

CRS Report for Congress

Transportation, Housing and Urban Development, and Related Agencies (THUD): FY2009 Appropriations

Updated September 9, 2008

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**Prepared for Members and
Committees of Congress**

Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bound by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations.

This report is a guide to one of the regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the Subcommittees on Transportation, Housing and Urban Development, and Related Agencies of the House and Senate Committees on Appropriations. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

This report is updated as soon as possible after major legislative developments, especially following legislative action in the committees and on the floor of the House and Senate.

NOTE: A Web Version of this document with active links is available to congressional staff at [http://beta.crs.gov/cli/level_2.aspx?PRDS_CLI_ITEM_ID=73].

Transportation, Housing and Urban Development, and Related Agencies (THUD): FY2009 Appropriations

Summary

The FY2009 Transportation, Housing and Urban Development, and Related Agencies appropriations bill (THUD) provides funding for the Department of Transportation (DOT), the Department of Housing and Urban Development (HUD), and five independent agencies related to those two departments.

The Bush Administration requested net budgetary authority of \$102.5 billion (after scorekeeping adjustments) for FY2009, a cut of \$36 million (less than 1%) from the comparable FY2008 level. DOT would receive a net total of \$63.5 billion, a cut of \$1 billion from the comparable FY2008 level. HUD would receive \$39.1 billion, an increase of 4% (\$1.4 billion) over the comparable FY2008 level. However, the requested increase in net budget authority for HUD is largely attributable to a decline in the amount available to offset new funding in the HUD budget. The President's budget request would actually result in an overall decline in non-emergency appropriations for HUD's programs and activities of just over 1% from the FY2008 level.

The House Committee on Appropriations Subcommittee on THUD reportedly marked up a draft FY2009 THUD appropriations bill on June 20, 2008. The details of that draft have not been made public. The full committee has not yet marked up the bill, and it is not clear that it will do so. The Senate Committee on Appropriations marked up an FY2009 THUD bill, S. 3261, on July 10, 2008. The Senate committee recommended \$109.4 billion, \$6.6 billion more than the Administration requested.

Congressional leaders have been quoted in press reports indicating that they will not try to enact most of the FY2009 appropriations bills, including the THUD bill, until sometime after the next Administration has taken office in 2009. In the meantime, they reportedly intend to provide FY2009 funding for most federal agencies, including those in the THUD bill, through one or more continuing resolutions.

Among the THUD appropriation issues facing Congress is the impending deficit in the Highway Trust Fund. The portion of the Fund that provides money for federal highway programs has long been projected to have a \$3 billion deficit by the end of FY2009; the portion that provides money for transit projects is projected to run a deficit in FY2011. The House passed separate legislation (H.R. 6532) to transfer \$8 billion from the general fund to the Highway Trust Fund to prevent the FY2009 shortfall. This legislation was opposed by the Administration. However, on September 5, 2008, the Administration announced that revenues to the Fund had declined more than expected in recent months, resulting in the Fund facing a shortfall as early as October 2008. The Administration is now urging Congress to immediately pass the legislation transferring money to the Highway Trust Fund.

This report will be updated.

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Contents

Most Recent Developments	1
Overview	1
The President's Budget Request	2
Changing Appropriations Subcommittee Structures	3
Transportation Appropriations	5
Department of Transportation Budget and Key Policy Issues	7
Highway Trust Fund Status	8
Federal Aviation Administration (FAA)	9
Federal Highway Administration (FHWA)	10
Federal Motor Carrier Safety Administration (FMCSA)	11
National Highway Traffic Safety Administration (NHTSA)	12
Federal Railroad Administration (FRA)	12
Federal Transit Administration (FTA)	13
Maritime Administration (MARAD)	13
Housing and Urban Development Appropriations	14
FY2009	15
Key Issues	18
Tenant-Based Rental Assistance: Renewal Funding	18
Project-Based Rental Assistance: Renewal Funding	20
HOPE VI: No New Funding	20
Community Development and the Community Development Block Grant: Funding Reductions	21
Increased Funding for HOME	22
Housing for the Elderly and Disabled: Funding Reductions	22
Federal Housing Administration (FHA): Declining Receipts	22

List of Tables

Table 1. Status of FY2009 Transportation, Housing and Urban Development, and Related Agencies Appropriations	3
Table 2. Transportation, Housing and Urban Development, and Related Agencies Appropriations, FY2008-FY2009	3
Table 3. Funding Trends for Transportation, Housing and Urban Development, and Related Agencies, FY2004-FY2009	5
Table 4. Department of Transportation Appropriations, FY2008-FY2009	5
Table 5. Appropriations: Housing and Urban Development, FY2008-FY2009	16

Transportation, Housing and Urban Development, and Related Agencies (THUD): FY2009 Appropriations

Most Recent Developments

On September 5, Department of Transportation (DOT) Secretary Mary Peters announced that the Highway Trust Fund faced a shortfall as soon as October 2008, due to lower than expected revenues in 2008, and called on Congress to immediately pass legislation transferring general fund revenues to the Trust Fund, a step that the Administration had previously opposed.

On July 10, the Senate Committee on Appropriations approved S. 3261, the FY2009 THUD appropriations bill, and ordered it to be reported. The committee recommended \$109.4 billion in funding, \$6.6 billion more than the amount requested by the Administration.

On June 20, 2008, the House Committee on Appropriations, Subcommittee on Transportation HUD (THUD) marked up an unnumbered draft FY2009 THUD appropriations bill. The date of a full committee markup is unknown, and no bill has yet been reported. According to the subcommittee's press release, the bill would increase funding for a number of housing and transportation programs over the President's request, including the Community Development Block Grant (CDBG) program, housing for the elderly and disabled, public housing (including HOPE VI), Amtrak, the Federal Transit Administration, and grants to airports.¹

On February 5, 2008, the Administration submitted its budget request for FY2009 to Congress. The budget request for both DOT and HUD represented a reduction in funding compared to the non-emergency funding enacted for those agencies in FY2008.

Overview

Congress faces a difficult challenge in the FY2009 appropriations process. The nation is facing a variety of economic challenges — including a general slowdown

¹ A summary table published on the website of the House Committee on Appropriations provides selected figures from the marked-up version of the draft bill; [<http://appropriations.house.gov/pdf/09THUDTableSubMarkup.pdf>].

in the economy, record high oil prices, and a decline in housing values. The budget deficit for FY2008 is expected to be around \$400 billion.² The President presented a constrained budget to Congress — the THUD request represented no net increase over the FY2008 level (excluding FY2008 emergency appropriations) — and threatened to veto any appropriations bills that exceed the requested level of funding.

Citing last year's appropriations experience, when some in Congress contended that the President refused to negotiate with Congress over the final level of FY2008 appropriations, congressional leaders have been cited in press reports indicating that Congress may not pass many — if any — regular appropriations bills before the end of the 2008 calendar year. Instead, reports indicate that Congress will pass one or more continuing resolutions to keep the government operating after the end of FY2008, and complete the FY2009 appropriations process in calendar year 2009, when it will be dealing with a new Administration.

The President's Budget Request

The President's net FY2009 request for the programs covered by this appropriations bill is \$102.5 billion (after scorekeeping adjustments). This is \$36 million (less than 1%) below the comparable total enacted for FY2008.

The DOT request was \$63.5 billion, \$1.2 billion (2%) below the amount provided for FY2008. It provided a 7% increase for transit funding (\$644 million), though that is less than the authorized funding level.

The President's FY2009 Budget requests \$39.1 billion, a less than 4% increase in total, regular (non-emergency) budget authority for HUD. Following recent trends, the requested increase in budget authority is largely driven by declines in the amount available for rescission (88% decline from FY2008) and projected to be available in offsetting receipts (23% decline from FY2008). The FY2009 request for regular (non-emergency) appropriations — which is the amount available for HUD's programs and activities — represents a slight decline (1.4%) from FY2008.

The Administration's FY2009 budget request included funding reductions that had also been proposed by the Administration in previous budget requests, without success. Among the programs proposed for reductions or elimination were

- DOT highway funding (-\$1.8 billion), airport grants (-\$764 million), Amtrak (-\$525 million), and subsidies for air service to small communities (-\$60 million) programs;
- HUD's Community Development Fund (-\$866 million), Housing for the Elderly (-\$195 million), and Housing for the Disabled (-\$77 million) programs; and
- HUD's HOPE VI, Rural Housing and Economic Development, Brownfields Redevelopment, and Section 108 Loan Guarantees programs, for which no funding was requested (-\$132 million total).

² Congressional Budget Office, *Monthly Budget Review*, August 6, 2008.

Table 1 notes the status of the FY2009 THUD appropriations bill.

Table 1. Status of FY2009 Transportation, Housing and Urban Development, and Related Agencies Appropriations

Bill	Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
	House	Senate						House	Senate	
Draft	6/20/08	7/9/08			7/14/08 S.Rept. 110-418					

Table 2 lists the total funding provided for each of the titles in the bill for FY2008 and the amount requested for that title for FY2009.

Table 2. Transportation, Housing and Urban Development, and Related Agencies Appropriations, FY2008-FY2009
(millions of dollars)

Title	FY2008 Enacted ^a	FY2009 Request	FY2009 House	FY2009 Senate	FY2009 Conf.	FY2009 Enacted
Title I: Department of Transportation	\$64,708	\$63,494		\$66,796		
Title II: Housing and Urban Development	37,637	39,076		42,364		
Title III: Related Agencies	415	270		279		
Total	\$102,560	\$102,840		\$109,439		

Source: Budget table published in S.Rept. 110-418. "Total" represents total budgetary resources after scorekeeping adjustments. Totals may not add up due to rounding and scorekeeping adjustments.

a. FY2008 total does not include \$3.2 billion in emergency funding.

Changing Appropriations Subcommittee Structures

Since 2003, the House and Senate Committees on Appropriations have reorganized their subcommittee structure three times. In 2003, a new subcommittee (Homeland Security) was added; in order to maintain the existing number of subcommittees at 13, the Transportation appropriations subcommittees were combined with the Treasury, Postal Service, and General Government appropriations subcommittees, becoming the Subcommittees on Transportation, Treasury, and Independent Agencies.

In early 2005, the House and Senate Committees on Appropriations again reorganized their subcommittee structures. The House Committee on Appropriations

reduced its number of subcommittees from 13 to 10. This change included combining the Transportation, Treasury, and Independent Agencies subcommittee with the District of Columbia subcommittee; to the resulting subcommittee, in addition, jurisdiction over appropriations for the Department of Housing and Urban Development and the Judiciary, as well as several additional independent agencies, was added. The subcommittee was then known as the Subcommittee on Transportation, Treasury, Housing and Urban Development, The Judiciary, District of Columbia, and Independent Agencies (or TTHUD).

The Senate Committee on Appropriations reduced its number of subcommittees to 12. The Senate also added jurisdiction over appropriations for the Departments of Housing and Urban Development and the Judiciary to the Transportation, Treasury, and Independent Agencies subcommittee. The Senate retained a separate District of Columbia Appropriations subcommittee. As a result, the areas of coverage of the House and Senate subcommittees with jurisdiction over this appropriations bill were almost, but not quite, identical; the major difference being that in the Senate the appropriations for the District of Columbia originate in a separate bill.

At the beginning of the 110th Congress in 2007, the House and Senate Committees on Appropriations again reorganized their subcommittee structures. The House and Senate committees divided the responsibilities of the TTHUD subcommittees between two subcommittees: Transportation, Housing and Urban Development, and Related Agencies (THUD); and Financial Services and General Government, whose jurisdiction included the Treasury Department, the Judiciary, the Executive Office of the President, the District of Columbia, and many of the independent agencies formerly under the jurisdiction of the TTHUD subcommittees.

These changes make year-to-year comparisons of Transportation and Housing and Urban Development appropriation bills complex, as their appropriations appear in different bills in combination with various other agencies. Other factors, such as supplemental appropriations for response to disasters (such as the damage caused by the Gulf Coast hurricanes in the fall of 2005) and changes in the makeup of the Department of Transportation (portions of which were transferred to the Department of Homeland Security in 2004), also complicate comparisons of year-to-year funding. **Table 3** shows funding trends over the five-year period FY2004-FY2008, and the amounts requested for FY2009, for the Departments of Transportation and Housing and Urban Development. The purpose of **Table 3** is to indicate trends in the funding for these agencies. Emergency supplemental appropriations are not included in the figures.

Table 3. Funding Trends for Transportation, Housing and Urban Development, and Related Agencies, FY2004-FY2009

(billions of current dollars)

Department	FY2004 ^a	FY2005 ^b	FY2006 ^c	FY2007	FY2008 ^d	FY2009 Request ^e	FY2009 Enacted
Title I: Transportation	\$58.4	\$59.6	\$59.5	\$63.2	\$64.7	\$63.5	
Title II: Housing and Urban Development	31.2	31.9	34.0	36.2	37.6	39.1	

Source: United States House of Representatives, Committee on Appropriations, Comparative Statement of Budget Authority tables from fiscal years 2004 through 2009.

- a. FY2004 figures reflect a 0.59% across-the-board rescission.
- b. FY2005 figures reflect a 0.83% across-the-board rescission.
- c. FY2006 figures reflect a 1.0% across-the-board rescission, but do not reflect emergency supplemental appropriations provided for DOT and HUD. DOT and HUD received emergency funding for response to the effects of the Gulf Coast hurricanes; DOT's total FY2006 funding, including emergency funding, was \$62.3 billion; HUD's total FY2006 funding, including emergency funding, was \$45.5 billion.
- d. FY2008 figures reflect a 2.0% rescission applied to most programs that included designated earmarks, but do not reflect emergency funding. DOT received \$195 million in emergency funding; HUD received \$3.0 billion.
- e. FY2009 figure for Title I: Transportation reflects proposed rescission of \$3.9 billion.

Transportation Appropriations

Table 4. Department of Transportation Appropriations, FY2008-FY2009

(in millions of dollars; totals may not add)

Department or Agency (Selected Accounts)	FY2008 Enacted	FY2009 Request	FY2009 Sen. Comm.
Office of the Secretary of Transportation	\$157	\$130	\$189
<i>Essential Air Service^a</i>	110	50	110
Federal Aviation Administration (FAA)			
<i>Operations (trust fund & general fund)</i>	8,740	NA	9,070
<i>Facilities & Equipment (F&E) (trust fund)</i>	2,514	NA	2,750
<i>Grant-in-aid for Airports (AIP) (trust fund) (limit. on oblig.)</i>	3,515	2,750	3,515
<i>Research, Engineering & Development (trust fund)</i>	147	171	171
Subtotal, FAA	14,524	14,643	15,431
Federal Highway Administration (FHWA)			
<i>(Limitation on Obligations)</i>	41,216	39,399	41,200
<i>(Exempt Obligations)</i>	739	739	739
<i>Additional funds (trust fund)</i>	—	—	—
<i>Additional funds (general fund)</i>	30	—	199

Department or Agency (Selected Accounts)		FY2008 Enacted	FY2009 Request	FY2009 Sen. Comm.
	<i>Rescissions of contract authority</i>	(4,107)	(3,885)	(4,105)
<i>Subtotal, FHWA^b</i>		38,068	36,253	38,033
Federal Motor Carrier Safety Administration (FMCSA)		530	541	541
National Highway Traffic Safety Administration (NHTSA)		838	851	855
Federal Railroad Administration (FRA)		1,561	1,091	1,816
	<i>Amtrak</i>	1,325	800	1,503
Federal Transit Administration (FTA)				
	<i>Capital Investment Grants (New Starts)</i>	1,569	1,621	1,809
	<i>Formula and Bus Grants (Trust Funds)</i>	7,768	8,361	8,261
<i>Subtotal, FTA</i>		9,492	10,135	10,226
St. Lawrence Seaway Development Corporation		17	32	27
Maritime Administration (MARAD)		307	313	345
Pipeline and Hazardous Materials Safety Administration (PHMSA)				
	<i>Pipeline safety program</i>	80	93	93
	<i>Emergency preparedness grants</i>	28	28	28
<i>Subtotal, PHMSA</i>		154	168	169
Research and Innovative Technology Administration (RITA)		12	12	12
Office of Inspector General		66	70	72
Surface Transportation Board		25	22	26
Total, Department of Transportation		\$64,708	\$63,494	\$66,796

Source: Figures are from a budget table published by the Senate Appropriations Committee in S.Rept. 110-418. Because of differing treatment of offsets, the figures for “FY2008 Request” will not always match the Administration’s budget figures from other sources. The figures within this table may differ slightly from those in the text due to supplemental appropriations, rescissions, and other funding actions. Columns may not add due to rescissions, rounding, and exclusion of smaller program line-items.

- a. The total comes from a \$50 million annual authorization for the Essential Air Service program to be funded out of overflight fee collections and an additional amount (if any) appropriated for the program.
- b. FHWA was appropriated \$42.2 billion for FY2008. The \$38.1 billion figure represents the budgetary total after subtraction of a \$3.5 billion rescission of previously provided contract authority and the transfer of \$121 million to NHTSA. The House and Senate committees recommended \$41.0 billion for FHWA for FY2008; rescissions of contract authority resulted in those proposals being scored as \$37.6 billion and \$37.9 billion, respectively.

The economic and political context within which the FY2009 transportation appropriations process is taking place is tumultuous. The significant rise in the price of fuel for cars, trucks, and commercial jets is having a major impact on components of the transportation industry. The commercial passenger aviation industry is projecting a loss of several billion dollars, and is cutting the number of flights offered and even eliminating some routes, reducing and in some cases eliminating air

connections to some communities. Legislation reauthorizing the FAA's programs and activities continues to be debated in Congress. The authorization of the taxes and fees that support the airport and airway trust fund — the primary source of funding for federal aviation programs — was scheduled to lapse at the end of FY2007; these taxes and fees have been kept in force through a series of short-term authorization extensions.

At the same time, there is widespread concern about the condition of the nation's infrastructure, a significant component of which is transportation infrastructure. The collapse of an Interstate Highway bridge in Minnesota in August 2007 created concern over the conditions of the nation's bridges. Portions of the Interstate Highway system are reaching the end of their projected 50-year lifespan. These factors, combined with concern over growing levels of traffic congestion, have led to calls for significant increases in spending on transportation infrastructure. The National Surface Transportation Policy and Revenue Study Commission has recommended that the federal surface transportation program be extensively restructured, and that surface transportation investment from all sources be more than doubled from its present level to \$225 billion annually.³

While some in Congress are calling for greater levels of federal spending on transportation infrastructure, the primary source of federal highway funding, the Highway Account of the Highway Trust Fund, is projected to run short of money before the end of FY2009. This was foreseen in SAFETEA-LU, which called for a multi-billion dollar rescission of contract authority at the end of September 2009 to balance the account. But rising gas prices have led consumers to reduce their consumption of fuel,⁴ which is reducing the revenues coming in to the Highway Account. Congress is considering legislation that would provide money from the general fund to the Highway Account in order to forestall the Highway Account deficit in FY2009.

Department of Transportation Budget and Key Policy Issues

The President's FY2009 budget requested a total of \$64.5 billion for the Department of Transportation (DOT).⁵ That was \$1.2 billion (-2%) below the level provided for FY2008. The major funding changes requested from the FY2008 enacted levels were

- an increase of \$644 million (7%) for transit;
- a decrease of \$1.8 billion (-4%) in highway funding;

³ Transportation for Tomorrow: Report of the National Surface Transportation Policy and Revenue Study Commission, December 2007, available at [http://www.transportationfortomorrow.org/final_report/].

⁴ According to the FHWA, yearly cumulative vehicle miles traveled (VMT) through April 2008 has decreased 2.1% (more than 20 billion VMT) compared to 2007 and the total figure of VMT in April 2008 marks the sixth consecutive month that driving has declined compared to the prior year.

⁵ This total represents \$68.1 billion in new appropriations and \$3.9 billion in rescissions.

- a decrease of \$525 million (-40%) in Amtrak funding (similar to requested decreases in FY2007 and FY2008 that were rejected by Congress);
- a decrease of \$765 million (-22%) in the Federal Aviation Administration's Airport Improvement Program (similar to requested decreases in FY2007 and FY2008 that were rejected by Congress); and
- a decrease of \$60 million (-54%) in funding for the Essential Air Service Program (similar to requested decreases in FY2007 and FY2008 that were rejected by Congress).

The Administration request also proposed restructuring the FAA budget, reflecting the Administration's reauthorization proposal for the FAA.

The Administration's request, including as it does over \$3 billion in cuts that have been repeatedly requested and repeatedly rejected by Congress, creates a difficulty for appropriators. If the appropriators restore the funding for those programs, even to just the level provided in FY2008, the resulting bill will likely exceed the President's request. Meanwhile, the President has threatened to veto FY2009 appropriations bills that provide more than the requested level of spending.

Highway Trust Fund Status. The Highway Trust Fund is the funding source for most federal surface transportation programs. The Fund receives around \$38 billion annually, about 90% of which comes from federal taxes on gasoline and diesel fuel.

The Fund has two accounts: the Highway Account and the Mass Transit Account. The Highway Account receives about 87% of the revenues to the Fund. The Highway Account provides funds for federal highway programs; the Mass Transit Account provides funds for federal transit programs.

The Highway Account was expected to run short on money before the end of FY2009. Nor was this a temporary dip; the Highway Account deficit is projected to increase in subsequent years. This was foreseen in 2005, at the passage of SAFETEA-LU, which authorized more highway funding during the authorization period than projected revenues could support. SAFETEA-LU provided for a rescission of highway funding at the end of FY2009 to prevent the Highway Account from going into the red.

However, on September 5, 2008, DOT Secretary Mary Peters announced that the Highway Account was expected to run short of funding as early as October 2008.⁶ Since passage of SAFETEA-LU in 2005, expenditures from the Highway Account have exceeded the levels initially authorized, and the revenues to the Account have not kept pace with the revenues forecast, with a sharp drop in revenues during 2008

⁶ Mary Peters, Secretary, Department of Transportation, "Trust Fund Solvency Media Briefing," September 5, 2008, available at [<http://www.dot.gov/affairs/highwaytrustfund/secretarysremarks.htm>].

as record-high gas prices have led motorists to reduce their amount of driving. These events have exacerbated the extent of the deficit projected in 2005.

The Highway Account will still be receiving revenues in 2009, but the expenditures from the account will exceed the level of revenues received. The Administration has announced that beginning in September it will slow the rate at which highway funds are transferred to the states to a level that the Highway Account can sustain.

On July 14, 2008, the Senate Committee on Appropriations reported out an FY2009 THUD appropriations bill, which included a recommendation that \$8 billion be transferred from the general fund of the Treasury to the Highway Trust Fund to cover the shortfall.⁷ The House passed separate legislation (H.R. 6532) on July 23, 2008, to do the same. The Administration threatened to veto the House bill on the grounds that it unnecessarily increases the federal deficit, alters the “user-fee” principle of the Highway Trust Fund, and jeopardizes any hope of constraining future federal highway spending.⁸ However, in the face of the immediate shortfall in funding, the Administration has now called on Congress to pass legislation transferring funds to the Highway Account as soon as possible.

Federal Aviation Administration (FAA). The FAA budget provides both capital and operating funding for the nation’s air traffic control system, and also provides federal grants to airports for airport planning, development, and expansion of the capacity of the nation’s air traffic infrastructure. The President’s budget requests \$14.6 billion in new funding for FY2009. This is \$152 million (-1%) less than the amount of new funding provided in FY2008.⁹

The Senate Committee on Appropriations recommended \$15.4 billion for FY2009, an increase of \$788 million over the amount requested. Most of that increase is for the Airport Improvement grant program.

It is difficult to compare the requested funding level for operations (the largest FAA account) and facilities & equipment with the previous year’s funding, because the budget request categorizes the FAA funding differently than the FY2008 appropriation, reflecting the Administration’s FAA reauthorization proposal. The Administration request does include a cut to the Airport Improvement grant program.

⁷ The \$8 billion figure comes from an arrangement reached in 1998, when highway authorizers agreed to transfer \$8 billion in Highway Trust Fund monies (derived from interest received on the balance in the Fund) to the general fund in exchange for the creation of a budget “firewall” and other mechanisms that made possible higher levels of highway spending. “Ten Questions and Answers on the Highway Trust Fund Default,” *Transportation Weekly*, v. 9, no. 26, July 10, 2008, p. 4.

⁸ Office of Management and Budget, Executive Office of the President, Statement of Administration Policy on H.R. 6532, July 23, 2008, available at [<http://www.whitehouse.gov/omb/legislative/sap/110-2/saphr6532-h.pdf>].

⁹ The net new funding for FY2008 appears to be \$118 million less than the FY2009 request, due to a rescission of contract authority in the FY2008 appropriation. However, that rescission did not actually reduce the amount of new funding provided in FY2008.

Airport Improvement Program (AIP). The President's budget proposed a cut of \$764 million to AIP funding, from \$3.51 billion in FY2008 to \$2.75 billion for FY2009. A similar cut was proposed by the Administration for FY2007 and for FY2008; neither cut was supported by Congress. AIP funds are used to provide grants for airport planning and development, and for projects to increase airport capacity (such as construction of new runways) and other facility improvements.

The Senate Committee on Appropriations rejected the proposed cut, recommending \$3.5 billion, the same amount as provided in FY2008.

Essential Air Service. The President's budget requested \$50 million for the Essential Air Service program, a \$60 million (54%) reduction from the \$110 million provided for FY2008. A similar decrease was proposed by the Administration for FY2007 and FY2008; both were rejected by Congress. The Senate Committee on Appropriations recommended \$110 million, the same amount provided for FY2008.

This program seeks to preserve air service to small airports in rural communities by subsidizing the cost of that service. Supporters of the Essential Air Service program contend that preserving airline service to rural communities was part of the deal Congress made in exchange for deregulating airline service in 1978, which was expected to reduce air service to rural areas. Some Members of Congress have expressed concern that the proposed cut in funding for the Essential Air Service program could lead to a reduction in the transportation connections of rural communities. Previous budget requests from the current Administration, as well as budget requests from previous Administrations, have proposed reducing funding to this program.

Federal Highway Administration (FHWA). The President's budget requested \$40.1 billion in new funding for federal highway programs for FY2009, a cut of \$1.8 billion (-4%) below the comparable level of \$42.0 billion provided in FY2008.¹⁰ This is also \$800 million below the \$41.2 billion authorized funding level for FY2009 that is "guaranteed" by SAFETEA-LU (P.L. 109-59).

The \$1.8 billion proposed reduction is made up of two components. First, SAFETEA-LU provides a mechanism, known as RABA ('Revenue Aligned Budget Authority'), for adjusting the authorized highway funding level up or down to reflect the level of income received by the Highway Trust Account. In FY2008, the authorized level was increased by \$631 million as a result of the RABA adjustment. The Administration estimates that RABA calls for a \$1.0 billion reduction in the authorized level for FY2009, reflecting declining receipts to the Account. Second, based on the FHWA Administrator's overview, it appears that \$800 million of the difference was FHWA's share of a \$1 billion reduction to adjust for the extra \$1 billion in Highway Bridge Program obligations provided by appropriators in

¹⁰ The FY2008 enacted figure and FY2009 request were reduced, for accounting purposes, by rescissions of contract authority, resulting in net budgetary totals of \$38.1 billion for FY2008 and \$36.3 billion for the FY2009 request. An additional \$195 million in emergency funding was provided in FY2008.

FY2008.¹¹ The overview argues that without the reduction, the total obligation level provided over the full life of SAFETEA-LU would have exceeded the \$286.4 billion grand total of guaranteed funding provided for in the act and agreed to by the Administration.

The Senate Committee on Appropriations rejected both the \$1.0 billion called for by the RABA mechanism in SAFETEA and the \$800 million cut requested by the Administration, recommending \$42.1 billion for FY2009. The committee also rejected the Administration proposal to cover the projected FY2009 Highway Account deficit by transferring funds from the Mass Transit Account; instead, the committee recommended \$8 billion from the general fund to the Highway Account.¹²

Federal Motor Carrier Safety Administration (FMCSA). The Administration requested the authorized level of funding for FMCSA, \$541 million. This is \$11 million (2%) over the amount provided for FY2008.¹³ \$307 million of the request is for grants to states to enforce commercial truck and bus safety regulations. The Senate Committee on Appropriations recommended the same level.

The FY2008 THUD appropriations act included a provision (Section 136) that prohibited any funds in the act from being used to “establish” a cross-border trucking demonstration program allowing Mexican trucking companies to operate beyond the commercial zone (a zone extending 20 miles into the United States from the U.S.-Mexico border). The DOT had implemented such a program on September 7, 2007, shortly before the beginning of the 2008 fiscal year. DOT continued to operate the program after passage of the FY2008 act, contending that FY2008 funding used for the program would not be used to establish the program, but to continue its operation. The Sierra Club and the Teamsters Union have sued to stop the pilot program; the case is under consideration. Congress has reiterated its opposition to the program; the Senate Committee on Appropriations recommended language that would terminate funding for the program. The DOT has announced that so far Mexican trucks and drivers participating in the program have safety compliance rates equal to or better than U.S. commercial truckers, and that it intends to continue the program for two more years, as allowed under law.¹⁴ The DOT notes that participation in the program has been less than expected, due to the reluctance of trucking companies to make the necessary investments in the face of uncertainty about the pilot program’s length, and expects that the extension will encourage more companies to participate.

¹¹ The remaining \$200 million of the reduction is to be taken from the proposed Federal Transit Administration funding for FY2009.

¹² The \$8 billion figure reflects the amount that was transferred from the Highway Account to the general fund in 1998 as part of an agreement that created the “guaranteed funding” structure of the highway program and established the RABA mechanism.

¹³ The net total for FY2008 was reduced, for budgetary purposes, to \$479 million, as a result of \$50 million in rescissions of contract authority.

¹⁴ Federal Motor Carrier Safety Administration, “Demonstration Project on NAFTA Trucking Provisions,” *Federal Register*, v. 73, no. 152 (Wednesday, August 6, 2008), p. 45796.

National Highway Traffic Safety Administration (NHTSA). The Administration requested \$851 million for NHTSA, the amount authorized for FY2009. This is an increase of \$13 million (2%) over the amount provided for FY2008.¹⁵ \$600 million of this amount is for grants to states for highway safety programs to reduce deaths and injuries from motor vehicle crashes. The Senate Committee on Appropriations recommended \$855 million, adding \$4 million to the Administration request for the operations and research account.

NHTSA's primary mission is to improve highway safety. Highway fatalities are the leading cause of death for Americans between the ages of 3 and 34. There were 42,642 highway fatalities in 2006, but since the number of drivers and the number of miles driven increases almost every year, the standard measure for highway safety is the fatality rate — the number of fatalities per 100 million vehicle miles traveled (VMT). The committee noted that NHTSA does not appear to be on track to achieve its goal of reducing the rate of highway fatalities to 1.0 fatality per 100 million VMT by 2011. The rate has gone down, from 1.51 fatalities per 100 million VMT in 2001 to 1.41 in 2006, but remains above NHTSA's target for each year.

One category of highway fatality — motorcycle fatalities — has been increasing, rather than decreasing, since 2001. The most effective motorcycle safety policy is requiring that all motorcyclists wear helmets meeting safety standards. Some motorcyclists are strongly opposed to being required to wear helmets. At times Congress has penalized states that did not have mandatory helmet laws by withholding or restricting the use of some of their federal highway funding, which resulted in near-universal adoption of mandatory helmet laws by states. Congress repealed such a provision in 1995; now about twenty states have universal mandatory helmet laws.¹⁶ In 1998 Congress also forbade DOT from lobbying states to adopt traffic safety laws.¹⁷ The Senate Committee on Appropriations recommended that an exception be made to this prohibition for the purpose of reducing motorcycle fatalities (Section 104).

Federal Railroad Administration (FRA). The Administration requested \$1.091 billion for FRA for FY2009. This is a cut of \$471 million (-30%) from the \$1.561 billion provided for FY2008. The Senate Committee on Appropriations recommended \$1.816 billion.

The largest portion of FRA's budget goes to support Amtrak. Amtrak funding was also the source of almost all the variance in the Administration's proposal and the Senate committee's recommendation. The Administration requested \$800 million for Amtrak, a cut of 40% (\$525 million) from FY2008. The Senate committee recommended \$1.5 billion for Amtrak, plus another \$100 million for an incentive grant program to encourage states to make investments in improving

¹⁵ The \$838 million in new funding for FY2008 was reduced, for budgetary purposes, to \$815 million by rescissions of contract authority.

¹⁶ Universal mandatory helmet laws require all motorcyclists to wear a helmet. Most of the other states require minors to wear a helmet when riding a motorcycle.

¹⁷ P.L. 105-178, Section 7104 ("Restrictions on Lobbying Activities").

passenger rail service (Congress provided \$30 million for this program in FY2008, its first year of funding; the Administration did not request any funding for this program for FY2009).

Congress is also considering reauthorization of Amtrak; reauthorization legislation has been passed by both the House and the Senate. Both bills would authorize considerably more funding for Amtrak and intercity passenger rail activities than Congress has provided in recent years — between \$2 and \$3 billion annually, compared to \$1.3 billion. Authorizing funding is not the same as appropriating the money, however, and it is not clear that additional funding on that scale would be available. Most DOT funding comes from the aviation and highway trust funds; within the THUD bill, Amtrak has to compete with a few other transportation programs and with the HUD programs for general funds, and these programs are also seeking increased funding

The next largest portion of FRA's budget is for safety programs intended to reduce railroad accidents. The Administration requested \$157 million, \$7 million (4%) more than provided for in FY2008; the Senate committee recommended \$159 million. The other component of the FRA budget is research and development of rail safety improvements. The Administration requested \$34 million for this, \$2 million (6%) less than the \$36 million provided for in FY2008; the Senate committee also recommended \$34 million.

In FY2008 Congress also provided \$20 million for a rail line relocation and improvement program established in SAFETEA-LU that had not previously been funded. The Administration did not request any money for this program in FY2008 or in FY2009. The Senate committee recommended \$25 million for FY2009.

Federal Transit Administration (FTA). The Administration requested \$10.135 billion for FTA for FY2009. This is an increase of \$644 million (7%) over the amount provided for FY2008,¹⁸ but is \$203 million below the authorized FY2009 funding level of \$10.338 billion. The Senate Committee on Appropriations recommended \$10.226 billion.

Virtually all of FTA's funding goes to state and local transportation authorities to support bus, commuter rail, subway, and light rail transit services; most of this goes out through formula grant programs. The Senate committee recommended \$100 million less than the requested level for the formula grant programs and the bus grant program (the largest transit discretionary grant program), and \$188 million more than requested for the New Starts program, which funds new fixed-guideway transit systems and extensions to existing systems.

Maritime Administration (MARAD). The Administration requested \$313 million for MARAD for FY2009, \$7 million (2%) above the \$307 million enacted for FY2008. The Senate Committee on Appropriations recommended \$345 million.

¹⁸ The net FY2008 total was reduced, for budgetary purposes, to \$9.4 billion by a \$133 million rescission of contract authority.

The primary change from the requested level was the Senate committee's recommendation of \$20 million for assistance to small shipyards; Congress provided \$10 million for this in FY2008 — its first year of funding, after being authorized in 2006 — and the Administration did not request any funding for this program for FY2009. The program provides grants and loans to small shipyards for capital improvements.

MARAD supports the maritime transportation sector. The largest components of its budget are the Maritime Security Program and Operations and Training. The Administration requested \$174 million for the Maritime Security Program, an \$18 million (12%) increase over FY2008. This program provides payments of roughly \$2.6 million per ship to retain a fleet of 60 active, militarily useful, privately owned vessels to be available to the federal government in the event they are needed for security purposes. A total of \$118 million was requested for Operations and Training, \$4 million (-3%) less than provided for FY2008. This program funds the U.S. Merchant Marine Academy, State Maritime Schools, and MARAD's operations.

Housing and Urban Development Appropriations

Most of the funding for the activities of the Department of Housing and Urban Development (HUD) comes from discretionary appropriations provided each year in the annual appropriations acts enacted by Congress. HUD's programs are primarily designed to address housing problems faced by households with very low incomes or other special housing needs. These include several programs of rental assistance for the poor, elderly, and/or disabled. Three rental assistance programs — Public Housing, Section 8 Vouchers, and Section 8 project-based rental assistance — account for the majority of the Department's non-emergency funding (more than 75% in FY2008). Two flexible block grant programs, HOME and Community Development Block Grants, help communities finance a variety of housing and community development activities designed to serve low-income families. Other, more specialized, block grants help communities meet the needs of homeless persons, including those with AIDS. In recent years, HUD has also focused more attention on efforts to increase the homeownership rates for lower-income and minority households, with programs providing funding for downpayment assistance and housing counseling. HUD's Federal Housing Administration (FHA) insures mortgages made by lenders to lower-income home buyers, many with below-average credit records, and to developers of multifamily rental buildings containing relatively affordable units. FHA collects fees from insured borrowers, which are used to sustain the insurance fund and offset its administrative costs. Surplus FHA fees have been used to offset the cost of the HUD budget.

HUD's budget is comprised of several types of funding. Regular, annual appropriations fund the activities of the Department. Offsetting collections and receipts (such as those from FHA) and rescissions of unobligated balances from prior years' funding offset the cost to Congress of the appropriations. In some years, Congress also provides emergency appropriations (such as in response to disasters) through HUD. The total of appropriations, offsetting receipts and collections, rescissions, and emergency appropriations determine HUD's net budget authority.

This section of the report provides an overview of FY2009 funding for HUD. It is largely summarized from a more detailed report, CRS Report RL34504, *The Department of Housing and Urban Development: FY2009 Appropriations*. Readers seeking an expanded discussion of HUD funding issues, including an overview of recent trends, should see CRS Report RL34504.

FY2009

Table 5 presents the President's FY2009 budget request for HUD compared to the prior year's enacted budget authority and the Senate Appropriations Committee-reported funding levels. (Housing Appropriations Subcommittee-passed figures are not currently publicly available and are therefore not included in **Table 5**.) Four totals are given in **Table 5**: "budget authority provided" and "available budget authority," both including and excluding emergency appropriations. Total budget authority *provided* includes current year appropriations, plus advance appropriations provided in the current fiscal year for use in the next fiscal year; total *available* budget authority includes current year appropriations, plus advance appropriations provided in the prior fiscal year for use in the current fiscal year. Congress is scored by the Congressional Budget Office (CBO) for the amount of *available* budget authority in an appropriations bill; however, the Appropriations Committees' documents often discuss budget authority *provided*.

The President's FY2009 Budget requested \$39,075 million, a less than 4% increase in total, regular (non-emergency) budget authority for HUD. Following recent trends, the requested increase in budget authority is largely driven by declines in the amount available for rescission (88% decline from FY2008) and projected to be available in offsetting receipts (23% decline from FY2008). The FY2009 request for regular (non-emergency) appropriations — which is the amount available for HUD's programs and activities — represents a slight decline (1.4%) from FY2008.

**Table 5. Appropriations: Housing and Urban Development,
FY2008-FY2009**

(budget authority in billions of dollars)

Account	FY2008 Enacted	FY2009 Request	FY2009 Senate Comm.
Appropriations			
Management and Administration ^a	1.212	1.290	1.304
Tenant Based Rental Assistance (Sec. 8 vouchers) (includes advance for subsequent year)	16.391	15.881	16.703
Project Based Rental Assistance (Sec.8) (includes advance for subsequent year)	6.382	7.400	8.450
Public Housing Capital Fund	2.439	2.024	2.444
Public Housing Operating Fund	4.200	4.300	4.400
HOPE VI	0.100	0.000	0.100
Native American Housing Block Grants	0.630	0.627	0.650
Indian housing loan guarantees	0.007	0.009	0.009
Native Hawaiian Housing Block Grant	0.009	0.006	0.010
Native Hawaiian housing loan guarantees	0.001	0.000	0.001
Housing for Persons with AIDS (HOPWA)	0.300	0.300	0.315
Rural Housing Economic Development	0.017	0.000	0.030
Community Development Fund (including CDBG)	3.866	3.000	3.889
Sec.108 loan guarantee; subsidy	0.005	0.000	0.006
Brownfields redevelopment	0.010	0.000	0.000
HOME Investment Partnerships	1.704 ^a	1.967 ^a	1.967
Self-help Homeownership	0.060	0.040	0.066
Homeless Assistance Grants	1.586	1.636	1.667
Housing for the Elderly (Sec. 202)	0.735	0.540	0.765
Housing for Persons with Disabilities (Sec. 811)	0.237	0.160	0.250
Manufactured Housing Fees Trust Fund ^c	0.016	0.021	0.021
Housing Counseling Assistance	^b	0.065 ^b	0.065 ^b
Rental Housing Assistance ^c	0.028	0.028	0.028
Research and Technology	0.051	0.055	0.060
Federal Housing Administration (FHA) Expenses ^c	0.169	0.187	0.145
Fair housing activities	0.050	0.051	0.056
Lead Hazard Reduction	0.145	0.116	0.200
Working capital fund	0.155	0.224	0.211
Inspector General	0.112	0.115	0.115
Office of Federal Housing Enterprise Oversight ^c	0.066	0.067	0.067
Appropriations Subtotal	40.683	40.108	43.994

Account	FY2008 Enacted	FY2009 Request	FY2009 Senate Comm.
Rescissions			
Economic Developments Initiative rescission	0.000	-0.180	0.000
Rental housing assistance rescission	-0.038	-0.028	-0.038
Tenant-Based Rental Assistance (Sec. 8 voucher) rescission	-0.723	0.000	-0.800
Rescissions Subtotal	-2.011	-0.233	-0.838
Offsetting Collections and Receipts			
Manufactured Housing Fees Trust Fund	-0.016	-0.016	-0.016
Office of Federal Housing Enterprise Oversight	-0.066	-0.067	-0.067
FHA	-0.250	-0.140	-0.140
Government National Mortgage Association (GNMA)	-0.163	-0.170	-0.170
Legislative Proposals	-0.540	-0.407	-0.400
Offsets Subtotal	-1.035	-0.800	-0.793
Emergency Funding			
CDBG Appropriations for the Gulf Coast	3.000	0.000	0.000
Emergency Funding Subtotal	3.000^d	0.000	0.000
Totals			
Total Budget Authority Provided, excluding Emergency Appropriations	37.637	39.075	42.364
Total Available Budget Authority, excluding Emergency Appropriations	37.672	38.833	40.572
Total Budget Authority Provided, including Emergency Appropriations	40.637	39.075	42.364
Total Available Budget Authority, including Emergency Appropriations	40.672	38.833	40.572

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261 and S.Rept. 110-418.

Note: The Transportation-HUD subcommittee of the House Committee on Appropriations approved its version of the FY2009 HUD appropriations bill on June 20, 2008. The subcommittee has not made the bill publicly available at this time. This table will be updated to reflect House action once the legislation is available.

Note: Total budget authority *provided* includes advance appropriations provided in the current fiscal year for use in the subsequent fiscal year; *available* budget authority includes the advance appropriations that were provided in the prior fiscal year for use in the current fiscal year.

- a. Includes funding for several management, personnel, and administrative accounts, including Executive Direction, Administration and Operations Management, and Personnel Compensation and Benefits for the Offices of Public and Indian Housing, Community Planning and Development, Housing, GNMA, Policy Development and Research, Fair Housing and Equal Opportunity, Healthy Homes, and Lead Hazard Reduction.

- b. In FY2008, funding for housing counseling assistance was provided as a set-aside within the HOME account; for FY2009, the President's budget requested that funding for housing counseling assistance be provided in a separate account.
- c. Funding for this account is generally offset through collections, receipts, or rescissions shown later in **Table 5**.
- d. An additional \$300 million in CDBG disaster assistance was appropriated in FY2008 by P.L. 110-252 for the Midwest floods of 2008 and other disaster relief activities. Those funds were not reflected in the committees' estimates of FY2008 enacted funding that were used to develop this table.

Key Issues

The following section of the report provides a summary of key issues in HUD's FY2009 budget. For a more detailed examination, readers should see CRS Report RL34504, *The Department of Housing and Urban Development: FY2009 Appropriations*.

Tenant-Based Rental Assistance: Renewal Funding

The tenant-based rental assistance account funds the Section 8 Housing Choice Voucher program. The Section 8 voucher program funds rental assistance for low-income families that they can use to reduce their housing costs in the private market. The program is funded by HUD, but administered at the local level by quasi-governmental local public housing authorities (PHAs). This account funds the annual renewal of the roughly 2 million vouchers authorized by Congress, as well as their associated administrative costs, and, in some years, new vouchers. (For more information on the Section 8 voucher program, see CRS Report RL32284, *An Overview of the Section 8 Housing Programs* and CRS Report RL34002, *Section 8 Housing Choice Voucher Program: Issues and Reform Proposals in the 110th Congress*, by Maggie McCarty, Libby Perl, Bruce E. Foote, Eugene Boyd, and Oscar R. Gonzales.)

The tenant-based rental assistance account is the largest in HUD's budget. In recent years, it has also been the source of the most contention in HUD's budget. Primarily, attention has been focused on whether the amount of funding provided for voucher renewals is sufficient to fund all of the vouchers authorized by Congress and/or in use by families, and how that renewal funding is to be allocated to PHAs. (While there is a statutory formula for allocating voucher funds to PHAs, it has been overridden in recent years by formulas adopted by Congress in the appropriations acts.)

The amount available for voucher renewals each year is made up of two parts: current year appropriations, and advance appropriations provided in the prior year that become available in the current year. For FY2009, the President requested \$11,881 million in current year funding for voucher renewals as well as \$4,000 million in advance appropriations for use in FY2010. This request represents a decrease from the \$12,233 million in current year funding provided in FY2008 and a decrease from the \$4,158 million in advance appropriations provided in FY2008 for use in FY2009.

Combined, the President's request would result in \$16,039 million in *available* budget authority for FY2009 (current year funding plus prior year advance) and \$15,881 million in budget authority *provided* for FY2009 (current year funding plus advance for subsequent year). This represents an increase from the \$15,703 million *available* in FY2008, but a decrease from the \$16,391 million *provided* in FY2008. HUD's FY2009 budget documents estimate that the amount of funding requested would be sufficient to renew all of the vouchers in use. (For a more detailed discussion, see CRS Report RL34504, *The Department of Housing and Urban Development: FY2009 Appropriations*.)

The President's FY2009 budget also requested that Congress change the way that it provides renewal funding to PHAs. Specifically, it requested that PHAs be provided funding based on the amount of funding they received in the previous year. This would be a change from the FY2008 funding formula, which funded PHAs based on their costs and voucher usage (referred to as utilization) over the prior year. This debate — over whether to fund PHAs based on the budget they received in the prior year or based on their expenses — has gone back and forth since FY2003. For a detailed discussion of this issue, see CRS Report RL33929, *Recent Changes to the Section 8 Voucher Renewal Funding Formula*.

Finally, the President's budget requested \$39 million to fund new incremental vouchers for elderly and disabled families who were displaced by the 2005 hurricanes and whose FEMA-funded rental assistance will be ending in March 2009. The budget also requested \$75 million for new incremental vouchers for homeless veterans. The combined total for new vouchers (\$114 million) would be less than the amount provided in FY2008 (\$125 million).

S. 3261, as reported by the Senate Appropriations Committee, would provide \$12,503 million in current year funding for the tenant-based rental assistance account and \$4,200 million in advance appropriations for use in FY2010. S. 3261 would also rescind \$800 million from the advance appropriation provided in FY2008 for use in FY2009. Combined, the Senate bill would result in \$15,861 million in *available* budget authority for FY2009 (current year funding plus prior year advance, less rescission) and \$16,703 million in budget authority *provided* for FY2009 (current year funding plus advance for subsequent year). This represents an increase from the \$15,703 million *available* in FY2008 and an increase from the \$16,391 million *provided* in FY2008. It represents a decrease from the \$16,309 million in *available* budget authority requested by the President for FY2009, but an increase from the \$15,881 billion in budget authority that would be *provided* by the President's FY2009 budget request.

S. 3261 would allocate renewal funding using a formula similar to the one in place in FY2008, rather than the formula requested by the President. It also includes \$134 million in funding for new incremental vouchers, more than requested by the President and provided in FY2008.

Project-Based Rental Assistance: Renewal Funding

The project-based rental assistance account provides funding to renew, amend, and cover administrative expenses for the more than one million rental assistance contracts between private property owners and HUD. These contracts allow low-income tenants that live in the assisted properties to pay reduced rents. The program under which these contracts are authorized is commonly referred to as project-based Section 8.

In July 2007, HUD stopped making payments to property owners with project-based contracts. Due to a change in interpretation regarding how HUD was to provide renewal funding, HUD determined it did not have sufficient funding to meet its contractual obligations. A negotiation with the Office of Management and Budget, and revisions to the contract language between HUD and property owners, allowed HUD to resume payments (including retroactive payments). However, this “shortfall” raised concerns among some Members of Congress — several committees held hearings on the topic — and industry groups representing property owners.

For FY2009, the President’s budget requested \$7,000 million for the project-based rental assistance account, an increase from the \$6,382 million provided in FY2008. Further, the budget requested \$400 million in advance appropriations to be provided in FY2009 for use in FY2010. If approved, it would be the first time an advance appropriation was to be used in this account. HUD’s budget documents indicate that the Department believes that its request (\$7,400 million) would be sufficient to meet the Department’s contractual obligations; industry groups contend that in order to “fully fund” its contractual obligations, HUD would need another roughly \$2,000 million in FY2009.

S. 3261, as reported by the Senate Appropriations Committee, included \$6,700 million in current year appropriations for the project-based rental assistance account (less than the President’s request; more than FY2008) and \$1,750 million in advance appropriations to become available in FY2010 (more than four times the amount requested by the President). The Senate committee report (S.Rept. 110-415) noted that the increased funding would not be sufficient to fund all contracts for 12 months, but would “restore some stability to the program by allowing the Department to enter into longer-term contracts with owners.” For an expanded discussion of this issue, see CRS Report RL34504, *The Department of Housing and Urban Development: FY2009 Appropriations*.

HOPE VI: No New Funding

Each year since FY2003, the President has requested no new funding for the HOPE VI public housing revitalization program. In response, each year, Congress has continued to fund the program. Up until FY2003, the program was generally funded at just under \$600 million, although in recent years its funding level has generally been around \$100 million. HUD’s Congressional Budget Justifications criticize the program for a slow expenditure of grant funds and also note that PHAs are able to use their capital fund grants to leverage resources in much the same way HOPE VI grants are used to leverage additional resources, making HOPE VI less

necessary. Proponents of HOPE VI cite the program's transformative effects on severely distressed communities.

S. 3261, as reported by the Senate Appropriations Committee, rejects the President's proposal to eliminate funding and would provide \$100 million for HOPE VI in FY2009. The bill would also extend the statutory authorization for the program through the end of FY2009; it is currently slated to sunset at the end of FY2008. (For additional information, see CRS Report RL32236, *HOPE VI Public Housing Revitalization Program: Background, Funding, and Issues*.)

Community Development and the Community Development Block Grant: Funding Reductions

The Community Development Fund (CDF) account funds the Community Development Block Grant (CDBG) program, a formula grant to states and localities that funds community development activities. In addition, the CDF has funded other community development-related programs in past years, including the Economic Development Initiatives and Neighborhood Initiative demonstrations.

The President's FY2009 budget recommendation of \$2,927 million for the formula portion of CDBG is \$659 million (18.4%) less than the \$3,586 million appropriated for distribution to communities and states in FY2008. In addition, the President's FY2009 budget request stated that the Administration would seek to reform the CDBG program during the 110th Congress by again offering Congress a proposal that was first unveiled during the 109th Congress, namely, the Community Development Block Grant Reform Act.

S. 3261, as reported by the Senate Appropriations Committee, would provide \$3,586 million for CDBG formula grants, more than the President's request and the same as the FY2008 funding level.

In addition to requesting reduced funding for CDBG formula grants, the Administration's FY2009 budget proposed eliminating funding for several other community development related programs, including Rural Housing and Economic Development Grants, Community Development Block Grant Section 108 loan guarantees, and Brownfields Economic Development Initiatives. The budget characterized these programs as duplicative of the activities funded by the CDBG formula grant program. The President's budget also requested no new funding for the Economic Development Initiatives (EDIs) and Neighborhood Initiatives (NIs) demonstration programs — which Congress has used to fund congressionally-directed projects in recent years — and asked that Congress rescind the funding provided to these projects in FY2008.

S. 3261, as reported by the Senate Appropriations Committee, would reject most of the President's proposals to eliminate funding for community and economic development programs. It would fund Rural Housing and Economic Development Grants, Section 108 loan guarantees, and EDI and NI earmarks. However, S. 3261 would not provide any new funding for the Brownfields Economic Development Initiatives program.

Increased Funding for HOME

The HOME Investment Partnerships Program provides formula-based block grant funding to states, units of local government, Indian tribes, and insular areas to fund affordable housing initiatives. The President's FY2009 budget requested a \$275 million increase in funding for HOME formula grants. HUD's Congressional Budget Justifications identify the HOME program as key to the President's goal of increasing homeownership opportunities, especially for minorities. They also cite the program's relatively strong rating from the Office of Management and Budget's (OMB) Program Assessment and Rating Tool evaluation. According to HUD's Congressional Budget Justifications, OMB found that the program "has a clear purpose, strong management, and can demonstrate results."

S. 3261, as reported by the Senate Appropriations Committee, would provide \$34 million more for HOME formula grants than the President's request.

Housing for the Elderly and Disabled: Funding Reductions

Formerly known together as Housing for Special Populations, the Section 202 Housing for the Elderly program and the Section 811 Housing for Persons with Disabilities program provide capital grants and ongoing project rental assistance contracts (PRAC) to developers of new subsidized housing for these populations. In FY2009, the Administration's budget recommended reducing the overall funding level for the programs that provide housing and services for elderly households (defined by HUD as those with a head of household or spouse age 62 or older). The President's request would cut funding for these programs by nearly \$200 million, from \$735 million in FY2008, to \$540 million in FY2009. The President's budget also proposed to reduce funding for the Section 811 Housing for Persons with Disabilities program in FY2009 to \$160 million, down from \$237 million in FY2008.

S. 3261, as reported by the Senate Appropriations Committee, rejected the President's proposed funding cuts and would provide \$765 million for Section 202 and \$250 million for Section 811.

Federal Housing Administration (FHA): Declining Receipts

The FHA administers a variety of mortgage insurance programs that insure lenders against loss from loan defaults by borrowers. Through FHA insurance, lenders make loans that otherwise may not be available, and enable borrowers to obtain loans for home purchase and home improvement, as well as for the purchase, repair, or construction of apartments, hospitals, and nursing homes. The programs are administered through two program accounts: the Mutual Mortgage Insurance/Cooperative Management Housing Insurance fund account (MMI/CMHI) and the General Insurance/Special Risk Insurance fund account (GI/SRI). The MMI/CMHI fund provides insurance for home mortgages. The GI/SRI fund provides insurance for more risky home mortgages, for multifamily rental housing, and for an assortment of special-purpose loans such as hospitals and nursing homes. (For more information, see CRS Report RS20530, *FHA Loan Insurance Program: An Overview*.)

In past years, receipts to the MMI fund have exceeded expenses, so the MMI fund did not need appropriations for a credit subsidy, and had excess receipts that were used to offset the cost of the HUD budget. The FY2009 Budget estimates that, if no programmatic changes are made, the MMI fund would need either a credit subsidy or increases in insurance premiums to continue operation. The Budget proposes to permit FHA to set insurance premiums based on the risk that the borrowers pose to the insurance fund, and it proposes to set the rate at a level that would avoid the need for subsidy appropriations. Barring the authority to establish risk-based premiums, the President's budget proposed that FHA would use its existing authority to increase the insurance premiums charged to borrowers. The budget assumes that the increased premiums coupled with legislative and programmatic changes would avoid the need for credit subsidy appropriations. (For an expanded discussion, see CRS Report RL34504, *The Department of Housing and Urban Development: FY2009 Appropriations*.)