 ^h	-0.540	-0.540	-0.540
Offsets Subtotal	-0.912	-0.883	-1.035	-1.035	-1.035
Total	\$36.633	\$35.597	\$38.666	\$38.737	\$38.659

Source: Prepared by CRS based on the President's FY2008 Budget documents, HUD Congressional Budget Justifications, H.R. 3074, H.Rept. 110-238, S.Rept. 110-131, funding tables updated for floor action provided by the House and Senate Appropriations Committees, and H.Rept. 110-446.

- a. The FY2007 year-long continuing resolution funded most accounts at their FY2006 enacted level; however, the CR specified higher or lower funding levels for some HUD accounts.
- b. Housing Counseling Assistance is typically funded as a set-aside in the HOME account. In FY2007, it was funded at \$42 million within HOME. In recent years, including FY2008, the President's budget has requested that the program be funded in a separate account. Both H.R. 3074 and S. 1789 would continue to fund it as a set-aside within the HOME account. The House version of H.R. 3074 would provide \$49 million (see table note 1), the Senate version would provide \$150 million, and the conference agreement would provide \$50 million, for housing counseling assistance.
- c. The CR appropriated such sums as may be necessary to fund 50% of the cost of the statutory cost-of-living increase approved for FY2007. The amount shown here may change if estimates of the cost of this provision change.
- d. The cost of these accounts is generally covered (partially, if not fully) by offsetting receipts that are listed further down in **Table 2**.
- e. Estimates of offsetting receipts are subject to change.
- f. The President has requested that Congress rescind the amount provided in FY2007 for HOPE VI.
- g. The President's budget requests a rescission of FY2007 EDI and NI funds, but no EDI or NI funds were provided in FY2007.
- h. The President has proposed a series of cost-saving FHA modernization proposals, which are discussed later in this report in the discussion of the Federal Housing Administration.
- i. The additional \$28 million for rental housing assistance would be fully offset by a rescission of \$28 million in unobligated and recaptured balances from the rental housing assistance account.

- j. S. 1789 proposes to change the way that salaries and expenses are funded. In the past, HUD has transferred funds from FHA and GNMA to cover management and administrative salaries. According to the committee report, the committee has eliminated such transfers and replaced them with direct appropriations to specific salaries and expenses accounts within each HUD mission area in order to provide more transparency. The net funding levels for salaries and expenses and FHA and GNMA administrative costs match the President's request.
- k. The FY2007 emergency supplemental appropriations law (P.L. 110-28) provided \$7 million in additional funding for HUD's Inspector General and authorized over \$6 million in additional funding for the Office of Federal Housing Enterprise Oversight, fully offset by additional OFHEO fees.
- l. A floor amendment transferred \$6.76 million from the Inspector General account to the HOME account to be used for housing counseling assistance.
- m. Similar to the Senate bill, the conference agreement would fund salaries and expenses directly.
- n. \$8.25 million for GNMA expenses is included in the salaries and expenses account.

Department of Housing and Urban Development Budget and Key Policy Issues

On February 5, 2007, President Bush released his FY2008 budget request, 10 days before the Congress finished work on the FY2007 spending bills by enacting a revised year-long continuing resolution (P.L. 110-5). The FY2007 CR funded most HUD programs at their FY2006 level, but with decreases for some programs and increases for other programs. The CR provided HUD with more than \$36.6 billion for FY2007. The 110th Congress has enacted a FY2007 supplemental funding bill, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Act (P.L. 110-28), which contains several provisions that made changes to FY2007 funding levels for HUD programs. (For more details, see CRS Report RL33344, *The Department of Housing and Urban Development: FY2007 Budget*, by Maggie McCarty, Libby Perl, Bruce E. Foote, Eugene Boyd, and Meredith Peterson.)

The President's FY2008 budget requested about a billion-dollar decrease in funding for HUD. Although the budget called for increased funding to programs for the homeless, persons with AIDS, and first-time homebuyers, several programs were targeted for elimination (HOPE VI, Rural Housing and Economic Development, Brownfields Redevelopment, and Section 108 Loan Guarantees) or funding cuts (Section 202 Housing for the Elderly, Section 811 Housing for the Disabled, the Community Development Block Grant program, Lead Hazard Reduction, Fair Housing programs, and the Public Housing Capital Fund). The FY2008 funding debate is also influenced by the ongoing decline in receipts from the Federal Housing Administration (FHA) available to offset the cost of the budget. For FY2007, it was estimated that FHA would generate a net surplus of more than \$650 million that could offset the cost of the HUD budget; for FY2008, the amount is estimated to be about \$250 million, although Congress may consider legislative proposals that could increase the amount. (For a more detailed discussion, see CRS Report RL34022, *The Department of Housing and Urban Development: FY2008 Appropriations*, by Maggie McCarty, Libby Perl, Bruce E. Foote, Eugene Boyd, and Meredith Peterson.)

On July 11, 2007, the House Appropriations Committee approved its version of the FY2008 Departments of Transportation, Housing and Urban Development, and Related Agencies Appropriations Act (THUD) funding bill (H.R. 3074). The following day, the Senate Appropriations Committee approved its version (S. 1789). Both bills would increase funding above the President's request for a number of

programs, including Section 8 tenant-based rental assistance, Housing for the Elderly and Housing for the Disabled, and CDBG and both bills would provide funding for the programs that were slated for elimination in the President's budget. On July 24, 2007, the House approved H.R. 3074. Several floor amendments made administrative changes to HUD programs, but only one amendment changed funding levels, by transferring \$6.76 million to housing counseling assistance from HUD's Inspector General account. On September 11, 2007, the Senate began consideration of its version of H.R. 3074 after substituting the content with the language of S. 1789. On September 12, 2007, the Senate approved the legislation after adopting several housing-related amendments, including:

- a set-aside of \$100 million in the HOME account to fund foreclosure prevention activities;
- a transfer of \$380,000 from HUD's salaries and expenses account to the fair housing account in order to fund the creation and promotion of translated materials to help in serving persons with limited English proficiency;
- a set-aside of \$25 million in the HOME account to fund the American Dream Downpayment Initiative; and
- a transfer of \$2.4 million from the Working Capital Fund to the Research and Technology account to provide additional funding for tribal colleges and universities.

On November 8, 2007, House and Senate conferees agreed to a FY2008 THUD funding bill. The total for HUD in the conference agreement (H.Rept. 110-446) is lower than the House and Senate-passed levels, but higher than the President's request. The agreement was reported on November 13, 2007, and was approved by the House on November 14, 2007. According to a Statement of Administration Policy released by the Office of Management and Budget, the President intends to veto the bill, since its funding level is above his request.

Tenant-Based Rental Assistance (Section 8 Vouchers). The President's budget requested \$16 billion for Tenant-Based Rental Assistance, a slight increase over the \$15.9 billion enacted for FY2007. H.R. 3074, as passed by the House, would provide \$16.3 billion. The Senate-passed version of the bill would increase funding for Tenant-Based Rental Assistance to \$16.6 billion. The conference agreement would fund the account between the House- and Senate-passed levels, at \$16.4 billion.

The majority of tenant-based rental assistance funding is dedicated to voucher renewals. Since FY2004, Congress has made changes each year in how HUD is to distribute voucher renewal funding to public housing authorities (PHAs). The FY2007 CR did not adopt the same allocation formula that was in place in FY2006. In FY2006, PHAs were funded *based on what they had received* in FY2005, with some adjustments. For FY2007, Congress directed HUD to fund PHAs *based on their actual leasing and costs* from the previous 12 months, with some adjustments.

In his FY2008 budget, the President requested that PHAs receive renewal funding using a formula similar to the one in place in FY2006. The House-passed version of H.R. 3074 adopts a formula similar to the one requested by the President.

The committee report (H.Rept. 110-38) notes that the committee chose not to use updated data for allocating FY2008 funding because, since HUD delayed allocating FY2007 funding under the new formula, the committee wanted to give PHAs additional time to adjust to their FY2007 allocations before changing the formula again. The Senate-passed bill would allocate funding based on PHAs' most recent 12 months of leasing and cost data, with adjustments, similar to the formula used in the FY2007 CR. The conference agreement would use a formula similar to the one included in the Senate version of the bill. (For more information, see CRS Report RL33929, *Recent Changes to Section 8 Housing Voucher Renewal Funding*, by Maggie McCarty, and CRS Report RL34002, *Section 8 Housing Choice Voucher Program: Issues and Reform Proposals in the 110th Congress*, by Maggie McCarty.)

No new vouchers — called incremental vouchers — have been funded since FY2002. Both the House and Senate bills provide funding for new incremental vouchers targeted to certain populations. The House version of H.R. 3074 would provide \$30 million for incremental vouchers for certain non-elderly disabled families and homeless veterans. The Senate bill would provide \$105 million for incremental vouchers for homeless veterans and for families with children in the child welfare system or youth transitioning out of foster care. The conference agreement would provide \$135 million for incremental vouchers for homeless veterans, families with children in the child welfare system or youth transitioning out of foster care, and non-elderly disabled families.

Public Housing. The President's FY2008 budget requested a \$130 million increase in funding for the public housing Operating Fund. In recent years, HUD has not requested, and Congress has not provided, sufficient appropriations to fund all PHAs at 100% of their Operating Fund formula eligibility. Instead, PHAs generally receive some percentage of their eligible budgets, referred to as the proration level. The FY2007 CR provided \$3.8 billion for the Operating Fund, which resulted in a proration of 83%. For FY2008, the President requested \$4 billion (\$3.99 billion for formula grants), which is estimated to result in a proration level of just over 80%. Both the House and Senate bills, along with the conference agreement, would provide \$200 million more than the President's request for the Operating Fund. (For more information, see CRS Report RS22557, *Public Housing: Fact Sheet on the New Operating Fund Formula*, by Maggie McCarty.)

For FY2008, the President requested \$2 billion for the Capital Fund, a \$400 million reduction from FY2007 funding. The majority of the reduction would come from the formula grants that HUD provides to PHAs to use to modernize their public housing. Both the House- and Senate-passed bills would increase funding above the President's requested level for the public housing Capital Fund. The House bill would fund the account at the FY2007 level (\$400 million above the President's request), and the Senate bill would provide almost \$500 million above the President's request. The Conference agreement would fund the account at the House-passed level.

The President again requested that Congress provide no new funds for the HOPE VI program, and that Congress rescind the \$99 million provided to the program in FY2007. The House and Senate bills, as well as the conference agreement, would provide funding for the HOPE VI program and none would rescind

FY2007 funding, as requested in the President's budget. The House bill would fund the program at \$120 million, and the Senate bill would fund the program at \$100 million. The conference agreement adopts the House-passed level.

Community Development Programs. The President's FY2008 budget recommendation for the formula portion¹¹ of the Community Development Block Grant (CDBG) program was approximately \$3 billion, 20% less than the \$3.7 billion appropriated for distribution to entitlement communities and states in FY2007. As approved by the House, H.R. 3074, would provide \$3.9 billion for CDBG formula grants. The Senate-passed version of H.R. 3074 would fund CDBG formula grants at \$3.7 billion. The conference agreement would provide \$3.8 billion. In addition to the CDBG program, the Community Development Fund account has also been used to fund other community development programs, including congressionally directed projects through the Economic Development Initiatives (EDI) and Neighborhood Initiatives (NI) programs. The President's budget proposed eliminating funding for EDIs and NIs, characterizing these programs as duplicative of the activities funded by the CDBG formula grant program. Both House and Senate bills would provide funding for EDI and NI earmarks. The House-passed version of H.R. 3074 recommends \$160 million for EDIs and \$20 million for NIs; the Senate-passed version would provide \$248 million for EDIs and \$40 million for NIs. The conference agreement would provide \$184 million for EDIs and \$27 million for NIs.

The Administration's budget also proposed eliminating funding for several community development programs funded outside of the community development fund account, including Brownfields Redevelopment, Section 108 loan guarantees, and Rural Housing and Economic Development Grants. The President's request for no new funding for these accounts was rejected in both the House and Senate bills as well as the conference agreement. The House bill would fund Section 108 loan guarantees at \$3.7 million, Brownfields Redevelopment at \$9.9 million and Rural Housing and Economic Development Grants at the enacted level for FY2007, \$16.8 million. The Senate bill provides \$6 million for Section 108 loan guarantees, \$10 million for Brownfields Redevelopment, and \$17 million for Rural Housing and Economic Development. The conference agreement would provide \$4.5 million for Section 108 loan guarantees, \$10 million for Brownfields Redevelopment, and \$17 million for Rural Housing and Economic Development.

Homeless Programs. The President's budget for FY2008 proposed to increase funding for the Homeless Assistance Grants by \$144 million above the FY2007 level, to \$1.586 billion. However, \$25 million of the FY2008 requested appropriation would have been transferred to the Department of Labor to fund a Prisoner Re-Entry Initiative under the President's request. As in past years, the Administration also proposed to consolidate the three competitive Homeless Assistance Grants — the Supportive Housing Program (SHP), the Shelter Plus Care

¹¹ The CDBG program also generally receives some funding for Indian tribes and other purposes. For more information, see CRS Report RL34022, *The Department of Housing and Urban Development: FY2008 Appropriations*, by Maggie McCarty, Libby Perl, Bruce E. Foote, Eugene Boyd, and Meredith Peterson.

(S+C) program, and the Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings (SRO) program — into one competitive grant.

As passed by the House, H.R. 3074 does not include the Prisoner Re-Entry Initiative, and instead proposes to fund the homeless programs at \$25 million less than the President's request — \$1.561 billion. The Senate-passed bill also fails to fund the Prisoner Re-Entry Initiative; however, it would fund the homeless programs at \$1.586 billion, the same level recommended by the President. Of that amount, \$25 million would fund a new demonstration program to rapidly rehouse homeless families living in shelters. The conference agreement adopts the Senate-passed funding level and includes funding for the demonstration program. Neither the House nor the Senate bill, nor the conference agreement, include the President's proposal to consolidate the competitive grants. However, separate legislation introduced in both the House (H.R. 840) and Senate (S. 1518) propose to consolidate the programs. (For more information about the distribution of the Homeless Assistance Grants, see CRS Report RL33764, *The HUD Homeless Assistance Grants: Distribution of Funds*, by Libby Perl.)

Housing Programs for the Elderly and the Disabled. The President's FY2008 budget proposal for the Section 202 Housing for the Elderly program would have reduced funding by almost \$160 million (nearly 29%) from the FY2007 level, to \$575 million. The House-passed version of H.R. 3074 would have provided just under \$735 million for elderly housing programs, while the Senate-passed version would have provided \$735 million. The conference agreement provides \$735 million. (For more information, see CRS Report RL33508, *Section 202 and Other HUD Rental Housing Programs for the Low-Income Elderly*, by Libby Perl.)

The President's budget, like that for FY2007, proposed to cut funding for the Section 811 Housing for the Disabled program nearly in half. In FY2007, the program was funded at just under \$237 million. In FY2008, the Administration's budget would have provided \$125 million for the Section 811 Housing for the Disabled program. The decrease would have resulted from the President's proposal to stop funding the capital grants component of the program and to only fund the rental voucher component of the program. The House-passed would provide funding at the at the FY2007 level (just under \$237 million); the Senate-passed bill and conference agreement would both fund the account at \$237 million.

Federal Housing Administration (FHA). For FY2008, the FHA account is expected to generate \$250 million in offsetting receipts, which is less than the amount of administrative expenses expected to be incurred by the account. This is a significant change from a few years ago when the income to the insurance funds (which was regularly in excess of \$1 billion) exceeded the costs and resulted in negative appropriations for FHA. This decline in offsetting receipts tracks FHA's declining market share.

The President's FY2008 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 President's FY2008 budget included three

legislative proposals that it estimated would generate \$362 million in budget savings. The first proposal was removing the aggregate limit on the number of Home Equity Conversion Mortgages (HECMs) and setting the loan limit for HECMs at 100% of the conforming loan limits, rather than varying by area. Second, amending the National Housing Act to permit HUD to increase the loan limits on the various multifamily housing programs by up to 170% on an area-by-area basis and by up to 215% on a project-by-project basis. The third proposal was increasing the fee charged by the Government National Mortgage Association (Ginnie Mae) for guaranteeing mortgage-backed securities by six basis points. The House and Senate bills include only the first two proposals, but with larger estimates of savings (\$540 million, as shown under the heading Legislative Proposals in **Table 5**). Most of these proposals are also included in the FHA reform bill (H.R. 1852) as reported in the House. The President's budget also proposed to move several accounts from the General Insurance/Special Risk Insurance fund to the Mutual Mortgage Insurance fund, although neither the House nor Senate bill include this proposal. The conference agreement follows the House- and Senate-passed bills.