



POSITION PAPER

Public Housing Authorities Directors Association

FY 2013 T-HUD Appropriations

Public Housing Faces Threats including 2012 Reserves Offset Anomaly and Sequestration



Passage of a final FY 2013 T-HUD Appropriations bill will depend on how well Congress is able to handle a number of large and complex budget-related issues that will, in varying degrees, help shape a final 2013 appropriations bill this year and other appropriations bills for years to come. The fiscal soundness of public housing agencies, the physical condition of thousands of properties and the quality of life for 2 million residents will feel the impact of the solution members of Congress reach. These issues have been brewing for some time in a politically divided and hyper-partisan Congress. Now these issues are front and center in the run-up to a presidential election. The election itself may determine when Congress will address these issues. It seems clear that some seemingly intractable problems will be pushed beyond the start of the 2013 fiscal year, others might be dealt with during a lame duck session and others may be carried well into the next calendar year. The key issues include:

- **Continuing Resolution (CR) and operating fund anomaly** At the start of summer it became evident that Appropriations bills would not be ready for conference. The House and Senate appropriators were working with numbers that were approximately \$2 billion apart and at very different pace. The House completed work on 7 of 12 bills before the August Recess while the Senate completed work on none of the 12 appropriations bills. Continuing resolutions essentially keep the government operating at the current funding levels until appropriations bills can be passed by Congress and signed by the President. House and Senate leadership has agreed to a six-month long continuing resolution that will push final spending decisions to the end of March 2013. A CR of this length is especially problematic since the Public Housing Operating Fund was short-funded as a result of the \$750 million operating reserves offset in FY 2012. A lengthy CR could cause significant hardship on many agencies by providing only the amount Congress allocated in FY 2012 -- \$3.96 billion or approximately 80% funding. PHADA has written to both THUD Appropriations committees to alert them to this funding anomaly and the potential downside for agencies operating budgets. (see www.phada.org/pdf/Murray_Anomaly_letter.pdf)
- **Sequestration** Congress inserted sequestration in last summer's Budget Control Act of 2011 (BCA) as a tactic to force

PHADA Funding Positions:

- PHADA **strongly urges** Appropriators to correct the funding anomaly in the agreed-to 6-month Continuing Resolution (CR) -- caused by inordinately low appropriations in the FY 2012 Operating Fund due to the \$750 million operating reserves offset.
- PHADA **supports** the slightly better funding levels for the Operating Fund (\$4.59B), Voucher Renewals (\$17.49B) and Voucher Administrative Fee (\$1.58B) spending levels in the Senate bill.
- PHADA **supports** the slightly higher, though woefully inadequate Capital Fund spending level (\$2.07B) proposed by the White House.
- PHADA **strongly supports** \$300M for HOPE VI, the only preservation program specifically targeted to severely distressed public housing.

both chambers and both parties to find \$1.2 trillion in budget cuts over ten years. The sequestration established in the BCA will trigger annual and automatic deep funding cuts in both Defense and Non-Defense discretionary spending starting January 1, 2013. The threat of automatic cuts was meant to apply pressure to last year's bipartisan budget "super committee" to find those savings but the super committee failed to agree on funding solutions that could spare programs from deep and dreaded automatic cuts. Now as time runs down and with no agreement in sight, Congress is contemplating the specter of large across-the-board funding cuts to defense and non-defense discretionary programs.

FY 2013 HUD Budget Proposals vs. Current Funding vs. Need

	FY 2012 Enacted	FY 2013 PHADA Estimated Need	FY2013 White House proposal	FY2013 Senate Bill	FY2013 House Bill
Operating Fund	\$3.962B ¹	\$5.056B	\$4.524B	\$4.591B	\$4.524B
Capital Fund	1.875B	5.021B	2.07B	1.985B	1.985B
Voucher renewals	17.242B	18.06B	17.238B	17.495B	17.238B
Admin. Fee	1.35B	1.807B	1.575B	1.58B	1.575B
HOPE VI	-0-	300M	-0-	-0-	-0-
Choice Neighborhoods	120M	N/A	150M	120M	-0-

¹\$750 million reserves offset

Operating Fund The House matched the amount (\$4.524 billion) provided in the White House budget but slightly less than the Senate proposal of \$4.591 billion. The House, Senate and White House each added more than a half billion dollars to the FY 2013 Operating Fund over the FY2012 amount that was woefully inadequate. The proposed Operating Funds spending level for FY 2013 is still \$400-\$500 million below PHADA's estimated need based on the negotiated funding formula.

Capital Fund The House provides the same modest amount as the Senate -- \$1.985 billion or \$85 million less than the White House budget. This continuing decline in capital fund outlays may make it increasingly difficult for public housing to secure lending partners and private funding. The House and Senate spending amount is just 60% of what is needed to cover the costs of annually accruing capital needs.

Voucher renewals House voucher renewals spending match that of the White House at \$17.238 billion which appears to be nearly-level funding with the FY 2012 amount of \$17.242 billion. The White House, Senate and House appropriators attempted to correct the funding crisis in the voucher program by adding \$225 million to the low-ball FY 2012 spending level of \$1.35 billion for the **Administrative Fee**. The House provided \$1.575 billion, the same spending level as the White House and slightly lower than the Senate. Inadequate FY 2012 administrative fee funding forced a number of agencies to quit operating their voucher programs. Some other agencies have been forced to decline additional VASH vouchers due to inadequate funding for staffing.

Choice Neighborhoods The House declined to provide funding for the, as yet, unauthorized Choice Neighborhoods program even though the White House provided \$150 million and the Senate \$120 million. No funding was provided for the **HOPE VI** program, the successful and targeted preservation program for public housing.

The House T-HUD bill included three (3) general provisions. They are: Section 221 that allows a housing agency with 400 or fewer public housing units to opt out of asset management (if the HA is not a stop-loss agency) and Section 222 restricts the HUD Secretary from setting any limits on the use of capital funds for central office costs. **PHADA strongly supports Sections 221 and 222.** Section 228 limits the amount of section 9 and section 8 funds agencies can use to pay the salary of the executive director (or other HA employees) to the level IV of the federal Executive Schedule. **PHADA strongly opposes Section 228 and any effort by Washington to dictate local PHA salaries.**