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Department of Housing and Urban Development (HUD): FY2019 Budget Request Fact Sheet

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Introduction

This report provides a brief overview of the FY2019 budget request for the Department of Housing and Urban Development (HUD), with links to relevant Administration budget documents and CRS reports. A list of CRS analysts with expertise on various aspects of the HUD budget is also provided. This report will not be updated to track legislative action.

HUD

Most of the funding for HUD's programs and activities comes from discretionary appropriations provided each year in the annual appropriations acts. HUD's annual appropriations are generally considered along with the Department of Transportation and several related agencies (including the Neighborhood Reinvestment Corporation, also known as NeighborWorks America) by the Transportation, HUD, and Related Agencies subcommittees of the House and the Senate appropriations committees.

- For more information about HUD's programs and activities, see CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*, by Maggie McCarty, Libby Perl, and Katie Jones.

President's FY2019 Budget Request

On February 12, 2018, the Trump Administration submitted its FY2019 budget request to Congress. The budget request was released before final FY2018 appropriations were enacted and only shortly after enactment of the Bipartisan Budget Act of FY2018 (BBA; P.L. 115-123), which, among other things, increased the statutory limits on discretionary spending for FY2018 and FY2019. As a result, the President's budget documents did not have final FY2018 funding levels with which to compare the FY2019 request. Thus, the FY2018 funding column in the President's budget documents does not reflect actual FY2018 funding levels. Additionally, the President's FY2019 budget was released contemporaneously with an addendum outlining proposed changes to the budget request in response to the increased spending limits, including an additional \$2 billion for HUD rental assistance programs.¹ That additional \$2 billion is not reflected in President's Budget documents from the Office of Management and Budget (OMB), but is reflected in HUD's Congressional Budget Justifications, which were released at a later date.

Totals

Including the increase specified in the OMB addendum (and reflected in HUD's Congressional Budget Justifications), the President's FY2019 request proposed \$41.3 billion in *gross* discretionary appropriations for HUD, which is the amount of new budget authority available for HUD programs and activities, not accounting for savings from offsets and other sources. That amount is about \$6.8 billion (14%) less than was provided in FY2017, which was the most recent

¹ See Office of Management and Budget (OMB), Addendum, February 12, 2018, available at <https://www.whitehouse.gov/wp-content/uploads/2018/02/Addendum-to-the-FY-2019-Budget.pdf>. The addendum explained that these increases did not equal the entire additional amount allowed by the new FY2019 spending limits because "the Administration strongly believes that we need to continue to restrain non-defense spending in light of the Nation's long-term fiscal challenges."

fiscal year for final appropriations legislation that had been enacted at the time the President's budget was developed and released (see **Figure 1** and **Table 1**).

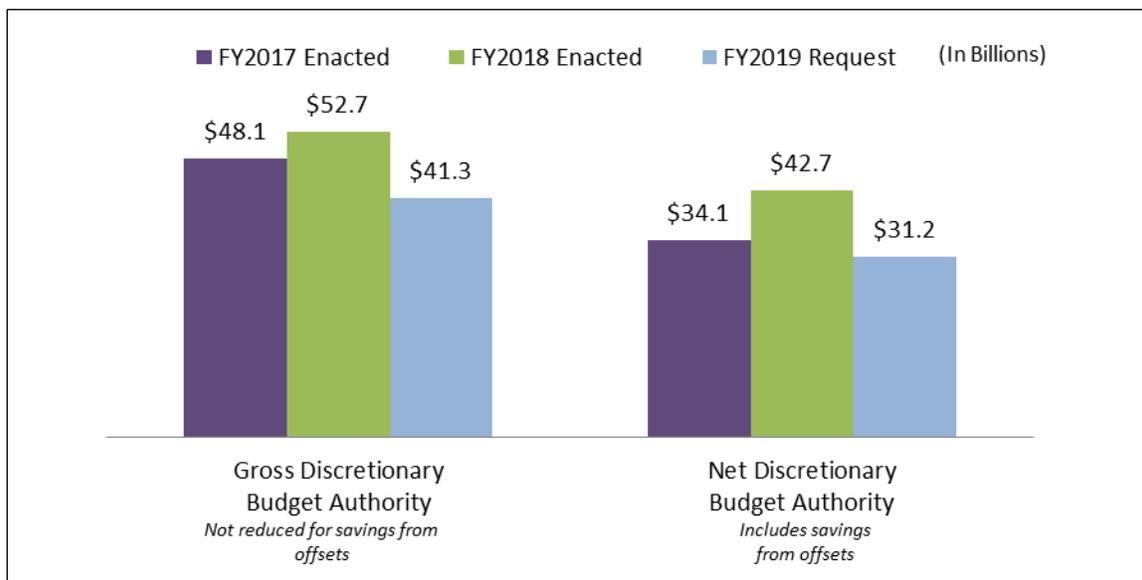
- *For more information about HUD's budget request, see FY2019 Budget Appendix-HUD. See also the OMB addendum, which explains that, in addition to amounts shown in the President's budget documents, the President is requesting another \$2 billion in funding for HUD rental assistance accounts. The distribution of those funds is not shown in the Budget Appendix, but it is shown in HUD's Congressional Budget Justifications.*
- *For additional detail about funding levels for specific programs and activities, see HUD's FY2019 Congressional Budget Justifications. (Note that the President's budget documents were prepared prior to enactment of final FY2018 appropriations. Thus, FY2018 funding figures in the President's budget documents do not reflect actual final FY2018 funding levels.)*
- *For a table of FY2019 requested funding levels compared to FY2017 and FY2018 enacted funding levels for selected HUD accounts, see **Table 1**.*

When looking at *net* discretionary budget authority—accounting for the effect of budgetary savings from offsetting collections and receipts, rescissions, and other sources—the President's budget appears to provide a smaller decrease relative to FY2017. As shown in **Figure 1**, when accounting for these savings, the President's FY2019 budget requests \$31.2 billion in net discretionary funding for HUD, a decrease of about \$2.9 billion (8%) compared to the net budget authority provided in FY2017.

The difference in net and gross figures is attributable to an estimated 28% decrease in offsetting collections and receipts for FY2019 relative to FY2017, primarily caused by an assumed 34% decline in savings available from the Federal Housing Administration's single family mortgage programs. However, these estimates of offsetting collections and receipts for FY2019 will likely change when the Congressional Budget Office (CBO) re-estimates the President's budget for the purposes of the Congressional appropriations process. (For more information about offsetting collections and receipts and other components of the HUD budget, see CRS Report R42542, *Department of Housing and Urban Development (HUD): Funding Trends Since FY2002*, by Maggie McCarty.)

As noted previously, subsequent to the release of the President's budget, Congress enacted annual FY2018 appropriations for HUD (Division L, Title II of the Consolidated Appropriations Act, 2018 (P.L. 115-141)). Final FY2018 enacted funding totals are included in both **Figure 1** and **Table 1** for comparison with the President's budget request for FY2019, although it is important to note that the President's budget request was finalized and released before these FY2018 figures were known.

Figure I. Total HUD Discretionary Funding With and Without Savings from Offsets and Other Sources: FY2017 Enacted, FY2018 Enacted, and FY2019 Request



Source: Chart prepared by the Congressional Research Service (CRS) based on information in the President's FY2019 budget documents and FY2017 and FY2018 congressional budget documents. Note that estimates from the President's budget will likely differ from congressional estimates (which are used in CRS appropriations reports) due to differences in estimates of various offsets between the Administration and the Congressional Budget Office (CBO).

Notes: Figures exclude emergency funding.

Program Eliminations

The bulk of the funding reduction proposed in the FY2019 budget request comes from program eliminations. The budget proposes to eliminate funding for a number of HUD grant programs, which, combined, received over \$6 billion in FY2017 and over \$7.7 billion in FY2018. The programs slated for elimination include the following:

- **Community Development Block Grants (CDBG)**, funded at \$3 billion in FY2017 and \$3.4 billion in FY2018, which provide formula grants to states and localities for a variety of community and economic development activities.
- **The Public Housing Capital Fund**, funded at \$1.9 billion in FY2017 and \$2.75 billion in FY2018, which provides grants to public housing authorities (PHAs) to fund the major modernization needs in public housing.
- **HOME Investment Partnerships** grants, funded at \$950 million in FY2017 and \$1.4 billion in FY2018, which provide formula grants to states and localities for various housing activities targeted to low-income families.
- **Choice Neighborhoods** grants, funded at \$138 million in FY2017 and \$150 million in FY2018, which provide competitive grants to revitalize distressed public housing or other HUD assisted housing. Section 233 of the General Provisions also proposes that Congress rescind prior-year funding for the program before it is awarded by HUD.
- **The Self-Help Homeownership Program (SHOP) account**, funded at \$54 million in FY2017 and FY2018, includes funding for grants to national

intermediaries (such as Habitat for Humanity) to fund self-help, sweat-equity model housing programs for low-income families, and grants for capacity building activities.

- **Native Hawaiian Block Grants**, funded at \$2 million in FY2017 and FY2018, which provide grants for housing and related infrastructure for low-income Native Hawaiians on the Hawaiian home lands.

Funding Reductions

Most other HUD programs are slated for funding reductions in the FY2019 request relative to FY2017 and FY2018. Those with the largest proposed reductions include the following:

- **The Public Housing Operating Fund**, proposed for a \$1.1 billion (25%) reduction relative to FY2017 and a \$1.2 billion (28%) reduction relative to FY2018, which provides formula grants to PHAs to fund the operating costs of public housing.
- **Native American Housing Block Grants**, proposed for a \$53 million (8%) reduction relative to FY2017 and a \$155 million (21%) reduction relative to FY2018, which provides block grants to Native American tribes and Alaska Native Villages for affordable housing activities and funds related training and technical assistance.
- **HUD Management and Administration**, proposed for a \$52 million (4%) reduction relative to FY2017 and a \$40 million (3%) reduction relative to FY2018, which funds HUD program administration and staffing.

Rental Assistance

HUD's rental assistance programs were slated for, in some cases significant, funding reductions in FY2019 relative to FY2017, according to the President's budget documents. These programs, which include the public housing, Housing Choice Voucher and Section 8, and other project-based rental assistance programs, provide deeply subsidized affordable housing to low-income families, seniors, and persons with disabilities, and they account for the largest share of spending in HUD's budget. However, as noted earlier, as a result of the budget agreement that increased the amount of discretionary spending allowed under discretionary spending caps, in FY2018 and FY2019, an additional \$2 billion was allocated for HUD's rental assistance programs. This allocation was not described in the OMB addendum announcing its availability, but it is reflected in HUD's Congressional Budget Justification documents. The additional \$2 billion was allocated, according to departmental budget documents, as follows:

- \$1.235 billion for the Tenant Based Rental Assistance Account, which funds the Section 8 Housing Choice Voucher program, turning a 5% reduction relative to FY2017 into a 1% increase. However, compared to FY2018, the amended funding request would represent a reduction of \$1.5 billion (7%).
- \$438 million for the Public Housing Operating Fund, changing a 35% funding decrease relative to FY2017 into a 25% reduction. Compared to FY2018, the reduction would be 28%.
- \$281 million for the project-based rental assistance account, which funds long-term rental assistance contracts with owners of project-based Section 8 properties. The President's budget originally proposed level funding for the account relative to FY2017; however, with the additional funds the account

would see a 3% increase relative to FY2017. Despite the extra funding, the total would be a 3% decrease relative to FY2018.

- \$38 million for the Section 202 Housing for the Elderly program, which funds rental assistance for senior housing properties, changing a 12% increase in funding relative to FY2017 to a 20% increase. Relative to FY2018, however, the request would represent an 11% decrease.
- \$8 million for the Section 811 Housing for Persons with Disabilities program, which funds rental assistance for housing for persons with disabilities, changing a 10% decrease relative to FY2017 to a 4% decrease. Compared to FY2018, however, the request would represent a 39% decrease.

The amount of funding requested for these accounts for FY2019 would be unlikely to ensure that all currently assisted families continue to receive the same level of assistance they presently receive, given general rental inflation across the programs. The result may be fewer families served or increased rents paid by families. In fact, the President's budget documents explicitly state that a set of forthcoming rent reform proposals will include, among other changes (such as the implementation of work requirements in certain HUD programs), increases in rents paid by tenants.

Legislative Proposals

The FY2019 budget request contains a number of legislative proposals that would make changes to HUD programs. Many of these proposals were also included in the President's FY2018 budget request. A selection of general provisions being proposed is summarized here

- Expansion of the Rental Assistance Demonstration (RAD), including elimination of the cap on the number of public housing units that can convert under the program. (§219)
- A number of changes to the Home Equity Conversion Mortgage (HECM) program, including removing the cap on HECM loans, changes to loan limits, and added protections for surviving spouses. (§§208, 223, 240)
- Technical changes to the Housing Opportunities Through Modernization Act (enacted in 2016) related to limitations on the use of project-based vouchers. (§§224, 225)
- Authority for the HUD Secretary to freeze rent increases in the project-based rental assistance programs to restrain cost growth. (§226)
- Broad statutory and regulatory waiver authority for the HUD Secretary in administering the public housing and Section 8 Housing Choice Voucher program. (§§227, 228)
- Modifications to enhanced vouchers to reduce subsidies and allow for increased tenant rent payments. (§229)
- Lead-based paint policy changes to increase the threshold at which certain interventions must take place and new subpoena authority for the HUD Secretary in enforcing lead disclosure requirements. (§§234, 235)
- Changes to the definition of short-term housing in the Housing for Persons with AIDS (HOPWA) program. (§236)

- Changes to the Continuum of Care grant program related to how rental assistance need calculations are done and allowable uses of funds in rural areas. (§§237, 238)
- Expansion of eligibility for housing counseling grants to state and local governments, tribes, and Tribally Designated Housing Entities. (§239)
- Changes to the Section 8 Housing Choice Voucher program to allow PHAs to own voucher-assisted units directly. (§241)
- Clarifications of HUD’s authority, as well as policy changes, related to unspent, misallocated, or suspected misuse of Indian Housing Block Grant funds. (§§242, 243, 244)
- Increased authority for HUD to sanction lenders participating in the Indian Housing and Native Hawaiian Housing loan guarantee programs. (§§246, 248)
- Authority for HUD to use funding previously appropriated for the Land Title Report Commission in support of other activities related to the Commission’s intended purpose of improving land title records processes on Indian trust lands. (§249)

Table I. FY2017 and FY2018 Enacted Funding and FY2019 Request for Selected HUD Accounts
(In billions of dollars)

Selected Accounts	FY2017 Enacted	FY2018 Enacted	FY2019 Request	% Change, FY2019 Request Compared to FY2017	% Change, FY2019 Request Compared to FY2018
Salaries and Expenses (Mgmt. & Adm.)	1.355	1.342	1.302	-4%	-3%
Tenant-Based Rental Assistance (Section 8 Housing Choice Vouchers)	20.292	22.015	20.550	1%	-7%
Public housing capital fund	1.942	2.750	—	-100%	-100%
Public housing operating fund	4.400	4.550	3.279	-25%	-28%
Choice Neighborhoods	0.138	0.150	—	-100%	-100%
Family Self Sufficiency	0.075	0.075	0.075	0%	0%
Native American housing block grants	0.654	0.755	0.600	-8%	-21%
Native Hawaiian block grant	0.002	0.002	—	-100%	-100%
Housing, persons with AIDS (HOPWA)	0.356	0.375	0.330	-7%	-12%
Community Development Fund (Including CDBG)	3.060	3.365	—	-100%	-100%
HOME Investment Partnerships	0.950	1.362	—	-100%	-100%
Self-Help Homeownership (SHOP)	0.054	0.054	—	-100%	-100%
Homeless Assistance Grants	2.383	2.513	2.383	0%	-5%
Project-Based Rental Assistance (Project-Based Section 8)	10.816	11.515	11.147	3%	-3%
Housing for the Elderly	0.502	0.678	0.601	20%	-11%
Housing for Persons with Disabilities	0.146	0.229	0.140	-4%	-39%

Housing Counseling Assistance	0.055	0.055	0.045	-18%	-18%
Research and technology	0.089	0.089	0.085	-4%	-4%
Fair housing activities	0.065	0.065	0.062	-5%	-5%
Office, lead hazard control	0.145	0.230	0.145	0%	-37%

Source: Table prepared by the Congressional Research Service (CRS) based on Explanatory Statement accompanying H.R. 1625, the FY2018 omnibus appropriations bill, as published in the *Congressional Record*, March 22, 2018, beginning on p. H2883; FY2019 President’s budget documents; and HUD Congressional Budget Justifications.

Note: President’s budget documents were released prior to enactment of final FY2018 appropriations levels; thus, FY2018 enacted funding levels are not available from the President’s budget documents.

Author Information

Maggie McCarty
Specialist in Housing Policy

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