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FY 2018 House Appropriations Bill In-Depth: Public Housing

NAHRO News

Direct News - Washington Update

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This *Direct News* item is intended to provide NAHRO members with a comprehensive summary of the fiscal year (FY) 2018 House appropriations bill as it relates to Public Housing programs. It covers the Public Housing Operating Fund, the Capital Fund, the Rental Assistance Demonstration, Choice Neighborhoods Initiative, Family Self-Sufficiency, Executive Compensation, and other proposals and initiatives.

If you have questions on any of the items in this *Direct News*, please contact [Eric Oberdorfer](#), NAHRO's Policy Advisor for Public and Affordable Housing.

Public Housing Operating Fund

The House bill would provide \$4.4 billion to support the operation and management of public housing. This is level funding from FY 2017, and \$500 million more than what was proposed by the President's budget. According to HUD's Congressional Justifications, funding provided by the House bill would be sufficient to fund 91.1 percent of PHAs' anticipated formula eligibility.

The House bill recognizes the challenges of operating a calendar year program with fiscal year appropriations; as a result, the bill would continue to extend the period of availability of Operating Funds from one year to two years.

The House bill does not include any of the policy proposals contained in the President's budget, including the implementation of mandatory minimum rents, elimination of utility reimbursements, or rental increases.

Exemption from Asset Management

As in past years, the House bill contains language exempting PHAs that own and operate 400 or fewer public housing units from asset management requirements in connection with the Operating Fund rule. Congress has elected to continue this exemption each year since the language was first introduced.

Public Housing Capital Fund

The House bill would provide \$1.850 billion for the Capital Fund, \$1.222 billion more than the President's budget, but \$91.5 million less than FY 2017 funding. The House's proposed funding for the Capital Fund is dramatically lower than the \$3.4 billion annual accrual baseline established by HUD's 2010 Capital Needs Assessment.

The House bill once again includes the hard-fought language requiring HUD to notify PHAs of their formula allocation within 60 days of enactment of this Act. In years past, the processing and awarding of Capital Fund Program grants was significantly delayed relative to the timing of the appropriations acts. Starting with the FY 2014 appropriations cycle, NAHRO has urged Congress to require timely distribution of these funds.

The Committee also included report language that would direct HUD to create a research advisory committee comprised of program and research experts from HUD, industry groups, PHAs, private and multifamily mortgage lenders, and tenant advocacy groups that would advise HUD on policy and regulatory changes that would allow for increased use of the Public Housing Mortgage Program (PHMP). The research advisory committee would collaborate on evidence-based best practices to ensure tenant protections while encouraging PHAs to leverage private capital for the modernization of their portfolio through the capital markets. Due to the significant capital needs backlog for public housing projects, NAHRO is pleased to see this language included in the House Report language.

Capital Fund Set-Asides

Competitive Lead-Based Paint Hazard Grants: Like the President's budget, the House bill would eliminate the competitive Lead-Based Paint Hazard Grants that were established in the FY 2017 omnibus. The FY 2017 omnibus provided \$25 million to be available for competitive grants to PHAs to evaluate and reduce lead-based paint hazards in public housing. FY 2017 is the first year these grants will be made available.

Emergency Capital Needs: The House bill would provide \$20 million for grants to public housing agencies for emergency capital needs resulting from unforeseen or unpreventable emergencies and natural disasters excluding presidentially declared emergencies and natural disasters under the Robert T. Stafford Disaster Relief and Emergency Act. This includes a set-aside of

\$5 million reserved for safety and security emergencies. The House's proposed funding is \$1.5 million less than FY 2017, and level to the President's budget.

Jobs-Plus Initiative: The House bill would provide \$15 million directly for Jobs Plus, level funding from FY 2017, and \$5 million more than the President's budget. The direct funding is not limited to providing "incentives" to participants, meaning that it can also be used to support the service component of the program.

Resident Opportunities and Self-Sufficiency (ROSS): The House bill would provide \$35 million for the program. This is level with FY 2017 funding. The President's budget would have eliminated funding for the program.

REAC and Receiverships: The House bill would provide \$8.3 million for Public Housing Financial and Physical Assessment activities, \$1.7 million less than FY 2017 funding and level with the President's budget. The House bill would also provide \$1 million for the cost of administrative and judicial receiverships.

Public Housing Subsidy Flexibility

The House bill would carry forward the FY 2015 Appropriations provision increasing the limit on fungibility for PHAs with 250 or more units of public housing to transfer up to 25 percent of their annual Capital Fund grant to operations. The House bill does not include the provision that would allow all PHAs to have full fungibility between Operating and Capital Funds that was included in the President's budget.

As in previous years, the House bill would provide HUD with the authority to waive the transfer limit to fund activities related to anticrime and antidrug activities, including the costs of providing adequate security for public housing residents such as above-baseline police service agreements.

Small agencies retain their flexibility to make fungible 100 percent of their annual grants.

Physical Needs Assessments

As in previous years, the House bill would prohibit HUD from requiring or enforcing the Physical Needs Assessment for all PHAs.

Public Housing Assessment System (PHAS)

The Committee included report language that would require HUD to submit a report to Congress on potential changes to the Public Housing Assessment System (PHAS) for PHAs that operate 550 or less combined public housing units and Section 8 vouchers, taking into consideration physical inspections and an annual financial assessment based on current assets and liabilities.

Family Self-Sufficiency (FSS)

The House bill would maintain level funding for the FSS program at \$75 million, and like previous Appropriations Acts, would allow owners of multifamily Section 8 project-based rental assistance (PBRA) to fund coordinators out of their residual receipts.

Rental Assistance Demonstration (RAD)

Unlike the President's budget, the House bill would not eliminate the September 20, 2020 deadline for the submission of RAD applications under the first component or eliminate the cap on conversions. Currently, the cap is 225,000 units. The cap was last expanded in the 2017 omnibus.

Choice Neighborhoods Initiative

The House bill would provide \$20 million for the Choice Neighborhoods Initiative, significantly less than the \$137.5 million funding provided for FY 2017. The President's budget would have eliminated funding for Choice Neighborhoods.

As in prior years, the House bill includes language permitting unobligated balances, including recaptures, remaining from funds appropriated under HOPE VI in fiscal year 2011 and prior to be used for the Choice Neighborhood program.

PHA Employee Compensation

The House bill once again includes language prohibiting PHAs from using any Tenant-Based Voucher, Operating Fund, or Capital Fund dollars to pay any amount of salary above the base rate of pay for level IV of the Executive Schedule for FY 2018. This restriction includes salary as well as bonuses or other incentive pay. This provision affirms a policy which is already in place, since the FY 2015 bill extended the restrictions to all future appropriations acts.

Affirmatively Furthering Fair Housing

Like the 2017 Appropriations Act, the House bill would prohibit HUD from using any funds to direct grantees to undertake specific changes to existing zoning laws as a part of the "Affirmatively Furthering Fair Housing" (AFFH) Final Rule or the Assessment of Fair Housing (AFH) Tools.

Additional Committee Report Language

Unit Cost Inflation: The Committee notes that it supports efforts to reform HUD's subsidized housing programs to address rising per unit costs. It notes that the President's Budget proposes policy provisions which were intended to address rising costs, though it notes that these policy provisions are outside the Committee's jurisdiction. The Committee encourages HUD to work with appropriate authorizing Committees to pass cost-saving provisions.

PHA Administrative Burdens and Regulatory Reform: In report language, the Committee instructs HUD to identify and execute administrative actions which will reduce administrative burdens on PHAs. The committee suggests waivers and changes to regulatory provisions for PHA administrative, planning, and reporting requirements; audits (including energy audits); income verifications and recertifications; and program assessments. Specific regulatory changes recommended by the Committee include PHA plan requirements; environmental review requirements; and energy and utility data collection requirements. The Committee also instructs HUD to give special consideration to small PHAs (under 550 units). Finally, the Committee notes that "HUD must strike a balance between administrative relief and responsible oversight." NAHRO agrees with the need for regulatory reform and has submitted its [own list of regulatory streamlining recommendations](#).

Substance Abuse and Criminal Activity: Committee report language would require HUD to review current policies and regulations regarding substance abuse and criminal activity. This would include a determination of whether policies are effective in promoting both access and safety for families in public housing units. The Committee encourages this review to propose any suggested adjustments and changes to existing statutes or regulations in order to deter criminal activity on public housing property.

Additional Resources:

- [2018 House Appropriations Bill](#)
- [2018 House Appropriations Bill Report Language](#)
- [NAHRO's coverage of the President's 2018 budget proposal](#)