



NAHRO News

Direct News: Washington Update

2008 Budget Unveiled

February 5, 2007

President Bush unveiled his FY 2008 budget proposal to Congress this morning, proposing a total of \$2.9 trillion in spending. FY 2008 is the funding year that begins on Oct. 1, 2007. Of the total budget, the President proposes \$929.8 billion in funding for annually appropriated programs including defense, homeland security, and domestic programs, an increase of 6.5 percent over the \$873 billion limit set by Congress for FY 2007. Of this amount, \$553.9 billion is devoted to "security" spending including defense, homeland security and international affairs, a 10.7 percent increase over the amounts provided in FY 2007. **The category of non-security programs, including the programs of HUD, would increase just 1 percent over the FY 2007 amounts assumed in the budget.**

FY 2007 and FY 2008 Budget Processes Overlap

Complicating the discussion of the FY 2008 budget is the fact that Congress has not yet finalized its FY 2007 final appropriation. The House passed H. J. Res. 20, its version of the final FY 2007 appropriations act, on January 31. The Senate is expected to consider H. J. Res. 20 during the week of Feb. 12, and the President is expected to sign the measure into law before the current stop-gap spending measure expires Feb. 15. Click [here](#) to see NAHRO's coverage of H. J. Res. 20.

In preparing its FY 2008 budget documents, the administration assumed that FY 2007 non-defense spending would be set at funding levels in the continuing resolution expiring on Feb. 15. The expiring CR sets funding for HUD programs at the lower of the FY 2006 or House-passed FY 2007 appropriations levels. In contrast, H. J. Res. 20 provides funding at the FY 2006 level with strategic improvements over the FY 2006 level in the public housing operating, Section 8 voucher and project-based assistance, and Homeless Assistance Grants programs. Because the terms of H. J. Res. 20 are significantly different from the current continuing resolution, many comparisons cited in the President's budget documents will be rendered obsolete if and when H. J. Res. 20 is enacted.

For example, the President's budget proposal would provide \$35.2 billion for HUD for FY 2008. While this amount would be a \$500 million increase over the low funding levels proposed in the expiring CR, it is a significant reduction when compared with funding levels likely to be appropriated for FY 2007 (see below). H. J. Res. 20 contains at least \$1.7 billion over the FY 2006 enacted level for HUD programs.

Click here to see:

- [The President's FY 2008 budget documents](#)
- [HUD's press release](#)

- [HUD FY 2008 Budget Summary](#) - Please note that, in preparing its Summary of the FY 2008 budget, HUD has used the President's FY 2007 budget request as its point of comparison for FY 2007 rather than the expiring CR as used in the President's formal budget documents.
- [HUD FY 2008 budget appendix](#) (detailed funding information)
- [Overview of the administration's FY 2008 HUD budget proposal](#)

Funding Chart

The following table provides highlights of the President's FY 2008 budget proposal. For FY 2007, the table uses the funding levels contained in the House-passed version of H. J. Res. 20 as a point of comparison. The NAHRO column contains funding recommendations jointly endorsed by NAHRO, the Council of Large Public Housing Authorities, and the Public Housing Authority Directors Association for FY 2008. Click [here](#) to see the joint statement. NAHRO's full list of program recommendations will be released shortly.

Program (\$ in Millions)	06 Enacted	07 H. J. Res. 20	08 Proposed	NAHRO Recommendation
Public Housing Operating Fund	\$3,564	\$3,864	\$4,000	\$4,700*
Public Housing Capital Fund	\$2,439	\$2,439	\$2,024	\$3,500
HOPE VI	\$99	\$99	\$-99	\$600
Tenant-Based Rental Assistance (Sec 8 Vouchers), Total	\$15,418	\$15,920	\$16,000	
Housing Asst. Payments	[\$13,949]	[\$14,436]	[\$14,445]	[\$14,900]
Admin Fees	[\$1,238]	[\$1,281]**	[\$1,351]	[\$1,500]
FSS Coordinators	[\$48]	[\$48]	[\$48]	[\$72]
Project-Based Section 8	\$5,037	\$5,976	\$5,813	
Rescission of Prior-Year Sec. 8	\$-2,050	\$-1,650	\$-1,300	
Community Development Fund	\$4,178	\$3,711	\$3,037***	
Community Development Block Grant formula grants	[\$3,711]	[\$3,710]	\$2,975***	
Brownfields	\$10	\$10	\$0	
Rural Housing/Econ. Dev.	\$17	\$17	\$0	
Sec. 108 Loan Guarantees	\$4	\$4	\$0	
HOME	\$1,757	\$1,757	\$1,967	

ADDI set-aside in HOME	[\$25]	[\$25]	[\$50]	
HOPWA	\$286	\$286	\$300	
Homeless Assistance Grants	\$1,327	\$1,441	\$1,586	

* Does not include transition funding for 59 agencies; utility costs may be updated as additional information becomes available.

** Assumed based on total funding available, click [here](#) to see NAHRO's Summary and Analysis of H. J. Res. 20 for additional detail.

*** The President's budget nominally requests \$3.037 billion for the CD Fund for FY 2007. However, it offsets this amount by presuming the rescission of \$356 million in FY 2007 Economic Development Initiatives and other earmarks within the fund. The combination of the request and rescission results in a net FY 2008 appropriations request of just \$2.681 billion. Because H. J. Res. 20 does not provide any funding for such earmarks in FY 2007, these funds will not be available for rescission, thereby rendering the total amount available in the President's FY 2008 request insufficient to support the CD Fund at \$3.037 billion.

Preliminary Highlights of the HUD Budget Proposal

The following are preliminary funding numbers and highlights from the President's FY 2008 HUD Budget proposal. As usual, many legislative and budget proposals are not fully articulated in publicly available budget documents. NAHRO and other public interest organizations will be briefed on the budget later today. We will continue to provide news and analysis as information becomes available.

As a point of comparison for FY 2007, this summary refers to funding levels and proposals contained in H. J. Res. 20 as the likely FY 2007 appropriations levels.

Community and Economic Development

For the second year in a row, the President's budget proposes a deep funding cut for the Community Development Block Grant (CDBG) program. The FY 2008 budget also proposes to eliminate several HUD community and economic development programs, including the Brownfields and Section 108 loan guarantee programs, under the aegis of CDBG "reform." Meanwhile, many of the housing programs administered by HUD's Office of Community Planning and Development (CPD) including the HOME program fare well under the budget proposal.

Community Development Block Grants: Total funding for the Community Development Fund in the FY 2008 budget proposal is \$3.037 billion, with \$2.975 billion proposed for operating the CDBG program. These figures are identical to those proposed in the President's FY 2007 budget. Last year, in public statements on the day of the budget's release, HUD officials stated that \$200 million of the \$2.975 billion in CDBG funding was proposed to be set aside for competitive "challenge grants," with the balance to be distributed according to a revised formula structure. This meant that HUD's preferred FY 2007 funding level for traditional CDBG formula grants was actually \$2.775 billion, a point that NAHRO made publicly throughout the year. CDBG formula grants were funded at \$3.711 billion for FY 2006, the same funding level specified in H. J. Res. 20 for FY 2007.

The FY 2008 budget proposal does not include this \$200 million carve-out from CDBG formula funding but does state the administration will "re-propose the CDBG Reform Act" and that the

"reformed program" envisioned by this legislative proposal will "be designed with a Challenge Grant Fund component" along with "a new allocation formula to better target funds to communities most in need of assistance." It is therefore likely that the administration once again intends for traditional CDBG formula grants to be funded at a level below \$2.975 billion.

It must be noted that for the second year in a row the administration's budgetary request for the Community Development Fund assumes a rescission in the amount of \$356 million, with the source of those funds being "unobligated balances remaining from funds appropriated in fiscal year 2007 and prior years" for Economic Development Initiative and Neighborhood Initiative Demonstration special purpose grants. However, no such grants are included for FY 2007 in H. J. Res. 20 due to a one-year moratorium on earmarks imposed by the Democratic congressional leadership. Therefore, HUD's budgetary request for the Community Development Fund, net of the nonexistent rescission, is insufficient to fully fund the CDBG program even at the dramatically reduced level proposed in the FY 2008 budget.

Economic Development Programs: In what has become an annual tradition for the current administration, the budget proposes to eliminate the Section 108 Community Development Loan Guarantee program, the Brownfields Economic Development Initiative, and the Rural Housing and Economic Development program, arguing that communities can undertake activities supported by these programs using CDBG funds. H. J. Res. 20 includes funding for all three programs.

HOME, HOPWA and Homeless Assistance Grants: Under the FY 2008 budget proposal, the Home Investment Partnerships (HOME) and Housing Opportunities for Persons with AIDS (HOPWA) program receive increases over the actual FY 2006 and likely FY 2007 levels. HOME formula grants would be funded at approximately \$1.903 billion, an increase of \$223 million over the likely FY 2007 level. The budget seeks an additional \$50 million for the American Dream Downpayment Initiative and declares the administration's intent to seek reauthorization for the program. The HOPWA program would receive \$300 million under the FY 2008 budget proposal, a modest increase compared to the \$296 million appropriated for the program for FY 2006 and most likely FY 2007.

The FY 2008 budget proposes \$1.586 billion for HUD's Homeless Assistance Grants, a \$144 million increase over the likely FY 2007 appropriated level. The request includes \$35.5 million in set-asides, including a proposed \$25 million transfer to the Department of Labor for the Prisoner Reentry Initiative. The budget states that the administration will propose legislation to consolidate HUD's three competitive homelessness grant programs and that this legislative proposal will incorporate up to \$50 million for the Samaritan Housing Initiative.

Public Housing

The introduction to the Budget Appendix states that "HUD continues to support and improve Public Housing and has initiated the effort to adopt asset-based project management to allow significant improvements and efficiencies." However, the President's budget for FY 2008 falls far short of need in FY 2008. While providing a slight increase in Operating Funds over the likely FY 2007 appropriation, dramatic decreases in Capital and HOPE VI funding result in a net decrease of \$477 million compared with the amount provided by H. J. Res. 20 for FY 2007.

Operating Fund: The budget provides \$4.0 billion for the Public Housing Operating Fund, \$136 million greater than the amount likely to be provided in FY 2007 by H. J. Res. 20. NAHRO and other industry groups estimate that total need for 2008 under the new Operating Fund formula will be \$4.7 billion. The administration's request would result in an 85 percent proration at its proposed funding level. Of the total provided, nearly \$6 million would be made available for technical assistance related to the conversion to asset management. Budget documents do not indicate whether these are funds distributed to PHAs, or simply funds to be used by HUD to assist PHAs in the transition.

Capital Fund: The budget proposes \$2.024 billion for the Capital Fund (including set-asides), a \$415 million (17 percent) decrease compared with the amount provided by Congress for FY 2006 and also provided in the House-passed version of H. J. Res. 20.

HOPE VI: Not only does the administration propose to once again zero out HOPE VI in the coming year, it also proposes a rescission of the \$99 million likely to be provided in FY 2007. The proposal plans to "recover" funds from FY 2001 and prior-year HOPE VI awards to "nonperforming grantees," but does not specify the grantees from whom it plans to recapture the funds. Recovered funds would be used for eligible HOPE VI purposes.

Section 8 Vouchers

Funding: The budget recommends a total of \$16.0 billion for the Tenant-Based Rental Assistance voucher program, just \$80 million more than the likely FY 2007 appropriation and the President's own recommendation for FY 2007. Within the total, the President recommends \$14.445 billion for housing assistance payment (HAP) renewals, just \$9 million more than the likely FY 2007 appropriation. Seemingly developed in the belief that Congress would continue the "snapshot" formula through FY 2007, the budget proposes to distribute funding through a budget-based funding formula based on the amount each agency is eligible to receive in FY 2007, multiplied by the Annual Adjustment Factor. Because the proposed FY 2008 funding level is clearly insufficient to even cover an inflation adjustment over the likely FY 2007 appropriation, such a calculation would likely lead to a further deepening of the proration of eligible funding and reductions in the numbers of families served in communities across the country.

Also provided are \$1.351 billion for administrative fees, \$48 million for FSS coordinators, \$150 million for tenant-protection vouchers, up to \$100 million set aside for additional rental subsidies for unforeseen exigencies or portability and \$6 million for transfer to HUD's Working Capital (information technology) Fund. Included within the administrative fee appropriation is a \$5 million set-aside for bonuses to "encourage the consolidation of small PHAs."

Reform Proposal: According to budget documents, the President plans to submit legislation later this year to reform the Section 8 program once again. While "maintaining a budget-based approach," according to the summary, this proposal would 1) "provide incentives for PHAs to spend their funds to maximize assistance;" 2) "maximize appropriated funds by changing the way funds are allocated to PHAs;" and 3) "factor unused funds into future allocations."

The budget does not provide sufficient information to permit full evaluation of this legislative proposal, nor does it even specify when these changes would take place. However, it does seem to acknowledge a fact that NAHRO has been pointing out since 2004: the current "snapshot" formula has sent millions of dollars to local agencies in excess of the amount necessary to serve 100 percent of authorized leased families. According to the Budget Appendix, "at the end of 2006, over one billion dollars in balances remained in PHA accounts, of which more than half represents balances that could not be spent due to the current cap on the number of units." As NAHRO has often pointed out, these inefficiencies have driven the loss of well over 100,000 vouchers in the voucher program since 2004. While some communities have received more than necessary to serve 100 percent of authorized families, hundreds of other agencies have been forced to reduce the number of families served.

The budget states that it will propose to move toward a system in which funding would be "based on the level of spending by a PHA over the most recent year." NAHRO has long advocated a voucher formula funding system based upon the most recent 12 months' worth of cost and leasing data. A 12-month cost and leasing-based voucher funding formula has been included in H. J. Res. 20. We look forward to receiving additional information necessary to evaluate this proposal.

One of the few other articulated features of this proposal is a proposal to "lift the cap" on

authorized leased vouchers. Presumably, allowing agencies that have balances in excess of 100 percent of authorized leased families to exceed this cap would increase the number of families served in those communities. This may be the source of HUD's press release claim that a new proposal would allow up to 180,000 additional families to be served even though the budget provides only a \$9 million increase in voucher renewals in FY 2008. However, because the funding proposal appears to deeply underfund the basic program by not even providing sufficient funds for an inflation adjustment, NAHRO is concerned that the net result could be cuts in the number of families served in hundreds of communities not lucky enough to have received funds in excess of 100 percent of authorized vouchers in recent years.

NAHRO will continue to provide additional information and analysis of this proposal as details become available.

Rescissions of Prior-Year Section 8 Funding

The budget proposes a \$1.3 billion rescission of FY 2007 and prior-year funding from Section 8 tenant-based and project-based related accounts, including the Housing Certificate Fund. If such funds are not available from Section 8-related accounts, HUD may derive the rescission from other HUD accounts. HUD's FY 2007 budget proposed a \$2.05 billion rescission of prior-year funds.

HUD's Budget Summary states that the FY 2008 budget provides nearly \$1 billion more for Public and Indian Housing programs than the President requested in FY 2007. The fact that HUD's FY 2008 request for rescission of prior-year Section 8 funds is \$750 million less than requested in FY 2007 explains the majority of this difference.

Lead Hazard Reduction

The President's budget provides \$116 million for Lead Hazard Reduction, a \$34 million decrease compared with the FY 2006 and likely FY 2007 appropriations levels.

President's Proposal First Step in the Annual Budget Process

The administration's release of its budget proposal is the first step in developing the federal government's budget for FY 2008. Next, Congress will begin work on its annual Congressional Budget Resolution, which sets the parameters for total spending and revenues for the coming year. The House Budget Committee is expected to develop its version of the FY 2008 Budget Resolution by March 15, 2007. After developing their overall spending plan, congressional appropriators will prepare the annual appropriations bills that will provide funding for individual programs. To see a quick overview of the annual budget and appropriations timeline, click [here](#).

The first two FY 2008 overall budget hearings will take place this week as the Senate and House Budget Committees question Office of Management and Budget Director Rob Portman. The schedules for congressional hearings on the HUD budget have not been released yet, but NAHRO will update you as more information becomes available.

Budget Short of Need in Many Areas

The President foreshadowed cuts to domestic discretionary programs in his January 31 State of the Union Address. In addition, the address, which traditionally showcases the President's agenda for the coming year, failed to address America's housing and community development needs. In a statement released shortly after the address, NAHRO Executive Director Saul Ramirez, Jr. stated, "We must make public and affordable housing a national priority and put a stop to a trend of disinvestment that is undermining our ability to provide safe, decent and affordable housing for all Americans."

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