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HUD FY2018 Appropriations: In Brief

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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, typically as a part of the Transportation, HUD, and Related Agencies appropriations bill (THUD).

HUD's programs are designed primarily to address housing problems faced by households with very low incomes or other special housing needs.¹ Three rental assistance programs—Section 8 tenant-based rental assistance (which funds Section 8 Housing Choice Vouchers), Section 8 project-based rental assistance, and Public Housing—account for the majority of the department's funding (nearly 80% of total HUD appropriations in FY2017). In addition, two flexible block grant programs—HOME and the Community Development Block Grant (CDBG) program—help communities finance a variety of housing and community development activities designed to serve low- and moderate-income families. Other more specialized grant programs help communities meet the needs of homeless persons, including those living with HIV/AIDS. HUD's Federal Housing Administration (FHA) insures mortgages made by lenders to homebuyers with low down payments and to developers of multifamily rental buildings containing relatively affordable units. FHA collects fees from insured borrowers, which are used to sustain its insurance funds. Surplus FHA funds have been used to offset the cost of the HUD budget.

This *In Brief* report tracks progress on FY2018 HUD appropriations and provides detailed account-level, and in some cases sub-account-level, funding information (**Table 1**) as well as a discussion of selected key issues.

For more information about any of the programs, accounts, or funding levels discussed, please feel free to contact the relevant CRS expert, as labeled in the “Key Policy Staff” table at the end of this report. For more information about the Transportation, HUD, and Related Agencies appropriations bill as a whole, and relevant budget and appropriations concepts, readers should see CRS Report R45022, *Transportation, Housing and Urban Development, and Related Agencies (THUD): FY2018 Appropriations*, by (name redacted) and (name redacted). For more information on trends in HUD funding, readers should see CRS Report R42542, *Department of Housing and Urban Development (HUD): Funding Trends Since FY2002*, by (name redacted).

Status of Appropriations

No full-year FY2018 appropriations bills were enacted before the fiscal year began on October 1, 2017. Following a series of continuing resolutions, on March 23, 2018, the Consolidated Appropriations Act, 2018 (P.L. 115-141) was enacted, providing full-year FY2018 appropriations, including for HUD (Division L, Title II). More details about that law and the FY2018 appropriations process are provided below.

Full-Year FY2018 appropriations. On March 22, 2018, Congress approved the Consolidated Appropriations Act, 2018, and the following day the President signed it into law as P.L. 115-141. Division L, Title II of the act provides full-year FY2018 appropriations for HUD, totaling \$42.7 billion in net new budget authority. That funding level for HUD represents an increase of

- 10% more than the FY2017 enacted level,

¹ For more information about federal housing assistance programs, see CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*, by (name redacted), (name redacted), and (name redacted). For more information on HUD funding trends, see CRS Report R42542, *Department of Housing and Urban Development (HUD): Funding Trends Since FY2002*, by (name redacted).

- 36% more than the President’s requested level,
- 11% more than the House-approved level, and
- 6% more than the Senate committee-approved level.

The increase in funding may be attributable to the increased statutory limits on discretionary spending for FY2018, enacted as a part of the Bipartisan Budget Act of FY2018 (see below).

Continuing Resolutions and the Bipartisan Budget Act of FY2018. The first of five continuing resolutions for FY2018, the Continuing Appropriations Act, 2018, and Supplemental Appropriations for Disaster Relief Requirements Act, 2017 (P.L. 115-56), was enacted into law on September 8, 2017. Division D of the law provided continuing appropriations for the federal government, including HUD, at FY2017 levels, less an across-the-board reduction of 0.6791%, through December 8, 2017. Division B of the law provided supplemental appropriations for disaster relief, including \$7.4 billion in CDBG disaster relief funding.

Prior to expiration of the first CR, Congress approved and the President signed into law a second CR, which extended the term of the first CR until December 22, 2017 (P.L. 115-90). Prior to the expiration of the second CR, a third CR was enacted, extending the term of the first CR further, through January 19, 2018 (P.L. 115-96). The first CR was again extended, through February 8, 2018, by a fourth CR (P.L. 115-120).

On February 9, 2018, a fifth and final FY2018 continuing resolution was enacted. The Bipartisan Budget Act of FY2018 (BBA; P.L. 115-123) extended the date of the first CR through March 23, 2018 (Division B, Subdivision 3); provided supplemental appropriations for disasters, including \$28 billion for CDBG (Division B, Subdivision 1); and increased the statutory limits on discretionary spending for FY2018 and FY2019 (Division C).²

House Action: Prior to the start of FY2018, the House passed H.R. 3354, the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2018, on September 14, 2017. That bill served as the legislative vehicle for a consolidated appropriations bill, the Make America Secure and Prosperous Appropriations Act, 2018, which combined the texts of the remaining appropriations bills that had not been considered by the full House, including H.R. 3353, the Transportation, HUD and Related Agencies Appropriations Act, 2018. H.R. 3353 had been reported by the Appropriations Committee on July 21, 2017, following full committee consideration July 17, 2017, and THUD subcommittee approval on July 11, 2017. Several HUD-related amendments to H.R. 3354 were approved during floor consideration. The bill proposed relatively flat funding for HUD compared to FY2017 (-1%), but significantly more than had been requested by the President (+22%).

Senate Action: On July 27, 2017, the Senate Appropriations Committee approved its version of a FY2018 THUD appropriations bill, S. 1655, two days after it was approved in subcommittee. It proposed increased funding for HUD relative to FY2017 (+4%) and the President’s budget request (+28%).

President’s Budget: On May 23, 2017, the Trump Administration submitted its detailed FY2018 budget request.³ This followed the release of a FY2018 Budget Blueprint, or “skinny budget,” in March 2017. The President’s budget request proposed a funding cut of 19% relative to FY2017

² For more information, see CRS Report R45157, *The Bipartisan Budget Act of 2018 and an FY2019 Budget Resolution*, by (name redacted).

³ For more information on the President’s budget, see <https://www.whitehouse.gov/omb/budget>. For more information about HUD’s budget request, see https://portal.hud.gov/hudportal/HUD?src=/program_offices/cfo/reports/fy18_CJ.

for HUD, and elimination of funding for a number of HUD programs, including CDBG and HOME.

Table I. HUD FY2017-FY2018 Detailed Appropriations

In millions of dollars

Accounts	FY2017 Enacted	FY2018 Request	FY2018 House ^a	FY2018 Senate Cmte.	FY2018 Enacted
Appropriations					
Salaries and Expenses (Mgmt. & Adm.)	\$1,355	\$1,324	\$1,351	\$1,355	\$1,342
Tenant-Based Rental Assistance (Section 8 Housing Choice Vouchers) ^b	20,292	19,318	20,487	21,365	22,015
<i>Voucher Renewals (non-add)^c</i>	18,355	17,584	18,710	19,370	19,600
<i>Administrative Fees (non-add)</i>	1,650	1,550	1,550	1,725	1,760
<i>Incremental Veterans Affairs Supportive Housing (VASH) Vouchers (non-add)</i>	40	0	0	40	40
<i>Incremental Family Unification (FUP) Vouchers (non-add)</i>	10	0	0	20	20
<i>IT Modernization (non-add)</i>	-	10	10	0	0
Public Housing Capital Fund	1,942	628	1,852 ^d	1,945	2,750
Public Housing Operating Fund	4,400	3,900	4,390 ^d	4,500	4,550
Choice Neighborhoods	138	0	20	50	150
Family Self Sufficiency	75	75	75	75	75
Native American housing block grants	654	600	654	655	755
<i>Native American Housing Block Grants—formula grants</i>	645	598	645	646	646
<i>Combined Training and Technical Assistance^e</i>	7	0	7	7	7
<i>Title VI Loan Guarantee Program</i>	2	2	2	2	2
<i>Native American Housing Block Grants - competitive grants^f</i>	-	-	-	-	100
Indian housing loan guarantee ^g	7	0 ^h	7	1	1
Native Hawaiian block grant	2	0	0	1	2
Housing, persons with AIDS (HOPWA)	356	330	375 ^d	330	375
Community Development Fund	3,060	0	3,070 ^d	3,060	3,365
<i>CDBG Formula Grants</i>	3,000	0	3,010 ^d	3,000	3,300
<i>Indian Tribes</i>	60	0	60	60	65
HOME Investment Partnerships	950	0	850	950	1,362
Self-Help Homeownership	54	0	50 ^d	54	54
<i>Self-Help and Assisted Homeownership Opportunity Program</i>	10	0	10	10	10
<i>Section 4 Capacity Building</i>	35	0	35 ^d	35	35
<i>Rural Capacity Building</i>	5	0	5	5	5
<i>Veterans Home Rehabilitation Pilot Program</i>	4	0	0	4	4
Homeless Assistance Grants	2,383	2,250	2,383	2,456	2,513
Project-Based Rental Assistance (Section 8) ⁱ	10,816	10,751	11,082	11,507	11,515
<i>Contract Renewals</i>	10,581	10,466	11,082	11,222	11,230

Accounts	FY2017 Enacted	FY2018 Request	FY2018 House ^a	FY2018 Senate Cmte.	FY2018 Enacted
<i>Contract Administrators</i>	235	285	0 ⁱ	285	285
Rental Assistance Demonstration	0	0	0	4 ^k	0
Housing for the Elderly (Section 202)	502	510	576 ^d	573	678
Housing for Persons with Disabilities (Section 811)	146	121	147	147	230
Housing Counseling Assistance	55	47	50	47	55
Manufactured Housing Fees Trust Fund ^l	11	11	11	11	11
Rental Housing Assistance	20	14	14	14	14
Federal Housing Administration (FHA) Expenses ^l	130	160 ^m	130 ^d	130	130
Government National Mortgage Assn. (GNMA) Expenses ^l	24	26	26	25	28
Research and technology	89	85	83 ^d	85	89
Fair housing activities	65	65	65	65	65
<i>Fair Housing Assistance Program (non-add)</i>	24	24	24	24	24
<i>Fair Housing Initiatives Program (non-add)</i>	39	39	39	40	40
Office, lead hazard control	145	130	130	160	230
<i>Lead Hazard Control Grants (non-add)</i>	60	55	55	130 ⁿ	185 ^o
<i>Lead Hazard Reduction Demonstration (non-add)</i>	55	45	50	-	-
Information Technology Fund	257	250	29 ^d	250	267
Inspector General	128	126	128	126	128
<i>Gross Appropriations Subtotal</i>	48,056	40,722	48,035	49,942	52,749
Offsetting Collections and Receipts					
Manufactured Housing Fees Trust Fund	-11	-11	-11	-11	-11
FHA	-7,998	-7,741	-8,011	-8,011	-8,320
GNMA	-1,224	-1,616	-1,676	-1,676	-1,735
<i>Offsets Subtotal</i>	-9,233	-9,368	-9,698	-9,698	-10,066
Total Net Discretionary Budget Authority (BA)	\$38,823	\$31,354	\$38,337	\$40,244	\$42,683
<i>CDBG-Disaster Relief Funding</i>	7,800 ^p	0	0	0	28,000 ^q
Total Net BA w/ Disaster Funding	\$46,623	\$31,354	\$38,337	\$40,244	\$70,683

Source: Table prepared by CRS based on P.L. 115-31 and the Explanatory Statement accompanying H.R. 244, the FY2017 consolidated appropriations bill, as published in the *Congressional Record*, May 3, 2017, beginning on p. H4101; H.R. 3353 and the Comparative Statement of New Budget (Obligational) Authority, as published in H.Rept. 115-237, and H.R. 3354, as amended during floor consideration; S. 1655 and the Comparative Statement of New Budget (Obligational) Authority as published in S.Rept. 115-138; P.L. 115-141 and accompanying Explanatory Statement, as published in the *Congressional Record*, March 22, 2018, beginning on page H2872; and HUD FY2018 Congressional Budget Justifications.

Notes: Totals may not add due to rounding. Only selected set-asides are presented in this table. Figures include advance appropriations provided in the bills.

- a. Note that the HUD-related portion of H.R. 3354, the vehicle for the FY2018 consolidated appropriations bill as published on the Rules Committee website, was substantively identical to the HUD-related portion of H.R. 3353, the FY2018 THUD appropriations bill reported by the House Appropriations Committee. H.R.

- 3354 was subsequently amended during floor consideration, and HUD-related amendments are incorporated into this table.
- b. Account includes \$4 billion in advance appropriations.
 - c. Total reflects funding for renewal of most vouchers, but does not reflect renewal of Tribal VASH Vouchers or Mainstream Vouchers, which are provided through separate set-asides.
 - d. This amount is adjusted to reflect floor amendments to H.R. 3354.
 - e. Appropriations acts generally include funding in this account for a national organization that represents Native American housing interests to provide training and technical assistance to tribes, as authorized by the Native American Housing Assistance and Self-Determination Act (25 U.S.C. 4501 et. seq.). (In recent years, appropriations acts have sometimes provided this funding for national or regional organizations.) Appropriations acts generally also include separate funding for HUD to carry out certain training and technical assistance activities. In FY2017, \$3.5 million was provided for each purpose, for a total of \$7 million. The FY2018 final appropriations law provides \$7 million for these combined training and technical assistance purposes, specifying that not less than \$2 million shall be for a national organization representing Native American housing interests.
 - f. The final FY2018 appropriations law includes an additional \$100 million for the Native American Housing Block Grants account to be used for new competitive grants to tribes, rather than for the formula grants that are otherwise provided through the program.
 - g. A separate home loan guarantee program for Native Hawaiians was not funded in FY2017, and funding for that program was not included in the President's budget request, the House-passed or Senate committee-passed bills, or the final FY2018 appropriations law. However, the FY2018 HUD Budget Justification states that HUD "will carry forward balances of prior year loan guarantee authority sufficient to guarantee up to \$23.3 million in loans" under the Native Hawaiian home loan guarantee program in FY2018.
 - h. Funding for the Indian Housing Loan Guarantee Program supports a specified dollar amount of loans that HUD can guarantee under the program. The President's budget did not request funding for the program, but the FY2018 HUD Budget Justification stated that HUD would carry forward balances of prior year budget authority sufficient to continue guaranteeing loans under the program in FY2018.
 - i. Account includes \$400 million in advance appropriations.
 - j. Since 2001, HUD has contracted with Public Housing Agencies and State Housing Finance Agencies to manage project-based Section 8 contracts on the department's behalf. In 2008, HUD began the process of rebidding its existing contracts. That rebid process was contentious, and ended in litigation that ultimately required HUD to restart the process under new terms. The House Appropriations Committee, in H.Rept. 115-237, expresses displeasure with the department for not having completed the rebid per the guidance of the committee, and states "Until the Committee gets assurances that HUD will respond appropriately, the Committee directs HUD to perform these functions in-house and provides adequate funding under the Management and Administration account."
 - k. Section 236 of the General Provisions of the bill proposes a number of modifications to the Rental Assistance Demonstration (RAD) program, including removing the cap on the number of public housing units that may participate (currently at 225,000 units), allowing higher rents for certain multifamily properties that wish to convert (under what is often referred to as first component RAD), and expanding eligibility for RAD conversion to Section 202 properties. The bill would provide \$4 million for additional rental subsidy to facilitate the conversion of 202 units.
 - l. Some or all of the cost of funding these accounts is offset by the collection of fees or other receipts, shown later in this table.
 - m. The President's budget requested an increase of \$30 million in appropriations for administrative contract expenses for FHA more than FY2017, to be offset by a new administrative support fee to be charged to participating FHA lenders. Neither this additional funding nor the authority to charge an administrative support fee were included in the House-passed bill, the Senate committee-passed bill, or the final FY2018 appropriations law.
 - n. In S.Rept. 115-138, the Senate Appropriations Committee states that "In an effort to ensure that more communities can access funding to address lead-based paint hazards in their low-income housing, the Committee has consolidated HUD's two lead hazard funding programs into a single grant program." However, it also states that "the Committee directs HUD to award no less than \$65,000 of grants to remediate lead-based paint hazards in low-income housing to those jurisdictions with the highest lead-based paint abatement needs."
 - o. Consolidates Lead Hazard Control and Lead Hazard Reduction Demonstration grant programs into one program, directing that \$95 million be targeted to communities with the highest lead abatement needs.

- p. P.L. 115-31, the FY2017 consolidated appropriations law, in Section 420 of Division B, provided \$400 million in emergency CDBG-Disaster Relief (CDBG-DR) funding to be allocated for prior disasters and disasters in calendar year 2017. Additionally, Title IV of Division K of P.L. 115-56, the Continuing Appropriations Act, 2018, and Supplemental Appropriations for Disaster Relief Requirements Act, 2017, included \$7.4 billion in emergency CDBG-DR funding for recovery from Presidentially Declared Disasters that took place in 2017.
- q. P.L. 115-123, The Bipartisan Budget Act of FY2018, in Division B, Subdivision I, provided \$28 billion in emergency CDBG-DR funding. Of the amount, \$16 billion is to be allocated for 2017 disasters, and the remaining \$12 billion is to be awarded proportionally to communities that received CDBG-DR funding in this law or specified prior laws, to be used for mitigation activities.

Housing Choice Voucher Renewal Funding

The cost of renewing existing Section 8 Housing Choice Vouchers is one of the most contentious HUD funding issues each year. It is the largest single expense in the largest account (the tenant-based rental assistance account) in HUD's budget. All of the roughly 2 million portable rental vouchers that are currently authorized and in use are funded annually, so in order for the low-income families currently renting housing with their vouchers to continue to receive assistance (i.e., renew their leases at the end of the year), new funding is needed each year. How much it will cost to renew those vouchers is difficult to estimate—since the cost of a voucher is driven by changes in market rents and tenant incomes—and estimates can change from the time the President's budget is released until final appropriations are enacted, as newer data are reported by PHAs and collected by HUD.

Although the President's budget request, the House-passed HUD appropriations bill, and the Senate-reported bill all included different funding levels for voucher renewals for FY2018, each purported to provide enough to fund all vouchers currently in use.⁴ However, low-income housing advocates argued even more would be needed to maintain existing vouchers.⁵ If the amount ultimately provided proves to be less than the amount needed to fund all vouchers currently in use, then several things may happen. The Public Housing Authorities (PHAs)—the state-chartered entities that administer the program at the local level—with reserve funding from prior years may spend some of those reserves to maintain current services. PHAs without reserve funding may apply to HUD for a share of the reserve funding that is generally provided to the department and allows to be used to prevent termination of assistance. And PHAs may undertake cost-saving measures such as not reissuing vouchers to families on their waiting lists when currently assisted families leave the program.

The final FY2018 appropriations law provided \$19.6 billion for voucher renewals, which is expected to be enough to renew all vouchers in use.⁶

⁴ From HUD's Congressional Budget Justifications for FY2018: "The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents." From the House THUD Subcommittee press release accompanying markup of the THUD bill: "This is adequate to continue assistance to all families and individuals currently served by these programs," <https://appropriations.house.gov/news/documentsingle.aspx?DocumentID=394975>. From S.Rept. 115-138: "In recognition of the Section 8 program's central role in ensuring housing for vulnerable Americans, the Committee recommendation and existing reserves will provide sufficient resources to ensure that no current voucher holders are put at risk of losing their housing assistance."

⁵ The Center on Budget and Policy Priorities estimated that \$19.6 billion will be needed in CY2018 to renew existing vouchers in use, compared to the \$19.3 billion proposed by the Senate, \$18.7 billion proposed by the House, and \$17.8 requested by the President, <https://www.cbpp.org/research/housing/congress-should-add-funding-to-prevent-2018-housing-voucher-cuts>.

⁶ According to HUD's implementation guidance, PIH Notice 2018-09, the renewal funding resulted in funding 99.745% of renewal funding needs, after accounting for offsets from agency reserves; <https://www.hud.gov/sites/dfiles/PIH/documents/pih2018-09.pdf>.

Public Housing Operating Fund Proration

The largest source of federal funding to support the low-rent public housing program is provided through the public housing operating fund account. Operating funds are allocated to PHAs according to a formula that estimates what it should cost PHAs to maintain their public housing properties based on the characteristics of those properties. When the amount of appropriations provided is insufficient to fully fund the amount PHAs qualify for under the formula, their allocation is prorated, or reduced proportionally. Assuming the operating fund formula accurately reflects the costs of maintaining public housing, less than full funding means PHAs either will not be able to meet their full operating needs (e.g., maintenance, staffing, services for residents) or will have to spend down reserves they may have accumulated or seek other sources of funding.

According to HUD's Congressional Budget Justifications, the amount requested in the President's budget for the Operating Fund for FY2018 (a 13% decrease from FY2017) would be sufficient to fund an estimated 80.7% of PHAs' formula eligibility. Both the House-passed and Senate committee-reported bills proposed more funding than requested, but neither proposed the full amount the President's budget estimated would be needed for 100% proration.⁷ The final FY2018 appropriations law included \$4.55 billion for the Operating Fund.⁸

Rental Assistance Demonstration (RAD)

The Rental Assistance Demonstration (RAD) originated as an Obama Administration initiative, first authorized in FY2012. Under RAD, a limited number of units funded through other HUD-assisted housing programs may convert to either project-based Section 8 rental assistance or Housing Choice Vouchers. The programs include the Rent Supplement program, Rental Assistance Payments, Public Housing, and Section 8 Moderate Rehabilitation program. RAD has never received funding, which means that in order to be eligible, projects must be able to undergo a cost-neutral conversion (i.e., receive no increase in federal subsidy as a result of the conversion).

Both the President's budget request and the Senate committee-reported bill proposed several expansions to the RAD demonstration for FY2018. They proposed to eliminate the current 225,000-unit cap on the number of public housing units that can undergo a RAD conversion. Further, they would have authorized the conversion of units with Project Rental Assistance Contract (PRAC) assistance under the Section 202 Housing for the Elderly program.

The final FY2018 appropriations law included several RAD provisions (Section 237 of the General Provisions). It raised the cap on RAD conversions to 445,000 units, authorized Section 202 conversions, and allowed for higher rents to be set for certain non-public housing multifamily units being converted. It provided no new funding for RAD conversions.

Funding for HUD Grant Programs

The President's budget request included a proposal to eliminate funding for several HUD grant programs that provide funding for various affordable housing and community development activities. Most notable among these are HUD's two largest block grant programs for states and localities, the Community Development Block Grant (CDBG) and HOME Investment Partnerships programs, as well as grants funded in the Self-Help Homeownership Opportunity

⁷ The President's budget assumed \$4.8 billion would be required for 100% proration in FY2018.

⁸ Ibid.

(SHOP) account (i.e., funding for sweat-equity programs, like Habitat for Humanity, and certain capacity building programs) and the Choice Neighborhoods Initiative. The press release accompanying the budget request suggested that the activities funded by these grant programs should be devolved to the state and local levels.⁹ Both the House-passed and Senate committee-reported bills would have continued funding for these programs, though in some cases at lower levels than in FY2017. The final FY2018 appropriations law provided either level funding or increased funding relative to FY2017 for each of the accounts funding grant programs slated for elimination or significant decreases in the President’s budget

- CDBG (+10% more than FY2017),
- HOME (+43% more than FY2017),
- SHOP (level funding with FY2017), and
- Choice Neighborhoods (+9% more than FY2017).

Performance-Based Contract Administrators for Project-Based Section 8

Performance-Based Contract Administrators (PBCAs) are organizations (historically, PHAs and state housing finance agencies) hired by HUD to manage contracts between HUD and private property owners under the project-based Section 8 rental assistance program. The President’s FY2018 budget justifications for HUD indicated the agency’s intent to issue a solicitation for new contracts during FY2018. This follows failed attempts during the Obama Administration to rebid the PBCA contracts that culminated in a series of court rulings requiring HUD to adhere to federal procurement law in issuing the contracts.¹⁰

The House-passed FY2018 HUD appropriations bill included no new funding for PBCAs. H.Rept. 115-237 included language directing the department to absorb PBCA functions until the committee received assurances that HUD would respond to the committee’s directions related to the PBCA rebid. Among the committee’s directions was that the agency should conduct the solicitation under full and open competition and in accordance with federal procurement law.

Both the Senate committee-passed bill and the final FY2018 appropriations law provided funding for contract administrators.

In December 2017, HUD published a draft solicitation for new contracts to replace the existing PBCA contracts.¹¹

Native American Housing Block Grants

The Native American Housing Block Grant (NAHBG) program, the main source of federal housing assistance for tribes, provides formula funding to federally recognized tribes and Alaska Native villages that can be used for a range of affordable housing activities that primarily benefit low-income tribal members. The President’s FY2018 budget requested a decrease of \$54 million for the account compared to the FY2017 enacted level of \$654 million. The House-passed and

⁹ HUD, “Trump Administration Proposes 2018 HUD Budget,” press release, May 23, 2017, https://www.hud.gov/press/press_releases_media_advisories/2017/HUDNo_17-041.

¹⁰ The Supreme Court’s denial of certiorari in *United States v. CMS Contract Management Services* in April 2015 left the decision of the U.S. Court of Appeals for the Federal Circuit in effect. See *CMS Contract Mgmt. Servs. v. Mass. Hous. Fin. Agency*, 745 F.3d 1379 (Fed. Cir. 2014).

¹¹ Housing Assistance Payments (HAP) Contract Regional Support Services (HAPRSS) [Formerly known as Performance-Based Contract Administrator (PBCA) Program], Solicitation Number: 86546A18R00002, Agency: Department of Housing and Urban Development. Available at <https://www.fbo.gov/index?s=opportunity&mode=form&id=e08c73f6c31b434e17cef64d0f2f3df0&tab=core&cview=1>.

Senate committee-reported bills would have maintained funding for the account at or slightly above FY2017 levels.

The final FY2018 appropriations law provided a total of \$755 million for the NAHBG account. Most of the increase—\$100 million—is for grants that will be awarded competitively to tribes, separately from the existing NAHBG formula grants. In awarding the competitive grants, the Secretary of HUD was directed to give priority to “projects that will spur construction and rehabilitation.”

FHA and Ginnie Mae Offsets

Under the terms of the Budget Control Act, as amended, discretionary appropriations are generally subject to limits, or caps, on the amount of funding that can be provided in a fiscal year. In addition, the annual appropriations bills also are individually subject to limits on the funding within them that are associated with the annual congressional budget resolution.¹² The congressional appropriators can keep these bills within their respective limits in a number of ways, including by providing less funding for certain purposes to allow for increases elsewhere in the bill. In certain circumstances, appropriators also can credit “offsetting collections” or “offsetting receipts” against the funding in the bill, thereby lowering the net amount of budget authority in that bill.¹³

In the THUD bill, the largest source of these offsets is generally the Federal Housing Administration (FHA). FHA generates offsetting receipts when the loans that are insured by the program in a given year are estimated to collect more in fees paid by borrowers than will be needed to pay default claims to lenders.¹⁴ While not generally as large a source, the Government National Mortgage Association (GNMA), or Ginnie Mae, generally provides significant offsets within the THUD bill as well. GNMA guarantees mortgage-backed securities made up of government-insured mortgages (such as FHA-insured mortgages) and similarly generates offsetting receipts when the associated fees it collects are estimated to exceed any payments made on its guarantee.

The amount of offsets from FHA and GNMA can vary from year to year based on estimates of the amount of mortgages that FHA will insure, and that GNMA will guarantee, in a given year and how much those mortgages are expected to earn for the government. These estimates, in turn, are based on expectations about the housing market, the economy, the credit quality of borrowers, and relevant fee levels, most of which are factors outside of the immediate control of

¹² For background on these limits, which are referred to as “302(b) allocations” or “302(b) subdivisions,” see CRS Report R40472, *The Budget Resolution and Spending Legislation*, by (name redacted).

¹³ According to Congressional Quarterly’s *American Congressional Dictionary*, offsetting receipts are funds collected by the federal government, either from certain government accounts or the public as part of a business oriented transaction. They are not counted as revenue, but instead are deducted from spending because they are counted as “negative spending.” The Government Accountability Office’s *Budget Glossary* defines offsetting collections as collections authorized by law to be credited to appropriations or expenditure accounts that result from businesslike transactions, market-oriented activities with the public, intergovernmental transfers, and collections from the public that are governmental in nature but are required by law to be classified as offsetting. (GAO-05-734SP)

¹⁴ The Federal Credit Reform Act of 1990 (FCRA) provided that the cost of federal loan insurance in a given fiscal year be recorded in the budget as the net present value of all expected cash flows from loans insured in that year. For the FHA accounts, the cash inflows are mainly the insurance premiums paid by borrowers, and the cash outflows are mainly the payments to lenders for the cost of loan defaults. If the estimated cash flows in are expected to exceed cash outflows for the loans insured in that year, then offsetting receipts are available; if cash flows out are expected to exceed cash flows in for the loans insured in that year, appropriations are needed to supplement the program. For more information, see CRS Report R42875, *FHA Single-Family Mortgage Insurance: Financial Status of the Mutual Mortgage Insurance Fund (MMI Fund)*, by (name redacted)

policymakers. If the amount of available offsets increases from one year to the next, then additional funds could be appropriated relative to the prior year's funding level while still staying within the same spending limit. If the amount of offsets decreases, however, then less funding would need to be appropriated relative to the prior year to avoid exceeding the same spending limit, all else equal.

For FY2018, the Congressional Budget Office (CBO) initially estimated that FHA and GNMA offsetting receipts would increase by about \$135 million under the President's budget request as compared to FY2017. CBO's estimate of offsetting receipts available in FY2018 increased further, to \$465 million more than FY2017, under the House and Senate-committee passed bills, and even further, to \$833 million more than FY2017, under the terms of the final FY2018 appropriations law. As a result, congressional appropriators could provide up to that much in additional appropriations in FY2018 without an increase in the total net budgetary authority as measured against the discretionary spending limits.

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