

# FY 25 Appropriations

THE WHITE HOUSE HAS PROPOSED its Fiscal Year (FY) 25 HUD budget, and the House of Representatives and the Senate have both released their FY 25 bills and passed them through their respective Appropriations Committees. There is considerable disagreement across the three budgets, with the White House and Senate budgets proposing modest increases while the House budget includes sharp cuts to many core HUD programs.

As with the FY 24 budget cycle, FY 25 appropriations are limited by provisions in the Fiscal Responsibility Act of 2023, which raised the country's debt ceiling but also enacted non-defense discretionary spending caps for the FY 24 and FY 25 budgets. These caps allow for only a small increase in the FY 25 discretionary budget. However, the Senate has appropriated additional emergency funding that allows its FY 25 budget to exceed those caps.

In this challenging appropriations environment, it is crucial that Congress ensure maximum funding for core HUD programs that provide safe, sanitary, and decent housing for low-income families. Rising insurance rates, increasing Tenant

Accounts Receivable (TARs), and higher personnel costs all require greater funding for HAs. Additionally, for the voucher program, rental inflation is nearly at 10 percent year-over-year, requiring much greater appropriations just to renew all existing vouchers.

PHADA urges caution when viewing the figures for HUD accounts because these will change as Congress debates these matters. Neither the House nor the Senate bills have passed their respective chamber, and it is likely that there will be a continuing resolution (CR) if Congress is unable to pass all 12 appropriations bills before September 30, 2023.

## Public Housing Operating Fund

The Senate has proposed a modest decrease (2.0 percent) in operating funding relative to FY 24 levels, while the House has proposed a much more dramatic decrease in funding of nearly 7.5 percent. Both figures are inadequate, however, given inflationary pressures, rising insurance rates, challenges to conform with HUD's new NSPIRE standards, and continued high levels of tenant accounts receivable (TARs).

For reference, a recent HUD presentation noted that the total amount of TARs across the public housing portfolio is currently \$570 million, and the Department has previously stated that one-in-five HAs is "severely impacted" by TARs—meaning there was an increase in uncollected rent and a decrease in reserves. The Association continues to push HUD to refrain from penalizing HAs for TARs issues through performance reviews (PHAS).

## Capital Fund

The Senate has proposed the same \$3.2 billion in capital fund appropriations as in FY 24 enacted levels, while the House has proposed a nearly 5 percent decrease to the capital fund. These amounts are wholly inadequate for HAs in today's environment of rapid inflation for construction materials, the need to conform to new NSPIRE and Build America Buy America (BABA) standards, and additional mandates related to health and safety (smoke detectors, radon, etc.).

## Shortfall Funding

The Senate has proposed more than quadrupling public housing shortfall funding, to \$107 million, over the \$25 million enacted in FY 24. However, the House has only proposed maintaining the same funding as FY 24 enacted levels.

Recently released data indicate that HAs are eligible for over \$600 million in shortfall funding, so even the Senate's relatively higher figure will only cover about 18 percent of shortfall needs.

## Section 8 Voucher Renewals

While the Senate has put forth a 12.4 percent increase in funding for voucher renewals, the House has proposed essentially flat funding for HCV contracts. Given that voucher per unit costs (PUCs) are increasing at nearly 10 percent year-over-year, the House bill would essentially result in a 90 percent proration, and many HAs would have to stop issuing vouchers if that funding level were enacted.

## Administrative Fees

The Senate has proposed a modest increase (4.0 percent) for voucher administrative fees, while the House THUD bill only provides for flat funding relative to FY 24 enacted levels. PHADA will continue to advocate for increased voucher fees, and we encourage members to share with their Representatives and Senators how crucial admin fees are to running an efficient and successful voucher program.

## FY 25 Budget Table for Selected HUD Accounts (IN \$MILLIONS)

	FY 24 ENACTED	FY 25 PHADA RECOMMENDED	FY 25 WHITE HOUSE	FY 25 HOUSE PROPOSED	FY 25 SENATE PROPOSED	% CHANGE FY 24 ENACTED TO SENATE PROPOSED
<b>Total HUD Discretionary</b>	<b>\$70,069</b>		<b>\$72,600</b>	<b>\$64,827</b>	<b>\$78,200</b>	<b>+11.6%</b>
Public Housing Operating Fund	\$5,476	\$5,838	\$5,050	\$5,097	\$5,366	-2.0%
Public Housing Capital Fund	\$3,200	\$5,000	\$3,200	\$3,047	\$3,200	—
Public Housing Shortfall	\$25	\$377	\$178	\$25	\$107	+328%
Voucher Contract Renewals	\$28,491	\$30,617	\$29,251	\$28,500	\$32,035	+12.4%
Voucher Administrative Fees*	\$2,741	\$3,217	\$2,934	\$2,740	\$2,850	+4.0%
Tenant Protection Vouchers	\$337	\$500	\$300	\$300	\$300	-11.0%
Incremental Vouchers	\$45**	\$241	\$241	\$0	\$45**	—
Project Based Rental Assistance	\$16,010	\$16,686	\$16,286	\$16,195	\$16,254	+1.5%
Choice Neighborhoods	\$75	\$150	\$140	\$0	\$100	+33.3%
HOME	\$1,250	\$2,500	\$1,250	\$500	\$1,425	+14.0%
CDBG	\$3,300	\$4,200	\$2,900	\$3,300	\$3,300	—
FSS	\$141	\$200	\$125	\$125	\$146	+3.5%
ROSS	\$40	\$40	\$35	\$35	\$40	—
Jobs-Plus	\$15	\$15	\$15	\$15	\$15	—

\*Less fees for special purposes

\*\*\$15 million in incremental HUD-VASH, \$30 million in incremental FUP

### Tenant-Protection Vouchers

Both the House and Senate bills include \$300 million for tenant protection vouchers (TPVs), which is an 11 percent reduction over FY 24 enacted funding. Given HUD’s recent efforts to streamline RAD/Section 18 blends, PHADA urges members to advocate for additional TPV funding.

### Project-Based Rental Assistance

The House and Senate have both proposed modest increases in PBRA funding. Both chambers believe this funding will allow HUD to renew all existing contracts. As with voucher renewals, the increase in rental costs is also forcing appropriators to increase funding for PBRA contracts.

### Incremental Vouchers

While the White House budget included \$241 million to new vouchers, only the Senate has included some funding for incremental vouchers—\$15 million for new Veterans Affairs Supportive Housing (VASH) vouchers, and \$30 million for new Family Unification Vouchers. The House has not proposed any incremental voucher funding.

### Other HUD Programs

#### HOME and CDBG

The House and Senate include flat funding for the Community Development Block Grant (CDBG) program. While the Senate has put forth a 14 percent increase in HOME funding, the House has proposed a 60 percent decrease to \$500 million. Given the importance of HOME to meeting local affordable housing needs, PHADA urges Congress to fully fund this crucial program.

#### Self-Sufficiency Programs

The House has proposed an 11 and 12.5 percent cut to the Family Self-Sufficiency (FSS) and Resident Opportunities and Self-Sufficiency (ROSS) programs, respectively. Both proposals would revert funding for these programs to FY 23 enacted levels. However, the Senate has put forth a modest increase (3.5 percent) in FSS funding and flat funding for the ROSS program.

#### Choice Neighborhoods

The House has not proposed any funding to Choice Neighborhoods. The Senate bill appropriates \$100 million, a 33 percent increase relative to FY 24, but a sharp decrease compared to the \$350 million appropriated in FY 23. ■