PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
2018 Summary Statement and Initiatives
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>PUBLIC HOUSING CAPITAL FUND</th>
<th>Enacted/Request</th>
<th>Carryover</th>
<th>Supplemental/Recission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
</tr>
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<tbody>
<tr>
<td>2016 Appropriation ................</td>
<td>$1,900,000</td>
<td>$82,765</td>
<td>...</td>
<td>$1,982,765</td>
<td>$1,908,143</td>
<td>$2,116,285</td>
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<td>2017 Annualized CR ...............</td>
<td>1,900,000</td>
<td>39,652</td>
<td>-$3,612(b)</td>
<td>1,936,040(c)</td>
<td>1,935,000</td>
<td>1,819,000</td>
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<td>2018 Request ......................</td>
<td>628,000</td>
<td>-64,000</td>
<td>...</td>
<td>564,000(d)</td>
<td>564,000</td>
<td>1,791,000</td>
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<tr>
<td>Change from 2017 ..................</td>
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<td>-103,652</td>
<td>+3,612</td>
<td>-1,372,040</td>
<td>-1,371,000</td>
<td>-28,000</td>
</tr>
</tbody>
</table>

a/ Total resources and obligations for fiscal year 2016 include $18.9 million transferred from the Public Housing Capital fund for subsidy payments for units converting under the Rental Assistance Demonstration and $7 million in recaptures realized in fiscal year 2015; excludes $1.8 million from the Department of Justice for the Juvenile Reentry Legal Assistance Program.
b/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.
c/ Total resources and obligations for fiscal year 2017 includes an estimated transfer of $36 million for the implementation of RAD.
d/ Total resources and obligations for fiscal year 2018 includes an estimated $64 million to be transferred for the implementation of RAD.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget request of $628 million is $1.268 million less than the fiscal year 2017 Annualized CR level. This request provides funding to public housing authorities (PHAs) to address the most acute needs for capital repairs and replacements in public housing developments. The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents; these policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms.

2. Request

As authorized by Section 9 of the United States Housing Act of 1937, the Public Housing Capital Fund provides formula-driven grants to more than 3,000 PHAs to address capital needs in 1.1 million public housing units, which serve low-income families including elderly and disabled families and families with children. These funds cover the costs of repairs and replacements beyond ordinary maintenance that are required to make the housing safe, decent and economically sustainable.

The local independent agencies that administer public housing have the flexibility to spend Capital Funds to address local priorities, in consultation with residents and members of the community. Examples of eligible expenses include replacing roofs and heating
systems, implementing energy saving measures, installing security cameras and equipment, and controlling lead and environmental hazards.

The fiscal year 2018 request of $628 million includes funding for the following activities:

- Approximately $600 million for formula-based Capital Modernization grants;
- Up to $20 million for Emergency and Natural Disaster Reserve;
- Up to $8.3 million for Financial and Physical Assessment Support; and
- Up to $10 million for the Jobs-Plus Initiative, subject to the availability of funds.

3. Justification

This budget proposal recognizes that public housing is a partnership between Federal, State, and local governments. The Capital Fund remains essential to improving and sustaining the quality of the public housing stock, but PHAs must leverage outside public and private investment in addition to federal funds to meet the capital repair and modernization needs of the properties. This proposal intends to make public housing more sustainable in the long term and provide flexibilities to HUD’s partners allowing them to use funds in a way best suited to address local needs.

In addition, HUD encourages PHAs to partner with the private sector in addressing community and economic development needs. One of the programs designed to leverage funds is the Capital Fund Financing Program (CFFP). HUD has approved approximately 192 transactions involving 247 PHAs through the CFFP, whereby a portion of Capital Fund formula grants can be used to pay for existing PHA debt. The total amount of loan and bond financing approved to date is approximately $4.5 billion. Since its inception, the CFFP has evolved so that it is also utilized to obtain Low-Income Housing Tax Credits, with approximately $2.5 billion worth of such tax credits leveraged. State, local, and other private funds could be leveraged in a similar fashion.

HUD will continue the conversion of some Public Housing to long-term Section 8 contracts under the Rental Assistance Demonstration (RAD) program. Although RAD does not receive appropriated funds, rent levels and initial funding for the Section 8 contracts are dependent on public housing funding levels. While the 2018 Operating Fund level may slow the pace of conversions, many existing awardees will still be able to convert and undertake property improvements. Interested PHAs will need to evaluate the effect of conversions in a reduced funding environment on any remaining public housing stock.

In addition to $600 million in funding for formula-based grants, the fiscal year 2018 request includes up to $20 million to fund the Emergency and Natural Disaster Reserve, up to $8.3 million for Financial and Physical Assessment Support, and up to $10 million for the Jobs-Plus Initiative as described below. The request includes, as provided in the General Provisions, that any available unobligated funds under the Choice Neighborhoods and Hope VI programs be utilized to support rehabilitation needs in the Capital Fund Program.
Public Housing Capital Fund

**Emergency and Natural Disaster Reserve**
The request includes up to $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 Presidentially 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 from this set-aside include plumbing replacement, sewer line replacement, foundation stabilization, HVAC replacement, fire alarm replacement, flood abatement and mold removal and repairs, boiler pipe replacement, and emergency window replacement.

**Financial and Physical Assessment Support**
The request includes up to $8.3 million to provide financial and physical assessment support for rental housing assistance programs. These activities are primarily performed by the Real Estate Assessment Center (REAC), which provides the Offices of Housing and Public and Indian Housing with timely and accurate assessments of HUD’s assisted real estate portfolio using physical and financial assessments.

**Jobs-Plus Initiative**
The Jobs-Plus Initiative is an evidence-based strategy for increasing the employment opportunities and earnings of public housing residents through a three-pronged program of employment services, rent-based work incentives, and community support for work. The request includes up to $10 million for Jobs-Plus from any available unobligated balances including recaptures and carryover.

**Cross-cutting Rent Reform Proposals**
The Budget proposes a set of policies in its core rental assistance programs to reduce costs while at the same time continuing to assist current residents, encouraging work, and promoting self-sufficiency. They also seek to provide administrative flexibilities and to streamline the complex and administratively burdensome calculation of income and rent. These policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms for 2019. Changes to rental assistance programs included in the 2018 President's Budget include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants. Note: The Department will implement this provision as a pilot in PBRA, 202, and 811 in 2018; it does not plan to implement this in the Public Housing or HCV programs in 2018.
- Establishing minimum tenant rental payments of $50 per month, with hardship exemptions.
- Elimination of utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.
Public Housing Capital Fund

- Expanded waiver authority for statutory or regulatory provisions related to public housing agency (PHA) administrative, planning, and reporting requirements, energy audits, income recertification, and program assessments.

**Regulatory Reforms and Programmatic Improvements**

For PHAs to continue to serve the families housed in public housing, HUD must provide additional flexibilities. These flexibilities will enable PHAs to manage their programs in a fiscally responsible manner while avoiding displacement of currently supported households. Many of the proposals for the public housing program provide additional flexibility for PHAs to be able to manage their limited resources more efficiently and effectively. For fiscal year 2018, HUD proposes to seek authority for the following programmatic changes:

- **Waiver Proposal:** HUD seeks broad authority to waive statutory and regulatory requirements to provide PHAs with the flexibility to tailor and apply policies that address their individual needs and are acceptable within their local communities. Such waivers would encourage increased local discretion and flexibility in terms of how PHAs operate their public housing programs within each jurisdiction in a challenging budgetary environment. Specifically, HUD seeks to waive statutory and regulatory provisions related to PHA administrative, planning, and reporting requirements; energy audits; income recertifications; and program assessments.

- **Capital and Operating Fund Flexibility:** HUD proposes to extend the flexibility to utilize the Capital and Operating Funds interchangeably to all PHAs, regardless of troubled status and the condition of a PHA’s public housing portfolio. Today, only small PHAs (under 250 units) that are not troubled and operate public housing in a safe, clean and healthy condition have full flexibility. Larger agencies are permitted to transfer only 20 percent of the Operating Fund to the Capital Fund and vice versa. HUD proposes full flexibility for all PHAs using fiscal year 2018 and previous years funding, including the use of existing Operating Reserves for capital improvements. This flexibility would enable PHAs to focus scarce resources on local priorities without being constrained by the statutory limitations of each fund.

**General Provisions**

The budget proposes the following General Provisions related to the Public Housing Capital Fund:

- Election of the Secretary not to enforce Physical Needs Assessment (Sec. 215).
- Raising rent contributions to 35 percent of gross rents (Sec. 226).
- Instituting mandatory minimum rents of $50 per month (Sec. 227).
- Elimination of utility allowance reimbursements (Sec. 228).
- Public Housing flexibilities (Sec. 230).
- Public Housing Capital and Operating Fund flexibilities (Sec. 233).
- Use of Hope VI and Choice Neighborhoods Initiative unobligated balances for Capital Fund purposes (Sec. 236).
Public Housing Capital Fund

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

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<tbody>
<tr>
<td>Formula Grants</td>
<td>$1,824,500</td>
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<td>$1,838,724</td>
<td>$1,799,528</td>
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<tr>
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<td>20,000</td>
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<tr>
<td>Resident Opportunities and Supportive Services</td>
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<td>Administrative Receivership</td>
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<td>5,150</td>
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<td>998</td>
<td>1,150</td>
<td>2,148</td>
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<tr>
<td>Financial and Physical Assessment Support</td>
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<td>Jobs-Plus</td>
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<td>Safety and Security</td>
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<td>Technical Assistance</td>
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<tr>
<td>Rental Assistance Demonstration</td>
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<td>-36,000</td>
<td>-36,000</td>
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<tr>
<td>Research and Technology (transfer)</td>
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<td>...</td>
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<tr>
<td>Total</td>
<td>1,900,000</td>
<td>82,765</td>
<td>1,982,765</td>
<td>1,908,143</td>
<td>1,896,388</td>
<td>39,652</td>
<td>1,936,040</td>
<td>628,000</td>
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The fiscal year 2018 President’s Budget includes the appropriation language listed below.

For the Public Housing Capital Fund Program to carry out capital and management activities for public housing agencies, as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the "Act") $628,000,000, to remain available until September 30, 2021: Provided, That notwithstanding any other provision of law or regulation, during fiscal year 2018, 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) 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 up to $8,300,000 shall be to support ongoing Public Housing Financial and Physical Assessment activities: Provided further, That of the total amount provided under this heading, not to exceed $20,000,000 shall be available for the Secretary to make grants, notwithstanding section 204 of this Act, to public housing agencies for emergency capital 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 2018: Provided further, That of the total amount made available under this heading, up to $10,000,000 shall be for a Jobs-Plus initiative modeled after the Jobs-Plus demonstration: Provided further, That funding provided under the previous proviso shall be available for competitive grants to partnerships between public housing authorities, local workforce investment boards established under section 117 of the Workforce Investment Act of 1998, and other agencies and organizations that provide support to help public housing residents obtain employment and increase earnings: Provided further, That applicants must demonstrate the ability to provide services to residents, partner with workforce investment boards, and leverage service dollars: Provided further, That the Secretary may allow public housing agencies to request exemptions from rent and income limitation requirements under sections 3 and 6 of the United States Housing Act of 1937 as necessary to implement the Jobs-Plus program, on such terms and conditions as the Secretary may approve upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective implementation of the Jobs-Plus initiative as a voluntary program for residents: Provided further, That the Secretary shall publish by notice in the Federal Register any waivers or alternative requirements pursuant to the preceding proviso no later than 10 days before the effective date of such notice: Provided further, That from the funds made available under this heading, the Secretary shall provide bonus awards in fiscal year 2018 to public housing agencies that are designated high performers:

Note.—A full-year 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.