

# CRS Report for Congress

## The Department of Housing and Urban Development: FY2009 Appropriations

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**Prepared for Members and  
Committees of Congress**

# The Department of Housing and Urban Development: FY2009 Appropriations

## Summary

The President's FY2009 budget requested \$39 billion for the Department of Housing and Urban Development (HUD), an increase of 4% in net budget authority from the FY2008 non-emergency level. That increase in net budget authority is largely attributable to a decline in the amount available to offset the HUD budget. The President's budget request would result in an overall decline in appropriations for HUD's programs and activities of just over 1% from the FY2008 level.

Despite the request for an overall decline in appropriations for HUD's programs and activities, the President's FY2009 budget did request increased funding in several areas, including project-based Section 8 rental assistance, the HOME Investment Partnerships block grant program, and Homeless Assistance grants. The President's FY2009 budget requested reductions in funding for several programs, including the Section 202 Housing for the Elderly program and the Section 811 Housing for the Disabled program. It proposed eliminating funding for several programs that were funded in FY2008, including the HOPE VI public housing revitalization program, the Brownfields Redevelopment program, Section 108 loan guarantees, and the Rural Housing and Economic Development block grant program. The President also requested no new funding for each of these programs in his FY2004-FY2008 budget requests, although Congress continued to fund them in each of those years.

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# The Department of Housing and Urban Development: FY2009 Appropriations

## Most Recent Developments

On March 7, 2008, the House and Senate Budget Committees reported resolutions on the FY2009 budget (S.Con.Res. 70 and H.Con.Res. 312). The House passed its budget resolution on March 13 by a 212 to 207 vote, and the Senate passed its version in the early hours of March 14 by a 51 to 44 vote. The budget resolutions are used to establish the amount of funding each appropriations subcommittee will have available to allocate. The budget resolution cannot generally be used for determining congressional funding levels for any specific program. For more information, see CRS Report RL34419, *The Budget for Fiscal Year 2009*, by D. Andrew Austin.

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

Most of the funding for the activities of the Department of Housing and Urban Development (HUD) comes from discretionary appropriations provided each year in the annual appropriations acts enacted by Congress. HUD's programs are primarily designed to address housing problems faced by households with very low incomes or other special housing needs. These include several programs of rental assistance for the poor, elderly, and/or disabled. Three rental assistance programs — Public Housing, Section 8 Vouchers, and Section 8 project-based rental assistance — account for the majority of the Department's non-emergency funding (more than 75% in FY2008). Two flexible block grant programs, HOME and Community Development Block Grants, help communities finance a variety of housing and community development activities designed to serve low-income families. Other, more specialized, block grants help communities meet the needs of homeless persons, including those with AIDS. In recent years, HUD has also focused more attention on efforts to increase the homeownership rates for lower-income and minority households, with programs providing funding for downpayment assistance and housing counseling.

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. FHA collects fees from insured borrowers, which are used to sustain the insurance fund and offset its administrative costs. Surplus FHA funds have been used to offset the cost of the HUD budget.

**Table 1** presents total enacted appropriations for HUD over the past five years, including emergency appropriations.

**Table 1. Department of Housing and Urban Development Appropriations, FY2004-FY2008**  
(net budget authority in billions)

FY2004	FY2005	FY2006	FY2007	FY2008
\$31.20	\$31.92	\$50.68 <sup>a</sup>	\$36.63	\$40.67 <sup>b</sup>

**Source:** Figures are taken from tables produced by the House Appropriations Committee. 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.
- b. Figure includes \$3 billion (P.L. 110-116) in emergency supplemental funding for Louisiana in response to the 2005 hurricanes. Regular FY2008 appropriations totaled \$37.6 billion.

## Overview and Recent Trends in HUD Funding

HUD's annual funding, or budget authority, is made up of several components, including regular annual appropriations, emergency appropriations, rescissions, and offsets.<sup>1</sup>

HUD's programs and activities are funded almost entirely through *regular annual appropriations*, also referred to as discretionary appropriations.<sup>2</sup> As a result, the amount provided in the annual appropriations acts each year generally determines how much will be obligated and eventually spent for each of HUD's programs and activities.

In some years, Congress will also provide *emergency appropriations*, generally in response to disasters, through one or more of HUD's programs. These funds are generally provided outside of the regular appropriations acts — often in emergency supplemental spending bills — and are generally provided in addition to regular program level funding.

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<sup>1</sup> For more information, see CRS Report RS20095, *The Congressional Budget Process: A Brief Overview*, by James V. Saturno.

<sup>2</sup> According to the Congressional Quarterly's American Congressional Dictionary, discretionary appropriations are defined as appropriations not mandated by existing law and therefore made available annually in appropriation bills in such amounts as Congress chooses. The Budget Enforcement Act of 1990 defines discretionary appropriations as budget authority provided in annual appropriation acts and the outlays derived from that authority, but it excludes appropriations for entitlements.

Congressional appropriators are generally subject to limits in the amount of new, non-emergency, discretionary appropriations they can provide in a year. One way to stay within these limits is to provide less in regular annual appropriations. Another way to stay within these limits is to find offsets for spending. A portion of the cost of HUD's regular annual appropriations acts is generally offset in two ways. The first is through *rescissions* or cancellations of unobligated or recaptured balances from previous years' funding. The second is through *offsetting receipts and collections*, generally derived from fees paid by HUD partners or clients.

The interaction between new appropriations and offsets provided through rescissions, receipts, and collections, determines HUD's total budget authority. Budget authority is also the "cost" of the HUD budget, as estimated by the Congressional Budget Office in its scorekeeping process.<sup>3</sup> The total amount of budget authority provided to HUD each year, while important for federal budgeting purposes, is not necessarily the best measure of the amount of funding that is being provided for HUD's programs and activities.

For example, if Congress has increased appropriations for HUD's programs and activities at the same time that offsetting receipts are increasing by a greater amount, then HUD's total budget authority may appear to be declining. Conversely, if Congress has reduced appropriations for HUD's programs and activities at the same time that offsetting receipts are declining by a greater amount, then HUD's budget authority may appear to be increasing. If Congress wished to maintain level budget authority for HUD programs, Congress would increase appropriations if offsets are declining (or, provide less appropriations if offsets are increasing).

As shown by the line in **Figure 1**, total non-emergency budget authority for HUD increased 28% between FY2002-FY2008, from over \$29 billion to just under \$38 billion. However, the increase in total budget authority masks several important trends.

From FY2002 to FY2008, regular annual appropriations, which is the amount available to fund HUD's programs and activities, grew by 20%. During the same period, the amount available in offsetting receipts and collections, which Congress uses to reduce the cost of providing new appropriations, declined by more than 65% (see **Figure 1**). As a result, the increase in total non-emergency budget authority for HUD from FY2002-FY2008 is not fully attributable to increases in appropriations for HUD's programs and activities; rather, part of the increase in total budget authority is attributable to decreases in the amount available in offsetting receipts.

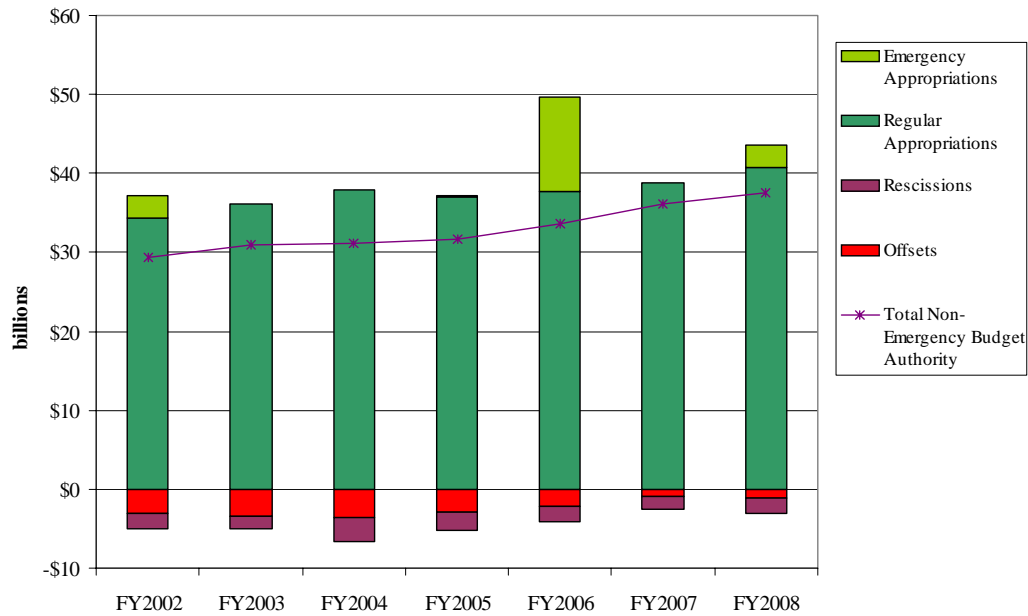
For example, in FY2007, Congress provided \$39 billion in regular appropriations for HUD's programs and activities. Since \$3 billion was available from offsets and rescissions, HUD's total budget authority was \$36 billion. If less

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<sup>3</sup> According to the Congressional Quarterly's American Congressional Dictionary, scorekeeping is defined as the process of calculating the budgetary effects of pending and enacted legislation and assessing its impact on applicable budgetary targets, as required by the Congressional Budget Act of 1974.

had been available in offsets, the cost to Congress of providing \$39 billion in regular appropriations would have been higher.

**Figure 1. HUD Funding, FY2002-FY2008**

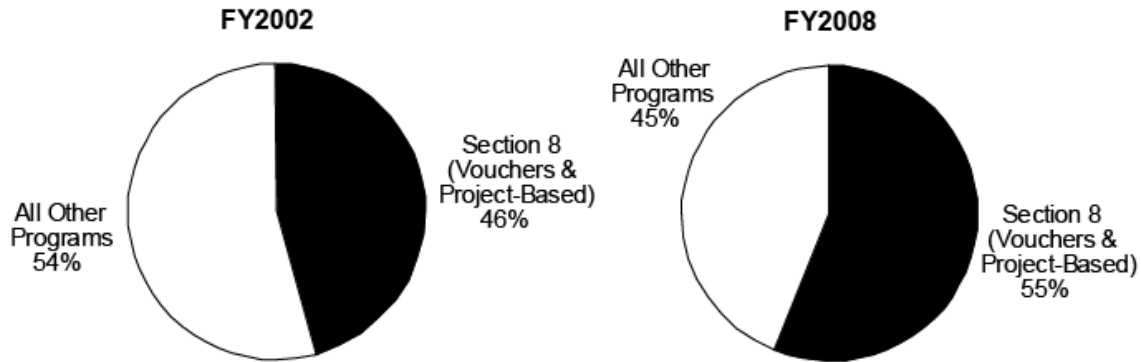


**Source:** Chart prepared by CRS on the basis of annual appropriations documents

The increase in regular (non-emergency) appropriations shown in **Figure 1** (from just over \$35 billion in FY2002 to over \$40 billion in FY2008) is largely attributable to the growth in appropriations for the project-based and tenant-based Section 8 program. From FY2002-FY2008, appropriations for Section 8 grew by more than 40%; appropriations for all other programs and activities during that period declined by about 4%. As can be seen in **Figure 2**, appropriations for the Section 8 program have grown from about 45% of HUD's regular appropriations in FY2002 to about 55% of HUD's regular appropriations in FY2008.



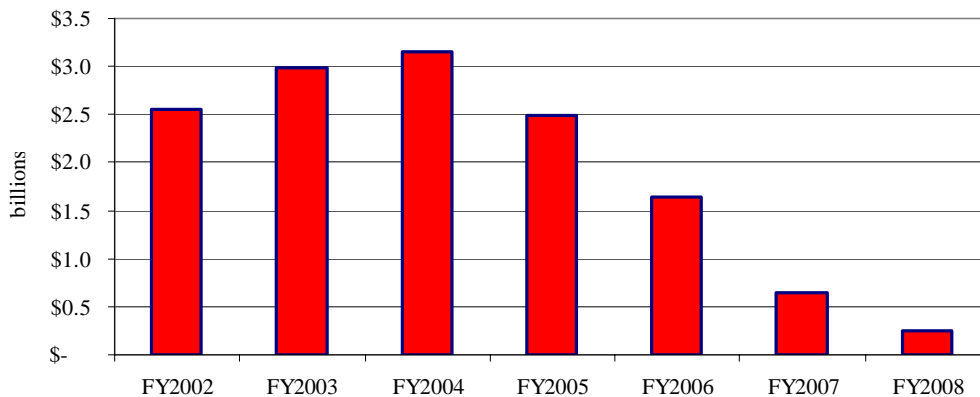
**Figure 2. Funding for Section 8 as a Percentage of Total HUD Appropriations, FY2002 and FY2008**



**Source:** Chart prepared by CRS on the basis of annual appropriations documents.

The large decline in offsetting receipts over this period is largely attributable to declines in excess receipts in the Federal Housing Administration's (FHA) mortgage insurance programs (discussed later in this report). As shown in **Figure 3**, from the peak (in FY2004) to the lowest point (in FY2008), the amount of offsetting receipts available from the FHA mortgage insurance program declined by 92%.

**Figure 3. FHA Offsetting Receipts, FY2002-FY2008**



**Source:** Chart prepared by CRS on the basis of annual appropriations documents.

## FY2009 Appropriations

**Table 2** presents the President’s FY2009 budget request for HUD compared to the prior year’s enacted budget authority. Four totals are given in **Table 2**: “budget authority provided” and “available budget authority,” both including and excluding emergency appropriations. Total budget authority *provided* includes current year appropriations, plus advance appropriations provided in the current fiscal year for use in the next fiscal year; total *available* budget authority includes current year appropriations, plus advance appropriations provided in the prior fiscal year for use in the current fiscal year. Congress is scored by CBO for the amount of available budget authority in an appropriations bill; however, the Appropriations Committees’ documents often discuss budget authority provided.

The President’s FY2009 Budget requests a less than 4% increase in total, regular (non-emergency) budget authority for HUD. Following recent trends, the requested increase in budget authority is largely driven by declines in the amount available for rescission (88% decline from FY2008) and projected to be available in offsetting receipts (23% decline from FY2008). The FY2009 request for regular (non-emergency) appropriations — which is the amount available for HUD’s programs and activities — represents a slight decline (1.4%) from FY2008.

**Table 2. Appropriations: Housing and Urban Development,  
FY2008-FY2009**

(budget authority in billions of dollars)

Account	FY2008 Enacted	FY2009 Request
<b>Appropriations</b>		
Management and Administration	1.212	1.290
Tenant Based Rental Assistance (Sec. 8 vouchers) (includes advance appropriation for subsequent year)	16.391	15.881
Project Based Rental Assistance (Sec.8) (includes advance appropriation for subsequent year)	6.382	7.400
Public housing capital fund	2.439	2.024
Public housing operating fund	4.200	4.300
HOPE VI	0.100	0.000
Native American housing block grants	0.630	0.627
Indian housing loan guarantee	0.007	0.009
Native Hawaiian Block Grant	0.009	0.006
Native Hawaiian loan guarantee	0.001	0.000
Housing, persons with AIDS (HOPWA)	0.300	0.300
Rural Housing Economic Development	0.017	0.000
Community Development Fund (including CDBG)	3.866	3.000
Sec.108 loan guarantee; subsidy	0.005	0.000
Brownfields redevelopment	0.010	0.000

Account		FY2008 Enacted	FY2009 Request
HOME Investment Partnerships		1.704 <sup>a</sup>	1.967 <sup>a</sup>
Self-help Homeownership		0.060	0.040
Homeless Assistance Grants		1.586	1.636
Housing for the elderly		0.735	0.540
Housing for persons with disabilities		0.237	0.160
Manufactured Housing Fees Trust Fund <sup>b</sup>		0.016	0.021
Housing Counseling Assistance		<sup>a</sup>	0.065 <sup>a</sup>
Rental Housing Assistance <sup>b</sup>		0.028	0.028
Research and technology		0.051	0.055
Federal Housing Administration (FHA) Expenses <sup>b</sup>		0.169	0.187
Fair housing activities		0.050	0.051
Office, lead hazard control		0.145	0.116
Working capital fund		0.155	0.224
Inspector General		0.112	0.115
Office of Federal Housing Enterprise Oversight <sup>b</sup>		0.066	0.067
<b>Appropriations Subtotal</b>		<b>40.683</b>	<b>40.108</b>
<b>Rescissions</b>			
Housing Certificate Fund (Sec. 8) rescission		-1.250	0.000
Neighborhood Initiatives rescission		0.000	-0.026
Economic Developments Initiative rescission		0.000	-0.180
Rental housing assistance rescission		-0.038	-0.028
Tenant-Based Rental Assistance (Sec. 8 voucher) rescission		-0.723	0.000
<b>Rescissions Subtotal</b>		<b>-2.011</b>	<b>-0.233</b>
<b>Offsetting Collections and Receipts</b>			
Manufactured Housing Fees Trust Fund		-0.016	-0.016
Office of Federal Housing Enterprise Oversight		-0.066	-0.067
FHA		-0.250	-0.140
Government National Mortgage Association (GNMA)		-0.163	-0.170
Legislative Proposals		-0.540	-0.407
<b>Offsets Subtotal</b>		<b>-1.035</b>	<b>-0.800</b>
<b>Emergency Funding</b>			
CDBG Appropriations for the Gulf Coast		3.000	0.000
<b>Emergency Funding Subtotal</b>		<b>3.000</b>	<b>0.000</b>
<b>Totals</b>			
<b>Total Budget Authority Provided, excluding Emergency Appropriations</b>		<b>37.637</b>	<b>39.075</b>

Account	FY2008 Enacted	FY2009 Request
Total Available Budget Authority, excluding Emergency Appropriations	37.672	38.833
Total Budget Authority Provided, including Emergency Appropriations	40.637	39.075
Total Available Budget Authority, including Emergency Appropriations	40.672	38.833

**Source:** Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

**Note:** Total budget authority *provided* includes advance appropriations provided in the current fiscal year for use in the subsequent fiscal year; *available* budget authority includes the advance appropriations that were provided in the prior fiscal year for use in the current fiscal year.

- a. In FY2008, funding for housing counseling assistance was provided as a set-aside within the HOME account; for FY2009, the President's budget requested that funding for housing counseling assistance be provided in a separate account.
- b. Funding for this account is generally offset through collections, receipts, or rescissions shown later in **Table 2**.

## Accounts

The following section of the report provides a detailed discussion of the majority of accounts included in **Table 2**.

**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 2 million Section 8 vouchers, which are administered at the local level by quasi-governmental Public Housing Authorities (PHAs). This account — the largest in HUD's budget — funds the cost of those vouchers and the cost of administering the program.

**Table 3** presents three totals for the Section 8 tenant-based rental assistance account: budget authority provided; available budget authority, pre-rescission; and available budget authority, post-rescission. As described earlier, total budget authority *provided* includes current year appropriations, plus advance appropriations provided in the current fiscal year for use in the subsequent fiscal year; *available* budget authority includes current year appropriations, plus advance appropriations provided in the prior fiscal year for use in the current fiscal year. In FY2008, Congress enacted a rescission from the advance appropriations provided in FY2007 for use in FY2008. (See expanded discussion below under "Current Appropriations, Advance Appropriations, and Rescissions.")

**Table 3. Section 8 Tenant-Based Rental Assistance (Vouchers),  
FY2008-FY2009**

(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Total, Section 8 Tenant-Based Rental Assistance (Budget Authority Provided)</b>	<b>16,391</b>	<b>15,881</b>
<b>Total, Section 8 Tenant-Based Rental Assistance (Available Budget Authority, pre-rescission)</b>	<b>16,426</b>	<b>16,039</b>
<b>Total, Section 8 Tenant-Based Rental Assistance (Available Budget Authority, post-rescission)</b>	<b>15,703</b>	<b>16,039</b>
Current Year Budget Authority	12,233	11,881
Advance Appropriation Provided for Next Year	4,158	4,000
Advance Appropriation Available for Current Year	4,193	4,158
Advance Appropriation Available for Current Year, Less Rescission	3,470	4,158
<b>Voucher Renewal Funding</b>		
Gross Budget Authority for Voucher Renewals	14,695 <sup>a</sup>	14,319 <sup>b</sup>
Rescission from Advance Appropriation	723	0
Net Budget Authority for Voucher Renewals	13,971 <sup>a</sup>	14,319
<i>Rental subsidy reserve</i>	50	50
<b>Other Set-Asides</b>		
Administrative fees	1,351 <sup>a</sup>	1,400
<i>Additional Fees</i>	35	40
Family Self Sufficiency Coordinators	49	48
Tenant Protection Vouchers	200	150
New Incremental Vouchers	125	114
Working Capital Fund	6	8 <sup>b</sup>

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

**Note:** Totals may not add due to rounding.

- a. The Congressional Budget Justifications for FY2009 show gross renewal funding about \$10 million higher than the amount shown here and administrative fee funding about \$10 million less than the amount shown here. It appears that HUD may have transferred approximately \$10 million from administrative fees to renewals in FY2008; however, the Congressional Budget Justifications indicate that the amounts available for calendar year 2008 (the voucher program is funded and administered on a calendar year basis) is equal to the amounts shown in this table.
- b. The President's FY2009 budget proposes to change the treatment of funding for the Working Capital Fund. Rather than treating it as a set-aside within the account, the President's budget proposes to treat it as a transfer, which, presumably, would be taken from the amount available for renewal funding.

***Current Appropriations, Advance Appropriations and Rescissions.***

The budget authority for the tenant-based rental assistance account is made up of two components: current year appropriations and advance appropriations. Current year appropriations are provided in a fiscal year for use in that fiscal year. Advance appropriations are provided in a fiscal year for use in the subsequent fiscal year. For budget scoring purposes, the Appropriations Committee is charged for an advance appropriation in the year it becomes available for use. Since FY2001, funding for the Section 8 program has included an advance appropriation, and for most years, the advance appropriation was the same amount every year. As a result, the amount of funding that was *provided* in a given year (the current year appropriation, plus the advance for the next year) was equal to the amount of budget authority *available* to the program for that year (the current year appropriation, plus the advance from the previous year).

In FY2008, the advance appropriation provided by Congress to become available in FY2009 was less than the amount of the advance appropriation that became available in FY2008 (and was provided in FY2007). As a result, the amount of budget authority *provided* in FY2008 (\$16,391 million) was less than the amount of budget authority *available* to the program in FY2008 (\$16,426 million). Congress was “scored” by CBO for the amount of budget authority *available* in the fiscal year, rather than the amount *provided* by the bill.

FY2008 funding for the tenant-based rental assistance account was further complicated by a rescission that was included in the administrative provisions of the FY2008 appropriations law. Section 238 of Division K (P.L.110-161) directed that HUD reduce the advance appropriation that was provided in FY2007 for use in FY2008 by \$723 million. This rescission did not affect the amount of budget authority *provided* by the FY2008 funding bill, but it did affect the amount of budget authority *available* to the program in FY2008, reducing it from \$16,426 million to \$15,703 million.

In his FY2009 budget request, the President requested that Congress again provide less in advance appropriations for the Section 8 tenant-based rental assistance account than will become available in FY2009. The President has requested that Congress provide \$4,000 million in advance appropriations for use in FY2010 (a decrease from the \$4,158 million in advance appropriations provided in FY2008 for use in FY2009). In addition to the advance, the President’s budget requested \$11,881 million in current year funding for FY2009.

Combined, the President’s request would result in \$16,039 million in *available* budget authority for FY2009 (an increase from the \$15,703 million available post-rescission in FY2008) and \$15,881 million in budget authority *provided* for FY2009 (a decrease from the \$16,391 million provided in FY2008).

***Renewal Funding.*** In FY2008, Congress provided \$14,695 million to renew existing vouchers, but also rescinded \$723 million from advance appropriations intended to be used for renewal funding (as described above). The net funding for renewals in FY2008 — \$13,971 million — was intended to be supplemented with agencies’ use of their net restricted assets. Net restricted assets are accumulated unspent funds that agencies are not permitted to spend because their use would result

in the agency leasing more than their allocated number of vouchers.<sup>4</sup> In order to enable agencies to spend their net restricted assets, Congress directed HUD to reduce agencies' FY2008 funding by the amount by which their net restricted assets exceeded 7% of their prior year renewal funding (see discussion under "Renewal Formula" heading below). It was estimated that roughly the same amount of net restricted asset funding would be freed up as was rescinded (\$723 million). As a result, it was assumed that the overall funding available for renewals in FY2008 would be equal to just under \$14,695 million (\$13,971 million in appropriations plus \$723 billion in newly freed-up net restricted assets).

For FY2009, the President requested \$14,319 million for voucher renewals, an increase over FY2008 (\$13,971 million). HUD's Congressional Budget Justifications indicate that the President anticipates supplementing the amount requested for renewals by "freeing-up" PHAs' remaining net restricted assets, which HUD estimates to be worth roughly \$600 million. Combining the President's requested appropriations level with the \$600 million anticipated to be available from net restricted assets, the FY2009 program level would be \$14,919 billion, an increase over the estimated FY2008 program level (\$14,695 million, including the use of \$723 million in net restricted assets), of about \$250 million, or 1.7%. This rate of increase is likely below the annual adjustment factor (AAF), with is the inflation measure that is generally used for calculating PHAs' budgets; in FY2008, the unweighted average AAF was about 4%.<sup>5</sup>

**Renewal Formula.** One of the most contentious aspects of the HUD budget in recent years has been how Congress directs HUD to allocate voucher renewal funding to PHAs. Although a statutory allocation formula exists, it has been overridden in the annual appropriations acts each year since FY2003. In some years, PHAs have been funded according to the cost of their vouchers and the number of vouchers they have leased (called their utilization rate); in other years, PHAs have been funded on the basis of what they received in the previous year, without adjustments for cost or utilization changes. (For more information, see CRS Report RL33929, *Recent Changes to the Section 8 Voucher Renewal Funding Formula.*)

In FY2008, Congress directed HUD to fund PHAs on the basis of their costs and utilization from the previous year, adjusted for inflation and other factors. Congress then directed HUD to reduce each PHA's allocation by the amount that their net restricted assets exceeded 7% of their previous year's allocation, and then prorate PHAs' budgets to fit within the amount appropriated (\$13,921 million<sup>6</sup>). Some PHAs — PHAs participating in the Moving to Work demonstration, PHAs that spent more than they were allocated in the previous year, certain PHAs affected by the 2005 hurricanes, and PHAs under a HUD receivership — were subject to a different formula. Moving to Work PHAs were funded on the basis of their contracts with

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<sup>4</sup> PHAs have been prohibited from using excess budget authority to fund vouchers above their allocated baseline — referred to as overleasing — since FY2003.

<sup>5</sup> Calculated by CRS using FY2008 AAFs, Table 1, highest cost utility included. Data available from HUD at [<http://www.huduser.org/datasets/aaf.html>].

<sup>6</sup> \$13,971 million less the \$50 million rental subsidy reserve.

HUD; PHAs that spent more than their allocations were funded on the basis of what they received in the previous year, plus inflation; and the others were funded on the basis of the higher of what they received in the previous year (plus inflation), or what they were eligible to receive under the FY2008 funding formula.

Additionally, Congress provided \$50 million for a rental subsidy reserve that HUD could use to fund PHAs that would either not have enough funding to maintain their current vouchers under this formula, or who faced high portability<sup>7</sup> costs.

For FY2009, the President requested that PHAs be funded on the basis of what they received in the previous year, plus inflation, reduced by their remaining net restricted assets, and prorated to fit within the amount appropriated. The President's budget also included a request for a \$50 million rental subsidy reserve to adjust the budgets of PHAs facing unforeseen circumstances or high portability costs. Finally, the President's budget proposed allowing PHAs to use excess budget authority to fund additional vouchers above their baseline allocation (overleasing), which, as noted earlier, they have been prohibited from doing since FY2003. For PHAs whose costs and utilization remain relatively steady from FY2008 to FY2009, this formula change would have little impact; for PHAs with increases/decreases in costs and/or utilization, this formula change could result in a relative funding decrease/increase from FY2008 to FY2009.

**Administrative Fee Formula.** Prior to FY2003, administrative fee funding was provided as a part of voucher renewal funding. PHAs were paid administrative fees on a per voucher basis, in an amount based on a formula tied to HUD-established fair market rents (FMRs) in their communities. In FY2003, Congress separated administrative fee funding from voucher renewal funding and directed HUD to provide administrative fees to PHAs on a pro-rata basis according to what they received in the previous year.

This formula change was maintained until FY2008, when Congress directed HUD to allocate administrative fees to PHAs on the basis of the per voucher formula tied to FMRs that was in use prior to FY2003. However, Congress continued to set-aside a fixed amount of funding for administrative fees (\$1,351 million in FY2008). While more administrative fee funding was made available to PHAs in FY2008 than FY2007, it is estimated that the amount provided in FY2008 would not be sufficient to fund 100% of PHAs administrative fee eligibility under the formula.

For FY2009, the President's budget requested an increase in administrative fee funding (by about \$50 million to \$1,400 million). The President's budget request also proposed using the same formula for allocating administrative fees as was used in FY2008.

**New Incremental Vouchers.** FY2008 was the first year since FY2002 that Congress funded new incremental vouchers. From FY2003 through FY2007, the

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<sup>7</sup> Portability is the term used to describe the process in which a family with a voucher moves from the jurisdiction of one PHA to the jurisdiction of another. In some cases, PHAs can face increased costs due to portability moves.



only “new” vouchers that were funded by Congress were vouchers for families displaced from other forms of housing assistance (called tenant protection vouchers). In FY2008, Congress provided \$125 million to fund new vouchers for homeless veterans, non-elderly disabled families, and families in the child welfare system (including youth aging out of foster care).

In his FY2009 budget, the President requested \$39 million to fund incremental vouchers for elderly and disabled families who were displaced by the 2005 hurricanes and whose FEMA-funded rental assistance will be ending in March 2009. He also requested \$75 million for new incremental vouchers for homeless veterans.

**Project-Based Section 8 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. When the program was active, Congress funded the contracts for 20-40 year periods, so the monthly payments for landlords came from old appropriations. However, once those contracts expire, if they are renewed, they require new annual appropriations.

Two totals are provided in **Table 4**: budget authority provided, which includes advance appropriations provided for use in the subsequent fiscal year; and available budget authority, which includes the advance appropriation provided in the prior fiscal year for use in the current fiscal year.

**Table 4. Section 8 Project-Based Rental Assistance,  
FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Section 8 Project-Based Rental Assistance (Budget Authority Provided)</b>	<b>6,382</b>	<b>7,400</b>
<b>Section 8 Project-Based Rental Assistance (Available Budget Authority)</b>	<b>6,382</b>	<b>7,000</b>
Current Year Appropriations for Contract Renewals	6,139 <sup>a</sup>	6,763
Advance Appropriation for Contract Renewals	NA	400
Contract Administrators	239 <sup>b</sup>	232
Working Capital Fund	4	5

**Source:** Prepared by CRS on the basis of the President’s FY2009 Budget documents and HUD Congressional Budget Justifications.

- a. The bill specified that *up to* this amount is to be made available to fund renewals. This amount may be reduced in order to increase funding for contract administrators (see Table Note b, below).
- b. The bill specified that the Secretary could designate no less than \$239 million and no more than \$286 million for contract administrators.

**Contract Funding.** In July 2007, HUD stopped making monthly payments to project-based Section 8 property owners and suspended renewals of expiring contracts. At the time, HUD stated that they lacked sufficient funding to meet the needs of their existing contracts. Department officials stated that the problem arose because HUD's legal counsel had determined that HUD could no longer obligate partial funding when it entered into a 12-month contract renewal with a property owner, which had been the Department's past practice.

The FY2007 funding level had been sufficient to fund partial contract renewals, but not sufficient to fund all contract renewals for their full 12 month terms. The Office of Management and Budget (OMB) and HUD worked together to identify sufficient funding to resume payments to landlords for the remainder of FY2007 (including retroactive payments), and HUD modified its contracts to indicate that funding might not be set aside for the full length of the contract. This practice of short-funding contracts was the subject of a hearing before the House Financial Services Committee. At that hearing, a HUD official testified that HUD's FY2008 funding request would be sufficient to partially fund contracts through the end of FY2008.<sup>8</sup>

To help illustrate the concept of full contract funding versus partial contract funding, see **Figure 4**. Project-based contracts expire all throughout the year. When a contract expires, HUD can either provide funding for the full 12 month term of the contract (the light plus dark shaded areas of **Figure 4**), or some shorter period, such as through the end of the federal fiscal year, September 30<sup>th</sup> (the dark shaded areas of **Figure 4**).

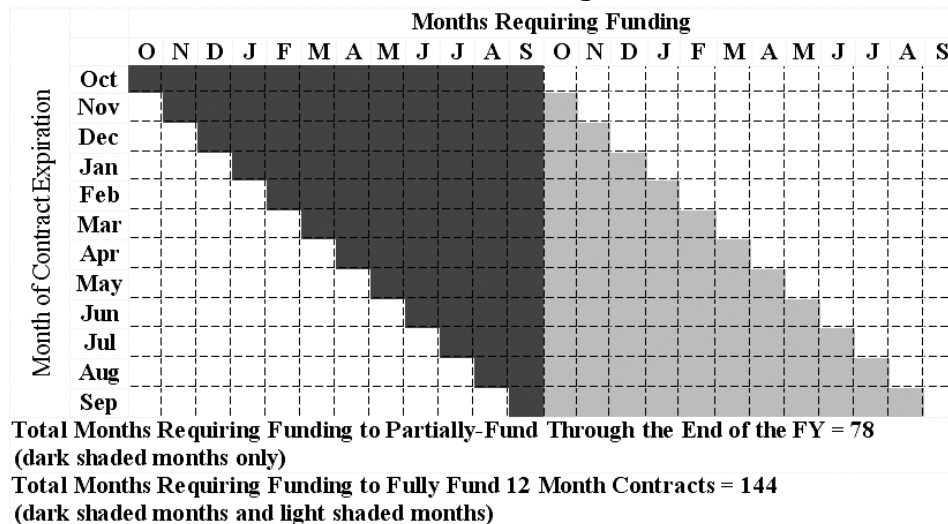
For example, if a contract expires at the beginning of July, in order to fund it through the end of the federal fiscal year (as shown in the dark shaded area in **Figure 4**), HUD would be required to provide 3 months worth of funding. In order to fund the contract for a full year, through the following July, HUD would be required to provide 12 months of funding (as shown in the dark and light shaded area in **Figure 4**).

Assuming all of the roughly 18,000 project-based Section 8 contracts expire evenly across the months of the year (which is likely not the case), in order to fund all 18,000 contracts through the end of the fiscal year, HUD would need 78 months worth of funding (see dark shaded area of **Figure 4**). In order to fund all 18,000 contracts for their full 12 month terms, HUD would need 144 months worth of funding (sum of dark shaded and light shaded areas in **Figure 4**).

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<sup>8</sup> See transcript from "The Impact of Late Housing Assistance Payments on Tenants and Owners in the Project-Based Rental Assistance Program," hearing before the House Financial Services Committee, Wednesday, October 17, 2007.

**Figure 4. Illustration of Project-Based Contract Partial Funding**



**Source:** Figure prepared by CRS assuming contracts expire in equal increments over the year.

For FY2008, Congress provided about \$600 million more for project-based contract renewals than the President requested. That amount of funding was estimated to be sufficient to fund all of the existing contracts through at least the end of the fiscal year, but not sufficient to provide a full 12 months worth of funding for all of the contracts. HUD estimated that it would need an additional \$1,900 million to fully fund all contracts for 12 months.<sup>9</sup>

For FY2009, the President requested \$7,000 million for project-based contract renewals and also requested that Congress provide an additional \$400 million in advance appropriations to become available in FY2010. HUD's Congressional Budget Justifications indicate that the requested \$7,000 million would be sufficient to fund all contracts through the end of the 2009 federal fiscal year (September 30, 2009), and that the \$400 million advance would be sufficient to cover the program's payment needs on the first day of the next fiscal year (October 1, 2009). The requested funding level would not be sufficient to fully fund all contracts for 12 months.

**Public Housing.** The public housing program provides publicly owned and subsidized rental units for very low-income families. Although 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 own and 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

<sup>9</sup> See transcript from "Fiscal 2009 Budget for the Department of Housing and Urban Affairs," hearing before the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, February 13, 2008.

administration of public housing. 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, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Public Housing Operating Fund</b>	<b>4,200</b>	<b>4,300</b>
Operating Subsidies	4,194	4,294
Transition to asset-based management	6	6
<b>Public Housing Capital Fund</b>	<b>2,439</b>	<b>2,024</b>
Formula grants <sup>a</sup>	2,327	1,939
Technical assistance/remediation	12	7
Administrative/Judicial receivership	9	10
Emergency needs	19	0
Service coordinators and supportive services (ROSS)	40	38
Financial and physical assessments	15	15
Working Capital Fund	17	15
<b>HOPE VI</b>	<b>100</b>	<b>0</b>

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

- a. This amount is not specified in legislation, but is calculated by subtracting the set-asides from the account total. Because several set-asides are specified as "up to" the amount specified, the amount available for formula grants may increase.

**Operating Fund Proration.** PHAs receive operating funding on the basis of a formula that is meant to make up the difference between what it costs to maintain public housing and what PHAs receive in tenant rents. Each year, HUD estimates PHA budgets on the basis of this formula. HUD then compares the amount of funding PHAs are eligible to receive in aggregate to the amount of funding provided by Congress. If the amount provided by Congress is less than PHAs' aggregate budget eligibility, HUD applies an across-the-board reduction to PHAs' budgets. The percentage of eligible funding provided to PHAs after applying the across-the-board reduction is referred to as the proration level.

In FY2008, Congress provided \$4,200 million for public housing operating funds, which was sufficient to fund an estimated 84% of PHA budget eligibility.<sup>10</sup> In FY2009, the President requested \$4,300 million, which HUD's Congressional Budget Justifications estimate would result in a proration level of 81%.

<sup>10</sup> See [<http://www.hud.gov/offices/pih/programs/ph/am/of/cy2008oblig2.pdf>].

**Capital Fund.** The President's FY2009 budget requested a roughly 17% decrease in funding for formula grants under the Capital Fund, compared to FY2008. The amount requested is roughly equal to the estimated \$2 billion in new capital needs that accrue every year in public housing. In addition to new needs, there is an estimated backlog of roughly \$20 billion in unmet capital needs.<sup>11</sup> These estimates of need, however, are more than 10 years old, and the public housing stock has changed significantly during that time, due to demolition and disposition of many units. HUD's Congressional Budget Justifications note that HUD is in the process of undertaking a Capital Needs Assessment in order to estimate the current capital needs of public housing. HUD's Congressional Budget Justifications also note that PHAs can use their capital funding to leverage outside resources to help address unmet capital needs.

**HOPE VI.** Each year since FY2003, the President has requested no new funding for the HOPE VI public housing revitalization program. In response, each year, Congress has continued to fund the program. Up until FY2003, the program was generally funded at just under \$600 million, although in recent years its funding level has generally been around \$100 million. HUD's Congressional Budget Justifications criticize the program for a slow expenditure of grant funds and also note that PHAs are able to use their capital fund grants to leverage resources in much the same way HOPE VI grants are used to leverage additional resources, making HOPE VI less necessary. Proponents of HOPE VI cite the program's transformative effects on severely distressed communities. (For additional information, see CRS Report RL32236, *HOPE VI Public Housing Revitalization Program: Background, Funding, and Issues*, by Maggie McCarty).

**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.

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<sup>11</sup> Abt Associates, "Capital Needs of the Public Housing Stock in 1998 Formula Capital Study," January 2000.

**Table 6. Native American Block Grants, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Native American housing block grants</b>	<b>630</b>	<b>627</b>
Formula Grants	NS	621
Loan Guarantee (Title VI Credit Subsidy)	2	2
Technical Assistance	4	4
National American Indian Housing Council	NS	0

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

**Note:** Some set-asides are not specified (NS) in the appropriations bills or accompanying reports.

The President's budget requests an appropriation of \$627 million in Native American Block Grants for FY2009, a decrease of \$3 million from the level enacted for FY2008. The request includes \$2 million in credit subsidy to support about \$17 million in loans under the Title VI program. No set-aside is requested for the National American Indian Housing Council.

**Housing for Persons with AIDS (HOPWA).** The HOPWA program (42 U.S.C. §§12901-12912) 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. (For background, see CRS Report RL34318, *Housing Opportunities for Persons with AIDS (HOPWA)*, by Libby Perl.)

**Table 7. HOPWA, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Housing for Persons with AIDS (HOPWA)</b>	<b>300</b>	<b>300</b>

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

For FY2009, the President proposed to fund the HOPWA program at the FY2008 level — \$300 million. For the third year in a row, the Administration's budget recommends changing the formula used to allocate funds to states and localities. Currently the formula uses the cumulative number of AIDS cases in a recipient jurisdiction (including those individuals who have died) to determine how funds are distributed. The method proposed by the President would use as formula factors the number of persons *living with* AIDS and would include a housing cost factor to account for rents in high cost areas.

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

**Table 8. Rural Housing and Economic Development,  
FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009</b>
<b>Rural Housing and Economic Development</b>	17	0

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

**Program Termination.** As in previous years, the Administration proposes no funding for the program for FY2009 and argues that activities of this account are best performed through the CDBG or HOME programs. For FY2008, \$17 million was appropriated for the program.

**Community Development Fund/Block Grants.** The Community Development Fund (CDF) account supports activities undertaken through the Community Development Block Grant program. In addition, the CDF has funded other community development-related programs in past years, including the Economic Development Initiatives and Neighborhood Initiative demonstrations.

The President's FY2009 budget recommendation of \$2,927 million for the formula portion of CDBG is \$659 million (18.4%) less than the \$3,586 million appropriated for distribution to communities and states in FY2008. In addition, the President's FY2009 budget request stated that the Administration would seek to reform the CDBG program during the 110<sup>th</sup> Congress by again offering Congress a proposal that was first unveiled during the 109<sup>th</sup> Congress, namely, the Community Development Block Grant Reform Act. The Administration proposal, which would restructure the CDBG distribution formula, includes the following changes:

- replacement of the existing dual CDBG formula with a single weighted formula that would target assistance on the basis of a community's or state's share of households living in poverty (excluding college students), the number of female-headed households with minor children, the number of overcrowded housing units, the number of housing units 50 years or older occupied by low-income families and per capita income;
- a requirement that entitlement communities would have to meet a minimum grant threshold in order to receive a direct annual allocation;
- a two-year transition for communities that no longer met the minimum grant threshold amount; and
- a new \$200 million bonus grant program called Economic Development and Revitalization Challenge Grants to reward

entitlement communities with programs resulting in improved living conditions in distressed neighborhoods.<sup>12</sup>

In addition to requesting reduced funding for CDBG formula grants, the Administration's FY2009 budget proposes eliminating funding for several other community development related programs, including Rural Housing and Economic Development Grants, Community Development Block Grant Section 108 loan guarantees, and Brownfields Economic Development Initiatives. The budget characterized these programs as duplicative of the activities funded by the CDBG formula grant program.

**Table 9. Community Development Fund (CDF):  
Community Development Block Grants (CDBG)  
and Related Set-Asides, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>CDF</b>	<b>3,866</b>	<b>3,000</b>
CDBG Formula Grants	3,586	2,927
Insular Areas	7	7
Indian CDBG	62	57
Technical Assistance	3	5
Working Capital	2	3
Economic Development Initiative Earmarks (EDI)	180	0 <sup>a</sup>
Neighborhood Initiative Earmarks (NI)	26	0 <sup>a</sup>
<b>CDBG Disaster Recovery Grants Emergency Funding</b>	<b>3,000<sup>b</sup></b>	<b>0</b>

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

**Note:** Totals may not add due to rounding.

- a. The President's FY2009 budget requested that Congress cancel the EDI and NI earmark funding provided in FY2008.
- b. The \$3 billion in CDBG disaster assistance was appropriated in P.L. 110-116 for Louisiana's Road Home Program.

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<sup>12</sup> The proposal may be viewed at [<http://www.hud.gov/content/releases/pr06-056act.pdf>]. Under Section 7(b) of the draft proposal, the Challenge Grant Program would be funded as a set aside within the total appropriated for CDBG formula grant activities. For FY2009, funding of Challenge Grant activities is contingent upon passage of CDBG formula reforms drafted by the Administration. The Administration's proposed CDBG Reform Act, including creation of the Challenge Grant Program, has not been formally introduced in the 110<sup>th</sup> Congress.



**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<sup>13</sup> redevelopment, large scale economic development, and housing projects. CDBG entitlement communities and states are allowed to borrow an amount equal to as much as five times their annual CDBG allocation for qualifying activities. As security against default, states and entitlement communities must pledge their current and future CDBG allocations.

The Administration budget does not include funding for the Section 108 loan guarantee program for FY2009. Citing the results of its PART (Program Assessment Rating Tool), which found the program was duplicative and that results were not demonstrated, the Administration is recommending that the program be terminated.<sup>14</sup>

**Table 10. CDBG Section 108 Loan Guarantees, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Section 108 Loan Guarantees</b>	<b>5</b>	<b>0</b>
<i>Loan commitment ceiling</i>	<i>205</i>	<i>0</i>

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

**Brownfields Economic Development Initiative.** The Brownfields Economic Development Initiative 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 funds are used in support of CDBG Section 108 loan guarantees and in collaboration with program funding by the Environmental Protection Agency. The Bush Administration's budget recommends termination of the program.

**Table 11. Brownfields Redevelopment, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2009 Enacted</b>	<b>FY2009 Request</b>
<b>Brownfields Redevelopment</b>	<b>10</b>	<b>0</b>

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

<sup>13</sup> See discussion under Brownfields Economic Development Initiative heading later in this report.

<sup>14</sup> The PART assessment may be viewed at [<http://www.whitehouse.gov/omb/expectmore/summary/10009066.2007.html>].

**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,  
FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>HOME (total)</b>	<b>1,704</b>	<b>1,967</b>
Formula grants <sup>a</sup>	1,628	1,903
American Dream Downpayment Initiative	10	50
Technical assistance	13	10
Housing counseling assistance	50	b
Working capital fund transfer	3	4
<b>Housing Counseling</b>	<sup>b</sup>	<b>65</b>

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

- a. Includes funding for insular areas.
- b. The FY2009 budget proposed funding Housing Counseling at \$65 million in a separate account. In past years, funding for housing counseling has been provided as a set-aside within the HOME program.

**HOME Formula Grants.** The President's FY2009 budget requested a \$275 million increase in funding for HOME formula grants. HUD's Congressional Budget Justifications identify the HOME program as key to the President's goal of increasing homeownership opportunities, especially for minorities. They also cite the program's relatively strong rating from the Office of Management and Budget's (OMB) Program Assessment and Rating Tool evaluation. According to HUD's Congressional Budget Justifications, OMB found that the program "has a clear purpose, strong management, and can demonstrate results."

**American Dream Downpayment Initiative (ADDI).** The President's budget requested a 400% increase in funding for ADDI, from \$10 million in FY2008 to \$40 million in FY2009. The program was originally authorized through the end of FY2007 at \$200 million per year, although it has never been funded at more than \$86 million.

The program was slated to sunset at the end of FY2007, but it was continued through FY2008 by the FY2008 appropriations law. The President's FY2009 budget requested language to extend the program through FY2011.

**Housing Counseling.** In each of the past several years, the President has requested that Congress provide funding for housing counseling assistance in a separate account, and each year, Congress has continued to fund it as a set-aside within the HOME account. For FY2009, the President's budget again requested that housing counseling be funded separately from HOME, at \$15 million more than it was funded in FY2008. HUD's Congressional Budget Justifications cite the housing counseling program's ability to aid troubled homeowners during the current period of increased mortgage defaults and foreclosures as the reason behind the request for increased funding.

**Self-Help and Assisted Homeownership Opportunity Program.** This account funds the Self-Help Housing Opportunity Program (SHOP) program and several set-asides. Through the SHOP program, HUD provides 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.

**Table 13. Self Help Homeownership Opportunities,  
FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Self Help Homeownership Opportunities</b>	<b>60</b>	<b>40</b>
Self Help Homeownership (SHOP)	27	40
<i>Technical Assistance</i>	0	<1
Capacity Building Comm. Dev. and Affordable Housing <sup>a</sup>	34	0
Housing Assistance Council	b	0
National American Indian Housing Council	c	0
National Council of La Raza	d	0

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

- a. Includes language directing that up to \$5 million of the total amount appropriated be used to support capacity building activities in rural areas.
- b. Funds included in CDF's Neighborhood Initiative subaccount with a funding level of \$3 million.
- c. Funds included in CDF's Neighborhood Initiative subaccount with a funding level of \$1 million.
- d. Funds included in CDF's Neighborhood Initiative subaccount with a funding level of \$1 million.

The President's FY2009 budget requested \$40 million for the SHOP program, including just under \$1 million for technical assistance. The President's budget did not include funding for Section 4 (capacity building) grants. These grants are usually awarded to four national intermediaries — National Community Development Initiative (Living Cities), the Local Initiative Support Corporation, the Enterprise Foundation, and Habitat for Humanity. Recipients use the funds to develop the capacity and ability of local community development corporations and community housing development organizations to develop and manage community development and affordable housing projects and programs.

**Homeless Programs.** Homeless Assistance Grants is the blanket title given to 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 grants: 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. The Homeless Assistance Grants are codified at Title 42, Chapter 119, Subchapter IV of the U.S. Code. (For more information about the Homeless Assistance Grants, see CRS Report RL33764, *The HUD Homeless Assistance Grants: Distribution of Funds*, by Libby Perl.)

**Table 14. HUD Homeless Programs, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Homeless Assistance Grants</b>	<b>1,586</b>	<b>1,636</b>
Formula and Competitive Grants	<sup>a</sup>	1,622
Technical Assistance/Data	8	8
Working Capital Fund	2	3
Rapid Re-Housing Demonstration Program	25	3 <sup>b</sup>

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

a. Amount is not specified.

b. The \$3 million proposed for the Rapid Re-Housing Demonstration Program would fund an evaluation of the program.

Funding levels for the Homeless Assistance Grants have increased steadily since FY2005, from \$1,230 million in that year to \$1,586 million in FY2008. For FY2009, the President proposed to again increase funding for the grants, to \$1,636 million. For the seventh year in a row, the Administration's budget proposes to consolidate the three competitive Homeless Assistance Grants — SHP, S+C, and SRO — into one competitive grant. The proposed consolidated grant would include up to \$50 million for a Samaritan Housing Initiative, which would provide permanent supportive housing for chronically homeless individuals — those who have been homeless for long periods of time and who have a disability. This proposal is similar to an incentive currently provided in the Homeless Assistance Grants application process.

In addition to the Homeless Assistance Grants, the President's budget recommends \$75 million for Section 8 vouchers for homeless veterans (see earlier discussion of new incremental vouchers under Section 8 tenant-based rental assistance). Funding for these vouchers would be provided through the Section 8 tenant-based account, and not through the Homeless Assistance Grants. About 1,800 of these vouchers were initially provided for homeless veterans through a collaboration between HUD and the Department of Veterans Affairs (VA) called HUD-VA Supported Housing, or HUD-VASH. Approximately 1,000 of these vouchers are still used by veterans today. In FY2008, Congress appropriated \$75 million for additional HUD-VASH vouchers. On April 16, 2008, HUD, together with the VA, announced the communities that would receive HUD-VASH vouchers; a total of 10,070 vouchers will be distributed. The amount requested by the President for FY2009 would likely fund approximately the same number of vouchers.

### **Housing Programs for the Elderly and Persons with Disabilities.**

Formerly known together as Housing for Special Populations, the Section 202 Housing for the Elderly program (12 U.S.C. §1701q) and the Section 811 Housing for Persons with Disabilities program (42 U.S.C. §8013) 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. The Housing for the Elderly appropriation includes funds for the Service Coordinator program and the Assisted Living Conversion program. (For more information on Section 202, see CRS Report RL33508, *Section 202 and other HUD Rental Housing Programs for Low-Income Elderly Residents*, by Libby Perl.)

**Table 15. Sections 202 and 811, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Housing for the Elderly (202)</b>	<b>735</b>	<b>540</b>
New Capital Grants and PRAC	<sup>a</sup>	321
PRAC Renewals and Amendments	<sup>a</sup>	96
Service Coordinators	60	80
Grants for Conversion to Assisted Living	25	25
Pre-development Grants	20	0
Working Capital Fund	1	2
Leveraging Financing Demonstration	0	15
<b>Housing for the Disabled (811)</b>	<b>237</b>	<b>160</b>
New Capital Grants and PRAC	<sup>a</sup>	30
PRAC Renewal and Amendments	<sup>a</sup>	32
New Mainstream Vouchers	<sup>a</sup>	0
Mainstream Voucher Renewal	75	87
Working Capital Fund	1	2
Leveraging Financing Demonstration	0	10

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

a. Amounts not specified.

**Section 202.** In FY2009, the Administration's budget recommends reducing the overall funding level for the programs that provide housing and services for elderly households (defined by HUD as those with a head of household or spouse age 62 or older). The President's request would cut funding for these programs by nearly \$200 million, from \$735 million in FY2008, to \$540 million in FY2009. For the Section 202 program, funding available for new capital grants and project rental assistance would be \$321 million, down from the \$566 million that is estimated to be available from the FY2008 appropriation. The proposed FY2009 allocation of \$321 million would fund an estimated 2,300 units of Section 202 housing, compared to an estimated 4,100 in FY2008. Under the President's request, funding for the Service Coordinator program would increase from the amount appropriated in FY2008, from \$60 million to \$80 million, while funds for the Assisted Living Conversion program would remain the same, at \$25 million.

As in FY2008, the President has proposed to fund a leveraging financing demonstration program through the Housing for the Elderly account. Through the program, HUD would work with private sector professionals to increase the use of mixed financing arrangements, such as incorporating Low-Income Housing Tax Credits, to develop Section 202 housing. The demonstration program would also identify changes to existing policy that might make mixed-finance developments more feasible. HUD's goal is that the program would leverage one dollar of outside financing for every dollar of Section 202 funding.

**Section 811.** The President's budget proposes to reduce funding for the Section 811 Housing for Persons with Disabilities program in FY2009 to \$160 million, down from \$237 million in FY2008. Of the amount proposed by the President, just under \$30 million would be available for new capital grants and project rental assistance, which HUD estimates would support 232 new rental units. In FY2008, approximately \$142 million was made available for capital grants and project rental assistance, which is expected to support 1,050 units. The Administration recommendation would not provide any funding for new Section 811 vouchers for persons with disabilities. Although the FY2008 appropriation did not contain funds for new vouchers through the Section 811 program, it provided \$30 million for vouchers for non-elderly disabled families through the Section 8 account (see earlier discussion).

For FY2009, the Administration has proposed that funds from the Service Coordinator program, provided through the Housing for the Elderly Account, be provided for Section 811 developments as well as developments designed for elderly households. The HUD budget documents note that legislation to expand the Service Coordinator program to include Section 811 could be introduced this Congress, and if it is, that approximately \$19 million of the \$80 million requested for new Service Coordinator contracts would be available to Section 811 developments.

For the second year in a row, the President has proposed to fund a leveraging financing demonstration program, similar to the one proposed for the Section 202 program. The President's budget would make \$10 million available for this program, which would encourage mixed finance developments for persons with disabilities.

**Federal Housing Administration** .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. (For more information, see CRS Report RS20530, *FHA Loan Insurance Program: An Overview*, by Bruce Foote and Meredith Peterson.)

**Table 16. Federal Housing Administration, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Net Total FHA Appropriations</b>	<b>(81)</b>	<b>47</b>
<b>Net Appropriations, MMI</b>	<b>77</b>	<b>126</b>
Total Expenses	77	116
Offsetting receipts	0	0
Programs moved from GI/SRI	NA	10
<b>Net Appropriations, GI/SRI</b>	<b>(158)</b>	<b>(79)</b>
Total Expenses	92	71
Offsetting receipts	(250)	(140)
Move programs to MMI	NA	(10)

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

In past years receipts to the MMI fund have exceeded expenses, so the MMI fund did not need appropriations for credit subsidy. The FY2009 Budget estimates that, if no programmatic changes are made, the MMI fund would need either credit subsidy or increases in insurance premiums to continue operation. The Budget proposes to permit FHA to set insurance premiums on the basis of the risk that the borrowers pose to the insurance fund, and it proposes to set the rate at a level that would avoid the need for subsidy appropriations. Barring the authority to establish risk-based premiums, the Budget proposes that FHA would use its existing authority to increase the insurance premiums charged to borrowers. The Budget assumes that the increased premiums coupled with legislative and programmatic changes would avoid the need for credit subsidy appropriations.

Legislative changes would include 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 proposes to move several single-family programs from the GI/SRI fund to the MMI fund. The Budget proposes that no new loan insurance would be provided under the Seller Financed Downpayment Assistance program.

**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.

**Table 17. Government National Mortgage Association,  
FY2008-FY2009**  
(in millions of dollars)

	FY2008 Enacted	FY2009 Request
<b>Net Appropriation</b>	<b>(163)</b>	<b>(170)</b>
Administrative Expenses	<sup>a</sup>	<sup>b</sup>
Legislative Proposal	NA	[43]
Offsetting Receipts	(163)	(170)

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

- a. The FY2008 appropriations act funded GNMA expenses in the department-wide salaries and expenses account at \$8.25 million.
- b. The President's FY2009 budget request proposes to continue to fund GNMA expenses in the department-wide salaries and expenses account at \$8.56 million.

**Legislative Fee Change.** For FY2009, the President's budget proposes an administrative provision which would bring all of Ginnie Mae's administrative contract expenses under discretionary authority. This change is estimated to cost \$43 million, which would be offset in the first year by savings from eliminating HUD's mandatory authority to fund these expenses.

**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 housing and community development issues. The Research and Technology account funds PD&R's core research activities including program evaluations and housing and community development-related surveys such as the American Housing Survey and the Survey of New Home Sales and Completions. The R&T account was expanded in FY2006 to fund 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 in building partnerships with the communities in which they are located and to foster and support neighborhood development and revitalization.

The Administration's FY2009 budget requests \$55 million for research and development activities. The request would increase funding for R&T activities by about 6% or \$3 million more than the \$51 million appropriated in FY2008. This would be achieved by increasing the amount available for core research activities by



45% from \$28 million in FY2008 to \$41 million for FY2009. The proposed increase in core research funding would be offset by a proposed 41% decrease in funding for Section 107 Grants/University Partnerships. Under the Administration's budget request, funding for these programs would decline from \$23 million to \$14 million for FY2009.

**Table 18. Research and Technology, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Research and Technology</b>	<b>51</b>	<b>55</b>
Core Research and Technology	23	41
Partnerships for Advancing Technology in Housing (PATH)	5	0
Section 107 Grants/ University Partnerships	23	14
<i>Historically Black Colleges &amp; Universities</i>	9	5
<i>Hispanic-Serving Institutions</i>	6	4
<i>Community Development Work Study</i>	0	0
<i>Alaskan Native and Native Hawaiian-Serving Institutions</i>	3	2
<i>Tribal Colleges and Universities</i>	5	2
<i>Community Outreach Partnership</i>	0	0

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

**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 on the basis of 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 19. Fair Housing Programs, FY2008-FY2009**  
(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Fair Housing</b>	<b>50</b>	<b>51</b>
Fair Housing Assistance	26	25
Fair Housing Initiatives	24	26
Translations	<1	0

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

**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.

**Table 20. Lead-Based Paint Hazard Control, FY2008-FY2009**

(in millions of dollars)

	<b>FY2008 Enacted</b>	<b>FY2009 Request</b>
<b>Office of Lead Hazard Control</b>	145	116

**Source:** Prepared by CRS on the basis of the President's FY2009 Budget documents and HUD Congressional Budget Justifications.

The President's FY2009 budget requests a total of \$116 million for the programs under the Office of Lead Hazard Control. This would be a reduction of \$29 million from the FY2008 appropriation.

**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.