

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)**

PUBLIC HOUSING CAPITAL FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2017 Appropriation	\$1,941,500	\$46,232	...	\$1,987,732 ^a	\$1,852,963	\$1,754,489
2018 Annualized CR	1,941,500	100,720	-\$13,185 ^b	2,029,035 ^c	2,029,000	1,892,000
2019 Request	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>1,822,000</u>
Change from 2018	-1,941,500	-100,720	+13,185	-2,029,035	-2,029,000	-70,000

- a/ Total resources and obligations for fiscal year 2017 include \$36.2 million transferred from the Public Housing Capital Fund for subsidy payments of units converting under Rental Assistance Demonstration and \$6 million in recaptures realized in fiscal year 2017.
- b/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.
- c/ Total Resources and obligations for fiscal year 2018 includes an estimated transfer of \$33 million for the implementation of RAD.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President’s Budget requests no funding for the Public Housing Capital Fund. Excluding Capital Modernization grants, all set-aside funding, like Jobs-Plus Initiative and emergency disaster grants, has been transferred to the Public Housing Operating Fund. The Budget proposes to direct all carryover balances and recaptures from Capital Modernization grants to the Operating Fund for distribution to Public Housing Authorities (PHAs) through the Operating Fund formula.

Public Housing has an estimated capital needs backlog of \$26 billion that grows at a rate of \$3.4 billion per year, and Capital Modernization grants alone are not sufficient to address the significant needs in the portfolio. Given fiscal constraints, the Budget recognizes a greater role for State and local governments to more fully share in the provision of affordable housing. The President’s Budget also includes enhanced tools and strategies to empower PHAs to make local decisions about how to best use their properties to meet the needs of their communities. For example, the Budget requests funding for programs like the Rental Assistance Demonstration (RAD) program so that PHAs can shift public housing properties to more sustainable Section 8 platforms and leverage private financing for capital needs; and new funding for competitive grants to demolish physically obsolete properties. Please see the “Public Housing Operating Fund” justification for more detailed information on the enhanced flexibilities, funding and administrative items proposed to improve Public Housing asset recapitalization and encourage local choice.

Public Housing Capital Fund

Cross-cutting Rent Reform Proposals

The current rent structure in HUD's rental assistance programs creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to the reformation of its rental assistance programs with the following goals:

1. Encouraging work and stable family formation;
2. Simplifying program administration;
3. Increasing local control and choice;
4. Reducing costs to the federal government; and
5. Protecting current elderly and disabled households from adverse impacts.

In furtherance of these goals, while also continuing to assist current residents, HUD will submit a rental reform legislative proposal to Congress in March. This Budget reflects key elements of that proposal, including:

- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;
- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which supports stable family formation and incentivizes work by deferring increases in tenant rent payments as a result of increased wages;
- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, as well as the option to implement minimum work requirements for work-able residents. These alternative rent structures must incur the same overall program costs.

Proposed funding levels, while significantly reduced from the 2017 enacted level, should support currently assisted households while strategically reshaping the Federal footprint of HUD's rental assistance programs over time. As the legislative proposal is finalized, the requested allocation of funding across rental assistance programs in 2019 may change within the existing Departmental topline. HUD will provide Congress with updates to these programs' funding levels after the proposal is released.

Please see the "Enhance Rental Assistance" justification for more information.

Public Housing Capital Fund

General Provisions

The President's Budget proposes the following General Provisions for the Public Housing Capital Fund:

- Prohibition on use of funds to pay executive salaries above Level IV of the Executive Schedule (Sec. 214).
- Option to not to enforce the Physical Needs Assessment requirement (Sec. 215).
- Increased waivers, flexibilities, and regulatory relief for PHAs (Sec. 227).
- Flexibility for PHAs to use Capital and Operating Fund grants for all eligible Public Housing activities (Sec. 230).

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2017 Budget Authority</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2017 Obligations</u>	<u>2018 Annualized CR</u>	<u>2017 Carryover Into 2018</u>	<u>2018 Total Resources</u>	<u>2019 Request</u>
Formula Grants	\$1,834,000	\$21,715	\$1,855,715	\$1,785,468	\$1,821,546	\$36,708	\$1,858,254	...
Emergency/Disaster Reserve	16,500	14,226	30,726	15,373	16,388	13,147	29,535	...
Resident Opportunities and Supportive Services	35,000	36,952	71,952	34,574	34,762	36,385	71,147	...
Administrative Receivership	1,000	1,961	2,961	248	993	2,716	3,709	...
Financial and Physical Assessment Support ...	10,000	5,618	15,618	11,833	9,932	3,745	13,677	...
Jobs-Plus	15,000	602	15,602	...	14,898	15,602	30,500	...
Safety and Security ...	5,000	...	5,000	5,000	4,966	284	5,250	...
Technical Assistance ..	...	1,312	1,312	466	...	152	152	...
Lead-Based Hazard	25,000	...	25,000	...	24,830	25,000	49,830	...
Rental Assistance Demonstration (transfer) .....	...	<u>-36,154</u>	<u>-36,154</u>	...	...	<u>-33,019</u>	<u>-33,019</u>	...
Total	1,941,500	46,232	1,987,732	1,852,962	1,928,315	100,720	2,029,035	...

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Appropriations Language**

The fiscal year 2019 President's Budget includes the appropriation language listed below.

Unobligated balances, including recaptures and carryover, remaining from funds appropriated under this heading in prior fiscal years, excluding set asides, shall be transferred to the heading "Public Housing Operating Fund" for distribution to public housing agencies pursuant to the Operating Fund formula at 24 C.F.R. 990.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.