



MOUNTAIN PLAINS NAHRO 2005 LEGISLATIVE AGENDA

FY 2006 FUNDING REQUEST TABLE

Program	FY 2005 Enacted	HUD FY 2006 Request	NAHRO FY 2006 Recommendation
Public Housing Operating Subsidy	\$2.438 billion ¹	\$ 3.407 billion	\$3.9 billion, or \$4.2 billion if new formula is implemented
One-time support for HA conversion to project-based systems	-0-	-0-	\$300 million
Public Housing Capital Fund	\$2.579 billion	\$ 2.327 billion	\$3.5 billion
HOPE VI	\$143 million	\$(-143) rescinds FY '05 \$	\$525 million
Public Housing Safety and Security	\$0	\$0	\$310 million
Housing Choice Voucher Assistance	\$13.355 billion	\$ 14.090 billion	Sufficient Funding to cover the costs of all vouchers that can be used in FY 2006 ²
HCV administrative fees	\$1.2 billion	\$1.295	\$1.4 billion
Tenant-Protection Vouchers	\$162 million	\$354 million	\$354 million
Section 8 Project-based Program ³	\$5.298 billion	\$5.072	\$5.072 billion
Section 8 Family Self-Sufficiency Coordinators	\$46 million	\$55 million	\$72 million ⁴
Service Coordinators for elderly and disabled persons	Within Operating Fund	Within Operating Fund	\$55 million funded separately (no set aside)
ROSS, including PH family service coordinators	\$53 million	\$24 million	\$55 million
HOME Formula Grants	\$1.785 billion	\$1.73 billion	\$2.25 billion
Homeless Assistance Grants	\$1.241 billion	\$1.44 billion	\$1.50 billion
HOPWA	\$282 million	\$268 million	\$295 million
CDBG Formula Grants	\$4.110 billion	\$0	\$5.05 billion
Sec. 108 Loan Guarantees	\$7 million	\$0	\$7.325 million
Brownfields Economic Development Initiative	\$24 million	\$0	\$25 million
Rural Housing and Economic Development	\$24 million	\$0	\$25 million
Empowerment Zones/ Enterprise Communities	\$10 million	\$0	\$30 million
Affordable Housing Production	\$0	\$0	\$1 billion ⁵

¹ FY '05 amount covers approx. 2/3 of the year's worth of operating fund, a reduction made possible due to a one-time shift in the timing of grant payments, If extrapolated to a full year's worth of funding, FY '05 is the equivalent of \$3.4 billion.

² Includes funding for Voucher Housing Assistance Payment funds, a central program reserve fund, Family Self-Sufficiency Escrow Accounts, and a Voucher Success Fund. According to currently available information, NAHRO believes that these activities can be funded using a combination of new appropriations and the application of carryover from FY 2005 and prior years. Congress should continue to monitor HUD-administered cost data to ensure accurate budgeting.

³ Funds for project-based assistance includes \$332 million for the Contract Administrators account.

⁴ The administration's request in FY 2005 was this amount.

⁵ Funds for affordable housing production would be identified outside of federal appropriations to the extent possible.



2005 LEGISLATIVE AGENDA



An endless line of people waiting to apply for Housing Choice Voucher assistance in Arvada, Colorado.

There is a distinct and measurable shift in the way the federal government is responding to its poorest citizens. The architects of the new policy call it responsible. We call it reckless. Several of the major low-income housing and community development programs funded through the Department of Housing and Urban Development are undergoing substantive changes that will alter not only the way in which low-income families are served, but will also dramatically change who is served, and to what degree. Increasingly, federal fiscal concerns – rather than community need – guide housing policy.

The critical action we ask Congress to take is to:

- ❖ **Preserve the Community Development Block Grant**
- ❖ **Maintain the baseline for the Housing Choice Voucher (HCV) Program**
- ❖ **Fully fund the Public Housing Operating Subsidy Program**

Our goal is to strike a feasible balance between the growing need for federally funded housing, community and economic development programs, and competing concerns in the larger arena.

PRESERVE THE COMMUNITY DEVELOPMENT BLOCK GRANT

The President's proposed 2006 budget would eliminate the Community Development Block Grant (CDBG) Program resulting in the loss of \$4.1 billion in crucial community development and housing funding for communities in all 50 states including \$96,477,691 for all recipients in the Mountain Plains region. It is an unprecedented reversal of the federal government's commitment to partnering with state and local governments to strengthen our nation's communities.

Termination of CDBG will eliminate a crucial tool to leverage other private lender and non-profit participation in addressing community needs.

Does CDBG do the job? You bet!

- ❖ Over 11,000 Americans became homeowners in 2004 thanks to CDBG funding.
- ❖ More than 13 million persons received assistance through a wide range of services.
- ❖ Over 9 million persons, 74 percent low- and moderate income, were served by new or reconstructed public facilities and infrastructure.
- ❖ Nearly 19,000 rental housing units and more than 112,000 owner-occupied single-family homes were rehabilitated in 2004 over half of which were occupied by low-income households.

The vague Administration proposal known as the **Strengthening America's Communities Initiative** is an unproven restricted replacement for CDBG that would not allow communities to address many of the problems CDBG does.

The Administration has signaled that many communities now receiving CDBG funding **will not qualify for funding** under the new initiative. We expect this to include most of the communities in the Rocky Mountain region.

The Administration has indicated that the replacement for CDBG will assist **"only those communities most in need...where traditional industries do not employ as many workers as they did a generation ago."** The President's proposal implies that communities with poverty rates lower than the national average no longer deserve to receive assistance. This approach ignores the fact that even more stable communities have pockets of poverty and low-income families in dire need of help.

This "initiative" will impose inflexible federal mandates limiting funding to those limited to job loss, unemployment and poverty.

LEGISLATIVE ACTION

- ❖ Preserve the Community Development Block Grant (CDBG) Program within the Department of Housing and Urban Development.
- ❖ Provide a FY 2006 formula funding level for CDBG of at least \$5.05 billion overall.
- ❖ Don't sacrifice funding for other vital and proven HUD core programs such as HOME, Housing Choice Vouchers, Public Housing and Homeless programs to provide for the retention and adequate funding of CDBG.

FULL FUNDING FOR THE HOUSING CHOICE VOUCHER PROGRAM

The Housing Choice Voucher (HCV) is one of the primary means for low-income families to access housing that is decent and affordable and located in neighborhoods of their choice. NAHRO advocates for voucher renewal funding that is sufficient to cover all vouchers that can be used in FY 2006. The voucher program also provides housing opportunities for homeless and at-risk families, but waiting lists can be several years long. **NAHRO supports new funding for new vouchers to meet these growing needs.**

QUESTIONABLE CRISIS: The HCV program is frequently cited by the Administration as the source of budget woes for other HUD programs. In fact, according to the General Accounting Office, the HCV program remains one of the most efficient methods of providing housing subsidy to nearly 2 million low- and extremely-low income families. Program costs have increased, but not because of inefficiencies. Costs have increased because of program changes, the addition of new vouchers, new regulations, and decreases in tenant incomes. In FY 2005, funds increased by 4.6 percent over the amount appropriated for Section 8 tenant-based renewals in FY 2004. The Congressional Budget Office also projects that Section 8 tenant-based and project-based spending combined will increase by 2.5 percent per year or less in 2006 and beyond. This trend of modest average annual per unit HAP cost increases has been stable over the last several years.

LEGISLATIVE ACTION

- ❖ Fund the Housing Choice Voucher Program at its baseline level.
- ❖ Support funding for new incremental vouchers, with other housing and community development programs adequately funded.

REGULATORY ACTION

- ❖ Ensure that HUD moves forward with the reforms available since the passage of QHWRRA. These reforms, specifically elimination of the Earned Income Disallowance, elimination of negative rents and flexibility in changing the payment standard, will help achieve cost savings, greater program efficiency and local flexibility under the HCV program.

Impact of HCV Funding Cuts in the Mountain Plains Region

State	Current Authorized Vouchers	2005 Funding Shortfall	2005 Cut in Families
Colorado	27,935	\$8,202,393	1,102
Montana	5,624	\$1,014,302	227
North Dakota	7,429	\$1,044,208	292
South Dakota	5,733	\$936,980	229
Utah	10,318	\$2,280,377	400
Wyoming	2,148	\$361,077	81
Total Mountain Plains	59,187	13,839,337	2,331

Source: Center on Budget and Policy Priorities <http://www.cbpp.org/2-18-05hous-states.htm>

KEEP PUBLIC HOUSING VIABLE

Fully Fund the Operating Subsidy

Public housing has been plagued by a deficit in appropriations for the last decade. As a result, in 1998, Congress mandated that a new formula be developed for the distribution of operating subsidy to public housing agencies. Federal subsidy has not been sufficient to cover this gap in any of the last 10 years.

The total subsidy need to implement the Public Housing Cost Study's recommended formula was nearly \$4 billion in FY2003 dollars. The President's FY2006 budget includes \$3.4 billion, 23% short of need. It is critical to the integrity of the program and the longevity of public housing that it be fully funded.

A REASONABLE APPROACH TO ASSET MANAGEMENT

HUD is calling for a shift from the current agency-based system of accounting, management and funding to a property-based system modeled on private-sector concepts in asset management. We agree. Housing authorities in our region want to be allowed to manage with solid real estate and business principles. However, asset management depends on two critical variables that are not present in public housing: a predictable rental income and an ability to control your costs. In making the change to a property-based system, the program must allow maximum flexibility for local agency decision-making and funding to support the transition.

LEGISLATIVE ACTION

- ❖ Support a one-time FY 2006 appropriation of \$300 million to assist public housing agencies with the cost of conversion to this new asset system. Otherwise, conversion becomes an unfunded mandate.

REGULATORY ACTION

- ❖ **Implement the new operating subsidy:** The next step in the process is for the proposed rule to be published.
- ❖ **Eliminate the Earned Income Disallowance:** The disallowance temporarily exempts portions of new earned income from tenant rent calculations. The earned income disallowance, while laudable in intention, has become a constant source of confusion for tenants, their advocates and Public Housing Authorities and owners of selected other federally funded housing.
- ❖ **No negative rents:** Families who qualify to pay a minimum rent often receive a monthly check from housing authorities to cover the cost of utilities. While utilities constitute a legitimate part of a housing payment, no one should be "paid" to live in public housing. Elimination of the utility allowance in a minimum rent situation would solve this problem.