



Campaign for Housing and Community Development Funding

Working to ensure maximum federal resources for housing and community development.

IMPACTS OF FLAT FUNDING ON AFFORDABLE HOUSING PROGRAMS

June 2023

The Campaign for Housing and Community Development Funding (CHCDF) urges Congress to approve and the President to sign full-year Fiscal Year (FY) 2024 spending bills that provide increased funding for the Departments of Housing and Urban Development (HUD) and Agriculture (USDA). With the country continuing to navigate the economic fallout from the pandemic – including steeply increased rental costs and delays in the construction of affordable housing – the importance of enacting comprehensive spending bills that provide increased funding for vital affordable housing, homelessness, and community development programs cannot be overstated.

FLAT FUNDING CAUSES SHORTFALLS

The *Fiscal Responsibility Act* caps nondefense discretionary spending in FY24 – including funding for HUD and USDA programs – at FY23 levels, providing a consistent level of funding approved by Congress the previous fiscal year. Because the cost of housing and development programs are tied to market rates, which rise every year and have risen dramatically over the last year, flat funding acts as a cut and reduces the number of people served.

- **Grant Programs.** CDBG, HOME, and other formula grants need additional funding annually to ensure consistent access to capital for ongoing affordable housing and community development projects. Flat funding can be particularly problematic for smaller grantees, which may not have the local resources to fill in funding gaps left by federal shortfalls.

The Service Coordinator Grant Program funds approximately 1,600 staff who provide vital services to residents of properties for older adults and persons with disabilities. Flat funding impacts programs' ability to retain existing staff and maintain current levels of service.

- **Housing Choice Vouchers.** Housing Choice Vouchers (HCVs) function as a public-private partnership that helps families rent affordable units in the private market. Rising rents and other factors cause the cost of assistance to increase each year. If policymakers fail to provide the additional funding needed to cover rising costs year-to-year, fewer people, including older adults, children, and people with disabilities, would receive assistance in communities across the country.

Additionally, uncertainty about program budgets and the rising cost of rent has led administrators of HCVs to reissue fewer vouchers and families to leave the program. As a result, HCVs serve tens of thousands of fewer households today than they did a few years ago. Participating landlords rely on increased payments from housing authorities to ensure building expenses are covered. Budget cuts caused by flat funding increase landlords' financial

risk, which may disincentivize owner participation in the HCV program.

- **PRAC Section 202.** More than 125,000 older adults live in Section 202 housing supported by Project Rental Assistance Contracts (PRAC) and rely on increased federal funding for continuous operation (the other two-thirds of Section 202 residents have Section 8 Project-Based Rental Assistance as their operating subsidy). Inadequate funding provided in FY24 will mean some project owners will not receive needed funds for the operation of their affordable senior housing communities. Without adjustments, 202/PRAC owners will be in a precarious financial situation, and some older adults who currently receive assistance may be at-risk of losing their subsidy.
- **Project-Based Rental Assistance.** Flat funding for project-based rental assistance (PBRA) could leave property owners without the necessary resources to maintain properties and provide critical resident services, potentially leading to a reduction in affordable apartments for low-income households. Over time, funding decreases could deter private owners from continuing to participate in the program, thereby reducing the supply of affordable housing.
- **Public Housing.** Flat funding may cause issues for capital funding, which Public Housing Authorities (PHAs) use for repairs critical to ensuring the health and safety of residents. Without sufficient funding from year to year, PHAs must rely on their limited operating reserves, which may force PHAs to limit services for residents or reduce the number of households served.
- **Homeless Assistance Programs.** Flat funding acts as a cut for HUD's Homelessness Assistance Programs, creating uncertainty over grant renewals and disrupting the continuity of services to people experiencing homelessness. Without increased funding from year-to-year, there will be a reduction in the number of people these programs are able to serve.

Victim Service Providers rely on federal reimbursement to keep victims of domestic violence

who are escaping an abuser safely housed. Reduced funding puts programs at risk of shutting down if they do not receive adequate financial resources.

- **USDA Rental Assistance.** Over a quarter million families in rural communities rely on USDA rental assistance to afford a roof over their heads. Insufficient funding for contract renewals can have dire consequences for some recipients of rental assistance, who would either have to pay their rent in full or face eviction and, in worst cases, homelessness.
- **USDA Loan Programs.** When housing developers do not receive adequate federal funds, they may decide the uncertainty is too risky and opt-out of participation. Developers may have to pay penalties or premiums to extend deadlines for necessities, like land purchase options or loan rate commitments, while they find additional funding, adding expenses and reducing affordability.

- **Enforcement of the Fair Housing Act.** Over two-thirds of reported complaints of housing discrimination are investigated by private nonprofit fair housing organizations. These organizations rely on funding provided through the Fair Housing Initiatives Program to provide direct services to victims of discrimination. Flat funding reduces organizations' capacity for these important services and investigations, and can jeopardize strategically designed multi-year investigations that root out housing and lending discrimination.
- **Disaster Recovery.** Flat or reduced funding has serious impacts on disaster recovery efforts, including delayed assistance to survivors or a reduction in the number of survivors assisted by vital recovery programs.

The [Campaign for Housing and Community Development Funding](#) (CHCDF) is an education, strategy and action hub for national organizations dedicated to adequate federal housing and community development funding for lower income families and communities. [CHCDF's members](#) represent a full continuum of national housing and community development organizations, including more than 70 faith-based, private sector, financial/intermediary, public sector and advocacy groups. For more information, contact Kim Johnson, policy manager at the National Low Income Housing Coalition, at kjohnson@nlihc.org.