

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Public and Indian Housing

Public Housing Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Transfers	Total Resources	Obligations	Net Outlays
2023 Appropriation	8,514,000	736,169	-	(89,850)	9,160,319	8,569,647	7,087,000
2024 Annualized CR	8,514,000	590,672	-	(40,000)	9,064,672	8,474,000	7,253,000
2025 President's Budget	8,540,000	590,000	-	(60,000)	9,070,000	8,480,000	8,403,000
Change from 2024	26,000	(672)	-	(20,000)	5,328	6,000	1,150,000

a/ 2023 Total Resources include \$724 million in carryover, recoveries of \$12 million of unpaid obligations and actual transfers for subsidy payments for units converting under the Rental Assistance Demonstration (RAD).

b/ 2024 Total Resources is net of \$40 million estimated to be transferred for RAD.

c/ 2025 Total Resources is net of \$60 million estimated to be transferred for RAD.

PROGRAM PURPOSE

The Public Housing Fund supports the Public Housing program by providing Federal grants necessary for Public Housing Agencies (PHAs) to operate, maintain, preserve, and make capital improvements to approximately 900,000 affordable public housing units, serving over 1.7 million residents across 856,000 households, over half of whom are extremely low-income.¹ The public housing stock serves an important role in the Nation's housing market, ensuring housing for some of the Nation's most vulnerable families. Local administration of Federal grant funds allows communities the flexibility to tailor public housing to suit local needs, including establishing admission preferences for the elderly, disabled, and homeless persons, as well as the working poor.

BUDGET OVERVIEW

The 2025 President's Budget requests \$8.5 billion for the Public Housing Fund, which is \$26 million more than the 2024 Annualized CR levels. The Budget supports the following activities:

- \$5.1 billion for Operating Fund grants;
- \$178 million for Operating Shortfall grants;
- \$3.2 billion for Capital Fund Formula grants;
- \$20 million for Emergency and Disaster grants;
- \$10 million for Emergency Safety and Security grants;
- \$67 million for Lead Paint and Housing Health Hazards grants; and
- \$15 million for Receivership, Troubled and High-Risk PHAs grants.

These programs align with HUD 2022-2026 Strategic Objectives 1B: *Reduce Homelessness*, 1C: *Invest in the Success of Communities*, 2A: *Increase the Supply of Housing*, 2B: *Improve Rental Assistance*, 4A: *Guide investment in Climate Resilience*, and 4B: *Strengthen Environmental Justice*.

¹ There are approximately 80,000 vacant units. Some units are vacant and ready for occupancy as regular book of business for public housing authorities. Others are vacant for certain HUD-approved reasons (e.g., undergoing modernizations, court litigation, natural disasters, etc.).

JUSTIFICATION

The Public Housing Fund provides payments to about 2,700 PHAs for the operation, management, maintenance, preservation, and capital needs of publicly owned affordable rental housing throughout the United States and its territories. The Public Housing Fund is primarily allocated as grants to support operations awarded pursuant to Section 9(e) of the United States Housing Act of 1937 and grants to support capital needs awarded pursuant to Section 9(d) of the Act.

The Public Housing program is a vital part of the Nation's critical infrastructure, but it remains severely underfunded. Operating housing and investing in modernization are demonstrated economic generators. Investing in public housing is crucial to reversing the longstanding negative impacts of racism and discrimination in access to quality, affordable housing. Black, Latino, Native American, and Asian families make up over two-thirds of people living in public housing. Eliminating health hazards like lead and mold, improving the building envelope, updating mechanical systems and appliances and upgrading building amenities like elevators and broadband access gives these families a stronger foundation for success. Finally, through regular capital investments, ongoing maintenance efforts, and strategic funding available through targeted set-asides, the Public Housing program serves to ensure that HUD and PHAs are meeting the important goal of providing a healthy and safe living environment to families living in public housing.

The Public Housing program has long been vital to the Federal housing safety net. Support of the Public Housing Fund enables the preservation of deeply affordable units specifically targeted to serve low- and extremely low-income families, thus strengthening the Federal housing safety net for those in need. Private market rental costs are continually unaffordable for families with low and extremely low incomes, and market rents continue to rise. For these families, public housing offers an affordable, stable platform to access other resources and support to improve economic and social mobility.

Grants Awarded for Operations

The Budget proposes operating grants in the amount of \$5.1 billion. Public Housing operating grants are the only dedicated Federal resource available to PHAs to operate and maintain the Nation's public housing stock. PHA eligibility for an operating grant is based on the Operating Fund formula established through negotiated rulemaking in 2007 and codified at 24 CFR 990. This funding covers day-to-day operational expenses associated with public housing and program implementation expenses that PHAs are required to undertake under Section 9(e) of the U.S. Housing Act of 1937 and existing program regulations.

These expenses include, but are not limited to the following activities.

Public Housing Operation

- Management and operations, including staff costs;
- Operating costs for privately owned public housing units in mixed-finance projects;
- Routine and preventative maintenance;
- Anti-crime, anti-drug, and security activities;
- Utility costs;
- Resident supportive services, support coordinators, as well as staff and resident participation activities; and
- Insurance.

Public Housing Program Implementation

- Recertifications of income and household composition;
- Timely rent collection;
- Submission of annual unaudited and audited financial statements to HUD;
- Asset management over the physical and financial integrity of the program;
- PHA self-inspections of public housing units;
- Planning for the long-term capital needs to maintain the viability of PHA properties; and
- Debt service incurred to finance unit rehabilitation and development.

Funding at this level is projected to be sufficient to cover 90 percent of public housing operating expenses. When paired with existing program reserves and increased shortfall funding to protect agencies with low operating reserves, HUD estimates that funding at this level will ensure that there are sufficient resources at every PHA to maintain current service levels.

TABLE 1: 2025 OPERATING FUND ELIGIBILITY

(Dollars in Thousands)

2025 OPERATING FUND BUDGET				
#	Description	Actual FY 2023	Estimate FY 2024	Estimate FY 2025
1	Non Utility Expense Level (PEL)	\$ 5,461,118	\$ 5,586,582	\$ 5,614,231
2	Utilities	\$ 1,940,517	\$ 1,949,050	\$ 1,954,116
3	Less: Tenant Income	\$ (3,120,460)	\$ (3,197,534)	\$ (3,243,196)
4	Public Housing Operating Fund Base (line 1-3)	\$ 4,281,175	\$ 4,338,098	\$ 4,325,151
5	MTW Alternative Formula Grant, PHA's not in Base	\$ 594,740	\$ 626,856	\$ 660,706
6	Public Housing Add-ons	\$ -	\$ -	\$ -
7	Elderly/Disabled	\$ 15,546	\$ 16,078	\$ 16,502
8	Resident Participation	\$ 20,235	\$ 20,016	\$ 19,598
9	Energy-Add On for Loan Amortization	\$ 39,409	\$ 40,757	\$ 41,833
10	Payments in Lieu of Taxes	\$ 160,524	\$ 166,014	\$ 170,397
11	Cost of Independent Audit	\$ 23,990	\$ 24,811	\$ 25,466
12	Asset Management Fee	\$ 31,435	\$ 31,094	\$ 30,444
13	Information Technology Fee	\$ 21,113	\$ 20,884	\$ 20,448
14	Asset Repositioning Fee	\$ 82,136	\$ 84,945	\$ 87,188
15	Mutual Help and Turnkey Units	\$ 7	\$ 7	\$ 7
16	Estimated Appeals	\$ 10,000	\$ 53,969	\$ 55,389
17	Stop Loss	\$ 116,609	\$ 115,344	\$ 112,934
18	Subtotal: Operating Fund Base (line 4-17)	\$ 5,396,919	\$ 5,538,873	\$ 5,566,063

Public Housing Operating Shortfall Funding

The Budget proposes \$178 million for public housing operating shortfall funding. HUD estimates that, due to the projected 90 percent proration, there will be increased shortfall need compared to prior years. Shortfall funding at this level is expected to address the needs of approximately 300 PHAs that are currently experiencing operating shortfalls or that are expected to be unable to withstand the projected 90 percent proration due to lower operating reserves.

The shortfall program has been developed to ensure that PHAs are making operational changes that will improve their financial position. Specifically, PHAs are required to work with local field offices to develop improvement plans and are required to submit budgets that show how changes impact their operations. Further, PHAs are required to achieve and maintain an operating reserve balance of one month of expenses or better on their subsequent financial statements in order to access the remaining shortfall grant. As of December 2023 reporting, 95 percent of the PHAs that received shortfall funding in 2020 met this goal, as did 70 percent of those that received 2021 funding. Furthermore, shortfall-funded PHAs have, on average, improved their financial position by significantly increasing their operating reserves. For instance, the median Months of Reserves (MOR) of 2020 and 2021 shortfall PHAs went from 0.96 in their eligibility year to 3.76 in 2023.

Grants Awarded for Capital Needs

The Budget proposes capital fund grants in the amount of \$3.2 billion. Public Housing Capital Fund Formula Grants are the primary source of funding for public housing rehabilitation and development. More than half of the Nation's approximately 900,000-unit public housing stock was constructed prior to 1970, some as early as 1936. As a result, these units require significant rehabilitation to bring them into a condition that is safe, decent, and sustainable.

Eligible uses of capital grants include, but are not limited to:

- Addressing deferred maintenance needs;
- Development, financing, and rehabilitation activities;
- Vacancy reduction;
- Resident relocation;
- Programs supporting economic self-sufficiency of public housing residents;
- Resident security and safety activities;
- Homeownership activities;
- Integrated utility management and energy-saving measures; and
- Debt service.

There remains a substantial capital repair and replacement need of the public housing stock. The most recent portfolio-wide study of capital needs in public housing, completed in 2010, estimated the backlog of unmet public housing capital need at approximately \$26 billion. While a precise estimate is impossible to determine without property-level information, the Department has extrapolated the 2010 study estimates to today and estimates that annual accrual requirements are currently higher than \$4 billion and that the backlog of unmet capital needs has grown to nearly \$60 billion.

Despite reductions in public housing inventory and some rehabilitation since 2010, the combined effects of deferred capital investment and inflation continue to outpace any reductions in the inventory or have since been revitalized. In a first step toward updating the national estimate of total capital needs of public housing, HUD's Office of Policy Development and Research is conducting a study that assesses the usefulness of underlying capital needs data available to HUD and PHAs, assesses how PHAs estimate capital needs, gleans best practices employed in doing so,

and provides the best estimate of the nationwide capital needs of public housing possible given limited resources while recommending future estimation methods.

Public Housing capital grants remain essential to achieving HUD's goals related to improving the quality of public housing, increasing occupancy in public housing, leveraging Federal resources, and increasing the supply of affordable housing.

- **Improving the quality of public housing:** More than half of the Nation's public housing stock was constructed prior to 1970; some as early as 1936. As a result, these units require significant rehabilitation work to bring them into a condition that is safe, decent, and sustainable.
- **Increasing occupancy in public housing:** The occupancy of public housing units remains stable at approximately 94.75 percent, and HUD's goal is to improve that occupancy rate to 96 percent by the end of 2024. HUD is focused on the challenge of preserving the availability of quality affordable rental housing to provide necessary housing for low-income families to improve their lives, prevent homelessness, and reduce worst-case housing needs. Investing in public housing also addresses racial inequities, as over two-thirds of public housing residents are people of color.
- **Leveraging Federal resources:** Given the current Federal fiscal environment, PHAs cannot meet their needs by using only Federal funds and must leverage outside investment. The Rental Assistance Demonstration (RAD), the Capital Fund Financing Program (CFFP), the Choice Neighborhoods program, and the Mixed-Finance Initiative all help to achieve this goal. HUD has approved \$5.3 billion through 249 CFFP transactions using loan and bond financing to date. Through the Choice Neighborhoods program, the \$1.3 billion investment in housing and communities has leveraged \$7.50 for every \$1, and HUD's Mixed-Finance Initiative has leveraged \$14 for every \$1 over the last four years. Finally, properties improved or replaced through RAD since 2013 have leveraged approximately \$1.9 billion in Public Housing funds for capital repairs and construction with \$33.3 billion in other funds, a \$1 to \$17.14 ratio. Post RAD conversion, projects continue to access the private markets and locally available sources.
- **Increasing the supply of affordable housing:** Public housing funds also play a critical role in expanding the Nation's supply of affordable housing. Since 2021, public housing authorities have utilized public housing funds, together with other private and public funds, to create over 4,000 units of affordable housing in mixed-income developments, which will provide low-income families with decent and safe homes for decades to come.

The Department will continue to use its statutory authority under the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55) to transfer amounts from the fiscal year 2025 Operating and Capital Fund grants appropriations to the Tenant-Based Rental Assistance (TBRA) and/or Project-Based Rental Assistance (PBRA) accounts to fund renewal costs for public housing units converting under RAD in the calendar year 2025.

Public Housing Grants for Emergencies and Natural Disasters

The Budget proposes \$20 million for grants to PHAs for capital needs arising from emergency situations or non-Presidentially declared natural disasters. (PHAs whose properties suffer damage because of Presidentialy declared natural disasters are eligible to receive funding from the Federal Emergency Management Agency under the Robert T. Stafford Relief Act.) Examples of capital needs funded under grants for non-Presidentially declared disasters and other emergencies include plumbing replacement; sewer line replacement; foundation stabilization; heating, ventilation, and air conditioning (HVAC) replacement; fire alarm replacement; flood abatement and mold removal and repairs; boiler pipe replacement; and emergency window replacement.

Public Housing Grants for Safety and Security Needs

The Budget proposes \$10 million for grants to PHAs to address crime and drug-related activity to provide for the safety of public housing residents. The grants for emergency safety and security needs are used to install, repair, or replace capital needs items, including security systems, fencing, lighting systems, emergency alarm systems, window bars, deadbolt locks, and doors. The purchase and installation of carbon monoxide detectors and fire safety devices may also continue to be an eligible activity, depending on determination of outstanding need.

Public Housing Grants for Lead Paint and Housing Health Hazards

The Budget proposes \$67 million for competitive grants to PHAs to help identify and eliminate housing health hazards, including lead-based paint, in public housing. HUD anticipates these funds will address housing health hazards in approximately 4,500 housing units through an estimated 38 awards to PHAs. HUD estimates that resolving health hazards such as mold, carbon monoxide, fire safety, radon, and lead-based paint in public housing units will cost an average of \$15,000 per unit, which is significantly more than the \$3,500 average per unit received through the Capital Fund Formula grants.

Many of these deficiencies are identified in REAC's physical needs assessments, and several PHAs need funds beyond their Capital Fund Formula grants to address these deficiencies. PHAs benefit greatly from these dedicated funds for comprehensive lead paint assessments and mitigation of deficiencies that contribute to hazards and unhealthy conditions. These funds will improve the environmental conditions and safety for public housing residents and help further progress towards environmental justice.

These additional funds are critical to ensuring safe and healthy homes. For example, the Parsons Housing Authority in Parsons, Kansas received \$4.9 million to remediate 121 units with urgent health and safety issues due to mold from leaking pipes that they would be unable to address with their annual Capital Fund Formula grant of \$290,000.

Funding for the evaluation and remediation of lead-based paint hazards remains a critical need as most public housing units were constructed prior to 1978 and have extensive potential for lead-based paint. These grants are critical particularly for children under the age of six who are most at risk of suffering the devastating effects of lead poisoning. For example, the Sturgis Housing Authority in Sturgis, Michigan received \$999,900 to test and remediate 72 units constructed in 1968 with urgent lead-based paint health and safety issues that they would be unable to address with their annual Capital Fund Formula grant of \$134,000. Additionally, the Huntsville Housing Authority in Huntsville, Alabama has 277 children under the age of six living in five of their communities. HUD awarded \$450,000 in grant funds to both test for and mitigate lead-based paint hazards that would have otherwise exposed these children to the devastating effects of lead poisoning.

Receivership, Troubled and High-Risk PHAs

The Budget proposes \$15 million to support HUD receivership, possession, troubled, high-risk, and monitorship PHAs to address deteriorated physical conditions of public housing through the following:

- Activities related to recovery from and prevention of receivership;
- Costs associated with recapitalization, transformation, and preservation of affordable housing assets for troubled and high-risk PHAs;
- Addressing deteriorated physical conditions to prevent high-risk and troubled PHAs from entering into receivership and preserve affordable housing for the future; and

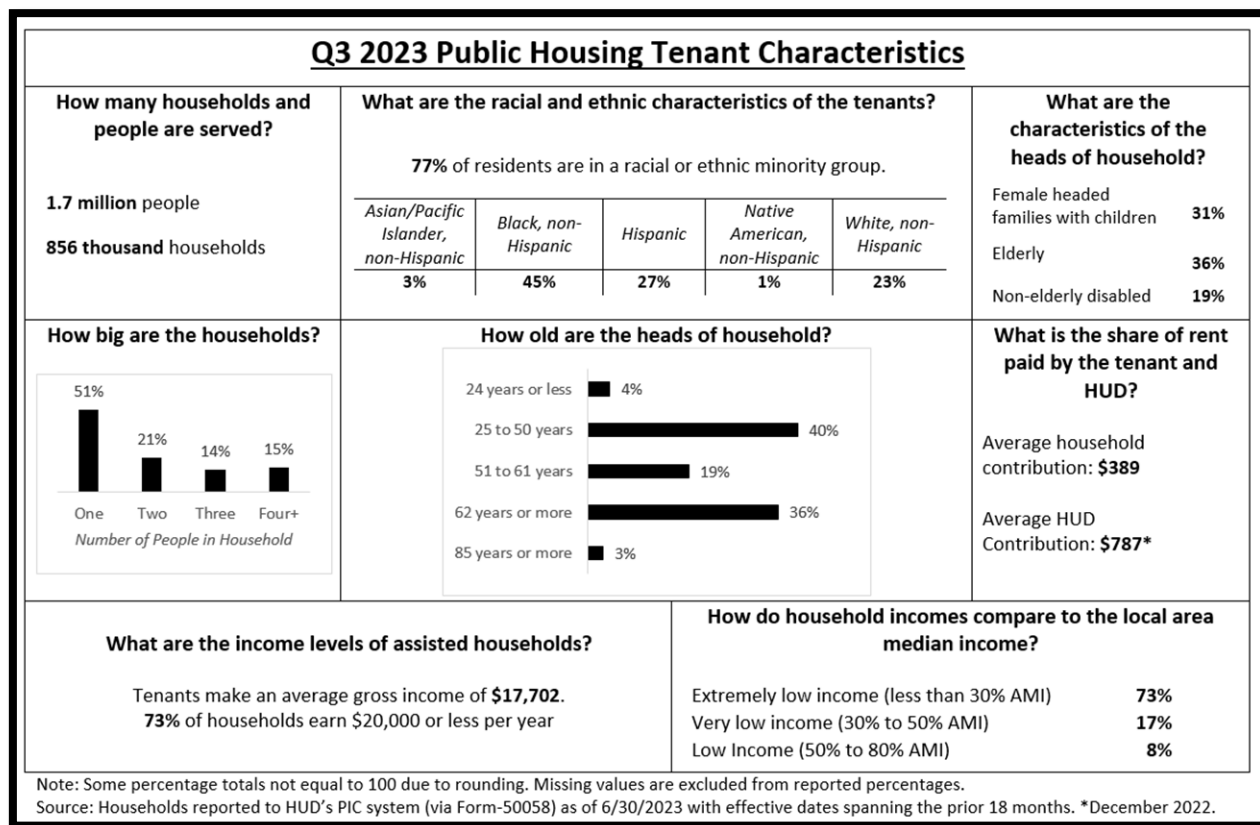
- Activities related to technical assistance and administrative costs that enable HUD and PHAs to build capacity, conduct assessments and develop recapitalization strategies for PHAs whose deep capital needs pose financial and operational risks to the agency.

Currently, performance scoring under the Public Housing Assessment System (PHAS) has identified over 600 troubled and substandard PHAs, and the number of agencies trending toward substandard performance continues to increase yearly due to aging housing stock, backlogged capital repairs, diminishing Federal dollars, and other operational challenges. Further, as evidenced by REAC financial and physical data, there are 864 developments with approximately 266,000 units in poor physical condition where the PHA may not have resources to address physical needs. The data also identifies 650 developments representing 114,859 units with a limited remaining useful life with failing or decreasing physical scores. To address the collective needs of these agencies, HUD has undertaken a concerted effort to work with PHAs to evaluate the on-the-ground challenges, provide technical assistance to PHAs to focus capital investments, and address operational inefficiencies.

Funds will be provided to target housing agencies at high risk, in receivership, substandard, or troubled to improve the physical condition of public housing units, to increase occupancy at public housing developments, and to reduce the number of long-term vacant public housing units, thereby preserving affordable housing. For the 2021 and 2022 competition for the High Risk/Receivership/Substandard/Troubled Program, HUD received 63 PHA applications, with a total request of \$154,488,819. Of the 63 PHA applications submitted, 11 were funded for a total of approximately \$26.5 million. For 2023, HUD received 45 applications, with a total request of \$104,306,515. Of the 45 applications submitted, six were funded for a total of approximately \$14.5 million.

Public Housing Resident Characteristics

Currently, the Public Housing program serves families with an average household income of approximately \$17,700, less than a quarter of the 2022 U.S. median household income of \$74,755. Extremely low-income families (families earning less than 30 percent of an area's median income) make up approximately 73 percent of public housing households. Approximately 62 percent of public housing households have incomes between \$5,000 and \$25,000. Almost one third earn wages as a major source of income. Over half of the households receive fixed incomes. The elderly and persons with disabilities head 55 percent of households. Over one-third (35 percent) of all households served include children. The average household contributes \$389 a month toward rent and utilities. The chart below provides the demographics of public housing residents as of June 30, 2023.



Equity

Investing in public housing is crucial to reversing the longstanding negative impacts of racism and discrimination in access to quality, affordable housing. Research shows that communities of color and low-income neighborhoods are disproportionately impacted by and experience greater negative health outcomes due to historic environmental degradation. Black, Latino, Native American, and Asian families make up over two-thirds of people living in public housing. Eliminating health hazards like lead and mold, improving heating and cooling systems, increasing climate resilience, improving energy efficiency, and upgrading building amenities like elevators and broadband access gives these families a stronger foundation for success. Finally, through regular capital investments, ongoing maintenance efforts, and strategic funding available through targeted set-asides, the Public Housing program serves to ensure that HUD and PHAs are meeting the important goal of advancing equity by providing a healthy and safe living environment for families living in public housing.

Performance Indicators and Other Evidence

More than half of the Nation's standing public housing stock, comprised of 900,000 units, was constructed prior to 1970; some as early as 1936. As a result, these units require significant rehabilitation to bring them into a condition that is safe, decent, and sustainable for the households served by the program. The Public Housing Fund supports households who live in public housing nationwide by providing the funding necessary for Public Housing Agencies to operate, maintain, and make capital improvements to the units and properties. In addition, Operating shortfall funding improves the financial health and stability of PHAs at risk of or experiencing an operating deficit.

The Public Housing Fund includes funding for Housing Health Hazards (including mold and carbon monoxide), Testing and Abatement of Lead-Based Paint Hazards, Emergency and Disaster grants, Emergency Safety and Security grants, and Receivership, Troubled and High-Risk PHA grants. These targeted funds help PHAs address emergencies and conditions that pose an immediate threat to the health and safety of people living in public housing. Between 2020 and 2023, almost \$497 million was distributed through 464 grants to 305 PHAs across 46 States and territories, including more than \$85 million for lead-based paint testing and remediation and \$135 million to address health hazards in public housing.

Key Assumptions

HUD has a budget model to forecast Operating Fund eligibility. The budget model uses the most recent actual eligibility as the starting point. Inflation and other assumptions are applied to the Operating Fund Formula elements in the model to derive forecasted eligibility. As updated inflation or other data becomes available, HUD updates the budget model throughout the calendar year.

The key assumption for Capital Grants is the 2010 Capital Needs Study, which remains a valid foundation for estimating capital needs. While there is substantial uncertainty about the current accrual and backlog needs of the public housing inventory, the Department has extrapolated the 2010 study estimates to today, and estimates that the backlog of unmet capital need has grown to nearly \$60 billion.

The key assumptions for the Emergency and Disaster, Safety and Security, Housing Health Hazards, including Lead-Based Paint, Troubled and High-Risk grants are that the number of applications and the amounts of each request for these programs will remain consistent over time.

Stakeholders

The Public Housing program supports approximately 856,000 households, who are the primary stakeholders of the Public Housing Program. The Public Housing program relies on various industry stakeholders to effectively administer subsidized housing across the country. Specifically, HUD engages various entities to provide housing assistance, improve public housing structures, and improve quality of life for families, including:

- Public Housing Agencies;
- Other Federal Agencies, such as the Environmental Protection Agency;
- State and local entities, such as Continuums of Care;
- Energy Services Companies and Energy Industry Associations;
- Construction Industry Firms;
- Housing Industry Associations; and
- Tenants and Resident Organizations.

Operational Improvements

The Public Housing Fund strives to continuously identify ways to increase efficiency and improve processes. HUD deployed the Public Housing Portal (Portal) in 2017 and has been adding modules and functionality since then. HUD accomplished its long-time objective of retiring the Excel tools it used to calculate Operating Subsidy eligibility for 6,000 public housing projects, migrating those tools to the web-based Portal. With about a dozen modules currently being used, HUD is leveraging the Portal to automate numerous processes, reducing burden, strengthening controls, and increasing integrity. Recent modules added include the Operating Fund SF-424, SF-425 for Shortfall and

formula Operating Funds, Shortfall Application, Appeals, Improvement Plans, and Budget modules. To recognize the broader application of the Portal, it has been renamed the Public Housing Portal.

HUD has implemented improved oversight of outcomes and plans for the Operating Shortfall program to increase its engagement of PHA efforts to achieve results. Improvements to date include the submission of budget updates throughout the year to track actions by PHAs to improve their financial position, as well as more structured improvement plans to ensure PHAs are taking actions timely to address underlying causes of shortfalls.

Through the development and eventual deployment of the Housing Information Portal (HIP), the HUDCAPS Section 8 modernization, and new capabilities planned for the Public Housing Portal, HUD will continue modernizing key systems and improving operation of the Public Housing program. For additional information regarding HUD's Information Technology investments, please see the Information Technology Fund justification.

Information Technology

HUD continues to modernize its IT systems to improve the administration of the Public Housing program. In coordination with the Office of the Chief Information Officer, PIH rolled out the 52722/52723 forms in the Operating Fund Portal in 2023 to bring the means for submission of some 12,000 forms annually into the 21st century, as well as the addition of several other modules to support public housing management and operations. The Operating Fund portal substantially automates many other aspects of the funding process for both PHAs and HUD. Enhancements to existing modules and the development of new modules are planned to be rolled out in 2024 and beyond.

Ongoing Operational and Maintenance Support of the Energy and Performance Information Center (EPIC) system. The EPIC system provides a streamlined way for PHAs to fulfill their Capital Fund regulatory reporting requirements. This includes describing the capital improvements necessary to ensure the long-term physical viability of PHAs' public housing developments, processing of annual budgets, and certifications of compliance and for the close-out of a Capital Fund grants. Moreover, PHAs may request additional capital resources, such as Operating Funds, for Capital Fund purposes in EPIC. This information collection in EPIC enables HUD to fulfill its oversight responsibilities.

PUBLIC HOUSING FUND

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2023 Budget Authority	2022 Carry over Into 2023	2023 Total Resources	2023 Obligations	2024 Annualized CR	2023 Carry over Into 2024	2024 Total Resources	2025 President's Budget
Public Housing Formula Grants (Operating Expenses)	5,109,000	460,796	5,569,796	5,049,928	5,109,000	458,070	5,567,070	5,050,000
Public Housing Formula Grants - Shortfall Prevention	25,000	769	25,769	25,380	25,000	389	25,389	178,000
Public Housing Formula Grants (Capital Expenses)	3,200,000	41,728	3,241,728	3,192,113	3,200,000	21,563	3,221,563	3,200,000
Site-based Public Housing Enhancement, Resilience, and Efficiency	-	-	-	-	-	-	-	-
Utilities Benchmarking	-	-	-	-	-	-	-	-
Information Technology [Non-Add]	-	-	-	-	-	-	-	-
Emergency Disaster Grants	20,000	9,490	29,490	15,219	20,000	14,270	34,270	20,000
Emergency and Disaster Grants (Receivership and Monitor)	20,000	49,636	69,636	69,636	20,000	-	20,000	-
Set-Aside for Safety and Security Grants	10,000	309	10,309	9,986	10,000	324	10,324	10,000
Financial and Physical Assessment Support	50,000	38,406	88,406	27,747	50,000	60,659	110,659	-
Troubled At Risk PHAs	15,000	28,457	43,457	28,713	15,000	14,744	29,744	15,000
Housing Health Hazards	40,000	75,000	115,000	115,000	40,000	-	40,000	-
Lead-Based Hazards	25,000	31,560	56,560	35,925	25,000	20,635	45,635	-
Lead Paint and Housing Health Hazards	-	-	-	-	-	-	-	67,000
Radon Testing	-	18	18	-	-	18	18	-
Physical/Capital Needs Assessment Initiative	-	-	-	-	-	-	-	-
Public Housing Environment and Efficiency Initiative	-	-	-	-	-	-	-	-
Rental Assistance Demonstration (transfer)	-	-	(89,850)	-	-	-	(40,000)	(60,000)
Total	8,514,000	736,169	9,160,319	8,569,647	8,514,000	590,672	9,064,672	8,540,000

a/ Actual transfer for 2023 reflects \$89 million for subsidy payments for units converting under the Rental Assistance Demonstration (RAD).

b/ Estimated transfer for 2024 reflects \$40 million projected for subsidy payments for units converting under RAD.

c/ Estimated transfer for 2025 reflects \$60 million projected for subsidy payments for units converting under RAD.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Changes

The 2025 President's Budget includes the following:

- **Public Housing Funding Flexibility for public housing:** The physical condition of PHA properties continues to be the most significant risk to families served, as well as the long-term viability of the public housing stock. Although HUD does not have an updated assessment of public housing capital needs, there is broad agreement that total needs exceed \$50 billion – a cost that far exceeds funding available to PHAs to address their needs.

Dating back to 2012, HUD has sought to expand the flexibility available currently only to small PHAs to use their entire Capital and Operating Fund grants flexibly, but Congress has not authorized the expansion. The flexibility was extended to non-small PHAs during the COVID pandemic pursuant to the CARES Act authority.

This proposal would include account language that provides full flexibility to use Operating Funds for capital expenses to a limited set of PHAs, regardless of size, that have received a low HUD physical condition score at one or more of their projects. It would also give such PHAs explicit authorization to spend excess funds from operating reserves for Capital Fund eligible activities. This flexibility would be subject to a HUD approval process that would validate that a PHA seeking to use this flexibility has a reasonable plan for the use of the funds.

HUD believes that this flexibility would unlock available operating reserves for PHAs with poor properties to address the root cause of the failing physical score. HUD also believes that by replacing the broader full flexibility proposal that Congress has not enacted for more than a decade with a more targeted flexibility specific to improving existing residents' living conditions, Congress may be more likely to support the flexibility. Finally, this provision is cost-neutral and seeks to leverage funding already available to PHAs for capital investment.

- **Deletion of lead-based paint hazard floor within residential health hazards set-aside:** In targeting these housing health hazards, HUD requests flexibility to adapt the grants to PHA's individual situations.

Legislative Proposals

The 2025 Budget supports the following legislative proposals and will seek changes through the authorization process:

- **Designated Housing Expansion:** HUD statute permits designation of public housing units for elderly and disabled populations only. HUD conducted listening sessions across the country during 2021 and 2022 and found that most public housing agencies (PHAs) believe their populations have increasing levels of services needs beyond the traditional Family Self-Sufficiency and other programs such as Resident Opportunity and Self-Sufficiency.

PHAs, including Moving-to-Work (MTW) agencies, have struggled to successfully serve additional populations with standard HUD subsidies with specific services needs that pose an operating challenge for PHAs include the following: veterans, persons exiting the criminal justice system, persons who are experiencing chronic homelessness, survivors of domestic violence and sexual assault, youth aging out of foster care, and homeless youth. These populations frequently need assistance beyond rental assistance to successfully remain housed and achieve a measure of self-sufficiency. Most PHAs lack sufficient funding and capacity to initiate and sustain the services necessary to fully support these specific

populations. Conversely, most service providers lack access to available affordable housing for the populations they serve.

One way to address this tension is to provide agencies with flexibility to designate public housing units for these populations. This will better address the housing needs of specific populations and leverage the individual expertise of agencies and service providers. It would also increase and maintain unit occupancy, especially for agencies struggling with high turnover and vacant units.

While PHAs can provide preferences to families that meet certain criteria upon admission, this proposal would also allow PHAs to designate certain units to only be occupied by additional populations and their families. This approach would enable the partnerships necessary to provide on-site coordinated case management and other supportive services tailored to the population.

This proposal would allow designation of public housing units beyond elderly and disabled populations as currently authorized by Section 7 of the U.S. Housing Act which would need to be amended. Complementary changes may also be necessary to other sections, for example to the contract provisions and requirements in Section 6.

- Modify the Energy Performance Contract (EPC) Program: This proposal would improve the Energy Performance Contract (EPC) program by allowing PHAs to utilize Capital Funds to prepay an EPC. This proposal also includes removing waste management as an eligible activity under an EPC.

The EPC Program is one of the oldest energy incentive programs offered by HUD which has encouraged hundreds of millions of dollars in energy and water efficiency infrastructure investments such as interior and exterior lighting, Heating Ventilation Air Conditioning (HVAC), building envelope retrofits and water fixture retrofits, as well as the implementation of solar energy production. The use of the program has declined over the years. PHAs are precluded from using Capital Funds to repay EPC loans.

This proposal also includes the removal of waste management as an eligible activity under the statutory language in the operating fund that allows for EPCs. Waste management costs are included as part of the Project Expense Level (PEL) and thus are not considered a utilities cost in public housing. As such, they should not be included in EPCs.

- Transfer of Reserves at Closing to Encourage Repositioning: Under current law, PHAs who convert their properties to PBVs are only able to retain their Public Housing reserves if they convert through RAD. This proposal will allow PHAs to retain their reserves if they convert through another one of HUD's programs, such as Section 22.
- Biannual Selection of Flat or Income-based Rent for Families Experiencing Temporary Fluctuations in Income: HUD requests language that would provide statutory flexibility to give families that initially chose the flat rent option but switched to income-based rent during financial hardship, the option of reverting back to paying a flat rent if their income increases back to a level where paying the income-based rent would result in a rental payment exceeding the flat rent. This flexibility would support families who see temporary fluctuations in income from being locked into an income-based rent.
- Community Service and Self-Sufficiency Requirements (CSSR): HUD requests language to remove the sections of the United States Housing Act of 1937 that impose Community Service and Self-Sufficiency requirements (CSSR) on public housing residents. HUD data do not support that CSSR results in increased self-sufficiency. CSSR creates unnecessary complexity and burden for residents, administering PHAs, and for HUD.
- Triennial Recertification to Promote Family Wealth Building: HUD requests language that would provide the Department with the discretion to allow PHAs and owners of multifamily

properties who receive project-based rental assistance through a housing assistance payments (HAP) contract to, instead of annual or biennial income examinations, implement triennial recertification of income, like what is currently available to PHAs for fixed income families. PHAs electing triennial recertification of income (and thus triennial recalculations of tenant rent contribution) would promote family wealth building, since increases in earned income would generally be taken into consideration only once every three years, rather than annually under the current law, the corresponding rent savings would help support the family's overall financial health. As an element of implementation, the PHA will leverage Federal financial education resources to enhance the financial skills of HUD-assisted residents. Coupling rent savings with financial education will promote family wealth building among HUD-assisted residents.

General Provisions

The 2025 President's Budget re-proposes the following general provisions:

- Small PHA Asset Management Exemptions: This section permits small PHAs with 400 or fewer units to elect not to operate under asset management. (Sec. 209)
- Asset Management Requirements for Capital Funds: This section prohibits the Department from imposing requirements or guidelines related to asset management that restrict or limit the use of capital funds for PHAs' central office/overhead costs. (Sec. 210)
- PHA Executive Compensation: This provision establishes a cap on PHA personnel compensation tied to the Federal Executive Schedule pay scale. (Sec. 215)
- Moving to Work Flexibilities: This provision allows public housing agencies designated as Moving to Work agencies to use pre-designation housing choice voucher and public housing funds, including reserves, consistent with the Moving to Work authorities. (Sec. 223)
- Prohibition on Limiting Lead Based Paint Evaluations: This provision prohibits funds from being used to make certain eligibility limitations as part of a notice of funding opportunity for certain competitive grant awards under the Public Housing Fund. (Sec. 224)
- Formula Grant Allocation Adjustments: This provision allows the Department to correct any past formula allocation errors as part of the next applicable formula allocation cycle. (Sec. 226)

APPROPRIATIONS LANGUAGE

The 2025 President's Budget includes the appropriations language listed below.

For 2025 payments to public housing agencies for the operation and management of public housing, as authorized by section 9(e) of the United States Housing Act of 1937 (42 U.S.C. 1437g(e)) (the "Act"), and to carry out capital and management activities for public housing agencies, as authorized under section 9(d) of the Act (42 U.S.C. 1437g(d)), \$8,540,000,000, to remain available until September 30, 2028: Provided, That of the sums appropriated under this heading— (1) \$5,050,000,000 shall be available for the Secretary to allocate pursuant to the Operating Fund formula at part 990 of title 24, Code of Federal Regulations, for 2025 payments: Provided, That the amount of any forgone increases in tenant rent payments due to the implementation of rent incentives as authorized pursuant to waivers or alternative requirements of the Jobs-Plus initiative as described under the heading "Self-Sufficiency Programs" shall be factored into the PHA's general operating fund eligibility pursuant to such formula; (2) \$178,000,000 shall be available for the Secretary to allocate pursuant to a need-

based application process notwithstanding section 203 of this title and not subject to such Operating Fund formula to public housing agencies that experience, or are at risk of, financial shortfalls, as determined by the Secretary: Provided, That after all such shortfall needs are met, the Secretary may distribute any remaining funds to all public housing agencies on a pro-rata basis pursuant to such Operating Fund formula; (3) \$3,200,000,000 shall be available for the Secretary to allocate pursuant to the Capital Fund formula at section 905.400 of title 24, Code of Federal Regulations: Provided, That for funds described under this paragraph, the limitation in section 9(g)(1) of the Act shall be 25 percent: Provided further, That the Secretary may waive the limitation in the preceding proviso to allow public housing agencies to fund activities authorized under section 9(e)(1)(C) of the Act: Provided further, That the Secretary shall notify public housing agencies requesting waivers under the preceding proviso if the request is approved or denied within 14 calendar days of submitting the request: Provided further, That from the funds made available under this paragraph, the Secretary shall provide bonus awards in fiscal year 2025 to public housing agencies that are designated high performers; (4) \$30,000,000 shall be available for the Secretary to make grants, notwithstanding section 203 of this title, to public housing agencies for emergency capital needs, including safety and security measures necessary to address crime and drug-related activity, as well as 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 (42 U.S.C. 5121 et seq.) occurring in fiscal year 2025: Provided, That of the amount made available under this paragraph, not less than \$10,000,000 shall be for safety and security measures: Provided further, That in addition to the amount in the preceding proviso for such safety and security measures, any amounts that remain available, after all applications received on or before September 30, 2026, for emergency capital needs have been processed, shall be allocated to public housing agencies for such safety and security measures; (5) \$67,000,000 shall be available for competitive grants to public housing agencies to evaluate and reduce residential health hazards in public housing, including lead-based paint (by carrying out the activities of risk assessments, abatement, and interim controls, as those terms are defined in section 1004 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851b)), carbon monoxide, mold, radon, and fire safety: Provided, That for purposes of environmental review, a grant under this paragraph shall be considered funds for projects or activities under title I of the Act for purposes of section 26 of the Act (42 U.S.C. 1437x) and shall be subject to the regulations implementing such section; and (6) \$15,000,000 shall be available to support the costs of administrative and judicial receiverships and for competitive grants to PHAs in receivership, designated troubled or substandard, or otherwise at risk, as determined by the Secretary, for costs associated with public housing asset improvement, in addition to other amounts for that purpose provided under any heading under this title: Provided further, That notwithstanding any other provision of law or regulation, during fiscal year 2025, the Secretary of Housing and Urban Development may not delegate to any Department official other than the Deputy Secretary and the Assistant Secretary for Public and Indian Housing any authority under paragraph (2) of section 9(j) of the Act regarding the extension of the time periods under such section: Provided further, That for purposes of such section 9(j), the term "obligate" means, with respect to amounts, that the amounts are subject to a binding agreement that will result in outlays, immediately or in the future: Provided further, That the Secretary may authorize a public housing agency with at least one property with a low physical inspection score to use operating reserve funds or any amounts allocated to such agency pursuant to the Operating Fund formula from amounts made available in this and prior Acts for any eligible activities under sections 9(d)(1) of the United States Housing Act of 1937 (42 U.S.C. 1437g(d)(1)) under such conditions or criteria as established by the Secretary, including that such use would not put such agency at risk of financial shortfall: Provided further, That amounts made available pursuant to paragraphs (4), (5), and (6) under this heading in prior Acts that remain unobligated as of the date of enactment of this Act may be used to support additional need-based awards under paragraph (2) for calendar year 2025.

Note.--A full-year 2024 appropriation for this account was not enacted at the time the Budget was prepared; therefore, the Budget assumes this account is operating under the Continuing

PUBLIC HOUSING FUND

Appropriations Act, 2024 and Other Extensions Act (Division A of Public Law 118–15, as amended).
The amounts included for 2024 reflect the annualized level provided by the continuing resolution.