President Obama’s Fiscal Year 2015 Budget Released

On March 4, 2014, President Obama released the Administration’s proposed Fiscal Year (FY) 2015 Budget which will begin on October 1, 2014. The budget is a $3.9 trillion budget blueprint that would, if enacted into law, substantially change the bipartisan budget ceiling agreed to in December 2013 with $56 billion in new stimulus spending. The proposed budget would pay for the new spending by raising taxes on corporations and higher income individuals.

The Administration’s budget would reverse cuts to the Internal Revenue Service and provide additional funding to help communities prepare for climate change. Money is also targeted toward basic research, elementary education, manufacturing initiatives and job training. In addition, new spending would be paid for with a $14 billion cut to crop insurance payments, even though a five-year farm bill was just enacted. There would also be $28 billion in new revenue from limiting accrual in 401(k) retirement plans.

Rural Development

In terms of spending for housing programs, the United States Department of Agriculture’s Rural Development’s (RD) housing programs would see funding reduced or funding levels would continue at FY 2014 levels. Of particular concern to CARH members is the proposed funding for the Section 521 Rental Assistance (RA) program. The FY 2015 budget request for RA is $1.089 billion, a cut of approximately $21 million from FY 2014. This reduction is apparently offset by prohibiting “re-renewals,” that is a second RA renewal within the same project budget year should RA in the project budget be insufficient, and also by instituting a resident paid $50 per month minimum rent. The Department of Housing and Urban Development (HUD) has a similar minimum rent of $25 (up to $50 if set by the local housing authority). The budget includes general authorizing provisions that, among other things, would authorize income verification of residents.

In addition to these points, of concern is the narrative accompanying the budget that proposes changes in how RA would be allocated. Specifically, the budget document states “the agency will no longer automatically renew contracts within the same 12 month period; contracts will be renewed at the discretion of the Secretary depending upon the needs of the project; and contracts will be issued for a fixed time and fixed sum.” The budget document indicates that in addition to
the budget language, the agency will be submitting to Congress a multifamily housing reinvention legislative package that will include changes to the RA program as well provide permanent authority for preservation of the Section 515 portfolio. Whether that package is submitted or is enacted, these terms are being proposed by the Administration for the FY2015 appropriations bill, effectively authorizing these changes through the appropriations process. CARH strongly believes that this legislative proposal needs to be reviewed by the Congressional authorizing committees (the Senate Banking Committee and the House Financial Services Committee) and thoroughly vented by all rural housing stakeholders. While we understand the budget language was inserted to provide RD with flexibility in the event of another sequestration, the language is extremely broad as written and is susceptible to many negative interpretations.

Other housing programs within RD would receive the following: $150 million in funding and continuation of fees for the Section 538 Guaranteed Rural Rental Housing Program, the same funding level as in FY 2014; $28.4 million for the Section 515 Rural Rental Housing Loan program and $23.9 million for the Section 514 Farm Labor Housing Loan program, the same levels as in FY 2014; Rural Housing Vouchers would receive $8 million, a decrease of $2 million from FY 2014; the Multi-Family Housing Preservation and Revitalization (MPR) program would receive $20 million, the same level as FY 2014; Section 502 Single Family Housing Direct Loan program would receive $360 million, a cut of $540 million from FY 2014; and $24 billion for the Section 502 Single Family Housing Guarantee Loan program, the FY 2014 level.

**Department of Housing and Urban Development**

The Department of Housing and Urban Development (HUD) would have an overall flat funding (about 2% more in appropriations but about 3% less in net appropriations), including a 5% increase in Section 8 vouchers to $18 billion, a 2% decrease in project based Section 8 to $9.7 billion. The Community Development Block Grant (CDBG) program is proposed at $2.87 billion, down about 7%. HOME is proposed for a 5% cut to $950 million. Public Housing Capital and Operating funds see a small increase ($1.925 and $4.6 billion, respectively). HUD’s signature program, Rental Assistance Demonstration (RAD), continues as a demonstration but without a component 1 unit cap and with $10 million in additional funding.

**Tax Credits**

Also contained in the budget document are proposals impacting various tax credit programs. Of greatest interest is the Low-Income Housing Tax Credit (Housing Credit) which is, of course, a permanent program. The budget contains provisions to modify the Housing Credit, including allowing states to increase Housing Credit authority by converting some private activity bond volume cap into tax credit allocations. The budget also encourages mixed income occupancy by allowing Housing Credit projects to use an average income over an entire property (i.e., at least 40 percent of the units are occupied with an average household income of no more than 60 percent of area median income). The budget, if enacted in its current form, would also change formulas for calculating 9% (70% present value credit rate) and 4% (30% present value credit rate) credits. The discount rate would be the average of the mid-term and long-term applicable Federal rates for the relevant month, plus 200 basis points. Preservation of federally assisted affordable housing would be added to allocation criteria.
The budget clarifies general public use requirements to facilitate housing for victims of domestic abuse. Additionally, there is a proposal to increase investments through using REITs, as there was in last year’s budget. The budget also proposes to make the New Markets Tax Credit permanent at $5 billion annually.

CARH’s board of directors will meet on March 12-13 in Washington, D.C. On Wednesday, March 12, the board will be meeting with key members of Congress and staff. Topics to be covered during those meetings will be the Administration’s proposed budget as well as the discussion draft tax reform proposal released last week by the House Ways and Means Committee. Issue briefs are being prepared by the national CARH office for use by the board. These issue briefs will be posted on CARH’s website next week and a broadcast e-mail will be sent to all CARH members when these issue briefs become available.

We would encourage CARH members to contact their respective Congressional delegations and use these briefs in your discussions. Finally, CARH’s Annual Meeting and Legislative Conference will be held on June 8-10, 2014, where CARH members will have the opportunity to further discuss these issues.

Click here to contact your Representative and click here to contact your Senator.

Please contact the CARH national office at carh@carh.org or 703-837-9001 should you have questions or concerns.

Don’t miss CARH’s 2014 Annual Meeting & Legislative Conference
June 8-10, 2014 at the Ritz Carlton Pentagon City in Arlington, Virginia!

Council for Affordable and Rural Housing
1112 King Street, Alexandria, VA 22314
703-837-9001 Phone; 703-837-8467 Fax
carh@carh.org; www.carh.org