

FY15 State and Federal Budget Webinar for Housing and Homeless Programs



A stronger Illinois begins at home

Friday April 4, 2014
11:00 AM - 12:00 PM CDT

State Budget Overview

- Governor Quinn released his FY2015 budget proposal with “recommended” and “not recommended” amounts.
- Recommended funding levels are contingent on making the 2011 temporary income tax increase permanent or other revenue increases.
- Democratic leaders have expressed support for making temporary tax increase permanent.
- General Assembly has until May 31 to pass FY15 budget.
- State fiscal year is from July 1 to June 30.

If Temporary Tax Increase Expires

- House FY115 spending limits: \$34.4 billion General Revenue Funds (GRF). Includes the effect of ½ year of loss of revenue, more than \$1.5 billion if the income tax increase is allowed to expire.
- Once "above the line" expenditures have been deducted from this amount for items such as pension payments, local distributive fund, debt service, group insurance costs, pay-down of old bills, etc., the amount available would require a 14% cut in expenditures from this year.
- Total reduction in Human Services Departments from FY14 potentially needed in FY15 is \$719 million.
- FY14 Human Services allocation was \$5.2 billion, 90% of which is mandated by court order or consent decrees. Only \$520 million out of the \$719 million can be cut without penalty or violation.

State Budget: Key Line Items

- **Emergency and Transitional Housing:** Provides comprehensive shelter services to more than 40,000 adults and children per year, with more than 54% exiting into permanent or transitional housing. Even at this funding level, Illinoisans are turned away more than 45,000 times a year due to insufficient resources.
- **Homeless Prevention:** Provides one-time rental and utility assistance, which has allowed 101,830 families to remain in their homes. This funding prevents families from entering the more costly emergency shelter system. 88% of households stay housed after using homeless prevention funds.
- **Homeless Youth Program:** Provides outreach services, emergency shelter, and longer-term housing for unaccompanied homeless youth. 87% of unaccompanied youth served by this program in Illinois moved into safe, stable housing.
- **Supportive Housing Services:** This program funds services for highly vulnerable populations residing in affordable housing including primary and mental healthcare, substance abuse services, and employment and life skills counseling. Supportive Housing Services support over 13,000 people each year and save the state a total of \$31.2 million annually. Funding comes from GRF and Health and Human Services Medicaid Trust Fund.

Key Line Items in FY15 Budget Proposal

- Emergency and Transitional Housing Program, the Homeless Prevention Program and the Homeless Youth Program were all flat-funded at \$9.4 million, \$4.0 million and \$4.6 million, respectively.
- Requests not included in budget proposal: \$2 million increase for Homeless Prevention and \$2.3 million increase, to \$30.1 million, for line items funding supportive housing services.

Requested Increases

- Homeless Prevention: Restoring funding to \$6 million will prevent homelessness for more than 5,700 households. Still far below historically high funding level of \$11 million in FY08.
- Supportive Housing Services: \$2.3 million increase will fund services for 591 units housing 842 people in 17 projects in Chicago, Bradley, Danville, Tinley Park, DeKalb, Waukegan, Rockford, East St. Louis and Tinley Park.

IL Affordable Housing Trust Fund

- The Trust Fund, which has helped develop and preserve nearly 68,000 affordable housing units since 1990.
- Has dedicated revenue source from 50% of proceeds from Real Estate Transfer Tax
- Like in FY13 and FY14, it's proposed that for FY15 most of the funding for three programs (Emergency and Transitional Housing, Homeless Prevention Program and Homeless Youth)—\$13.4 million of \$18.0 million—is coming from the Trust Fund, rather than GRF.
- However, no additional resources were diverted from the Illinois Affordable Housing Trust Fund in FY15 budget proposal.
- In future years, we'd like to see funding for these programs go back to being funding from GRF, so the Trust Fund has as many resources as possible to create and preserve actual housing units—the most important way to end homelessness.

Options for State Revenue Increases

- Make temporary income tax increase permanent.
- A Better Illinois proposal to amend constitution to allow for a fair income tax rather than a flat tax
- Speaker Madigan's "millionaire" tax constitutional amendment.

Make Temporary Income Tax Increase Permanent

- Since 2011, income tax rates have been 5% for individuals and 7% for corporations. Under current law, the rates would go to 3.75% for individuals and 5.25% for corporations half way through next fiscal year resulting in a \$1.5 revenue loss.
- Phase out would continue through 2024 ending with rates of 3.25% and 4.8%.

A Better Illinois Campaign—Support a Constitutional Amendment to Allow for a Fair Income Tax

- The people and organizations of A Better Illinois are working to restore our state's commitment to accountability, fairness and a strong middle class.
 - Accountability. We need a more accountable government with the right priorities—cutting waste and mismanagement while protecting education, public safety and health care.
 - Fairness. We need to create a fair tax system with lower rates for people with lower incomes and higher rates for higher incomes. We can ease the burdens on middle class and working families and small businesses by closing corporate tax loopholes and ensuring rich people pay their fair share.
 - A strong middle class. We need to build a thriving middle class with good jobs and successful small businesses.
- We support the General Assembly passing legislation putting a referendum on the November 2014 ballot giving Illinois voters the chance to decide whether to amend the constitution allowing for the option of a Fair Tax approach.
- More info available at <http://www.abetterillinois.org>.

A Better Illinois Proposal: Latest News


- On March 25, Senator Don Harmon announced a Fair Tax rate structure that would provide a tax relief for 94% of Illinoisans, including everyone making up to \$200,000. Fair Tax Calculator available at www.fairtaxcut.com.
- SJRCA 40 passed out of subcommittee on April 3.
- HJRCA 49 introduced on April 2.
- Constitutional amendment resolutions must pass House and Senate by supermajorities at least 6 months before November 4 election.

Fair Tax Constitutional Amendment Cosponsors

- House HJRCA0049: Rep. Christian L. Mitchell - Arthur Turner, Robert F. Martwick, Jaime M. Andrade, Jr., Luis Arroyo, Thaddeus Jones, Patrick J. Verschoore, Derrick Smith, Al Riley, Charles E. Jefferson, Marcus C. Evans, Jr., Lou Lang, Robert Rita, Edward J. Acevedo, Sara Feigenholtz, Cynthia Soto, Monique D. Davis, Elizabeth Hernandez, Camille Y. Lilly, Greg Harris, Daniel J. Burke, Maria Antonia Berrios, Lawrence M. Walsh, Jr., Emanuel Chris Welch, Kenneth Dunkin, Ann Williams, Mike Smiddy, Jehan A. Gordon-Booth, William Davis, La Shawn K. Ford, Kelly M. Cassidy, Naomi D. Jakobsson, Barbara Flynn Currie, Linda Chapa LaVia, Elgie R. Sims, Jr., Mary E. Flowers, Robyn Gabel and Esther Golar
- Senate SJRCA0040: Don Harmon - Kwame Raoul - Michael W. Frerichs - William Delgado - Melinda Bush, Andy Manar, Toi W. Hutchinson, Michael Noland, Heather A. Steans, Jacqueline Y. Collins, David Koehler, Daniel Biss, Iris Y. Martinez, Bill Cunningham, Patricia Van Pelt, James F. Clayborne, Jr., Napoleon Harris, III, Donne E. Trotter, Emil Jones, III, Mattie Hunter, Michael E. Hastings, Antonio Muñoz, Kimberly A. Lightford, Pat McGuire, Martin A. Sandoval, Steven M. Landek and Dan Kotowski

More info available at <http://www.ilga.gov>.

Key State Legislators: House Appropriations-Human Services Committee



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98th General Assembly

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Member:	John D. Anthony	R
Member:	C.D. Davidsmeyer	R
Member:	Tom Demmer	R
Member:	Scott Drury	D
Member:	Sara Feigenholtz	D
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Member:	Esther Golar	D
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Member:	William Delgado	D
Member:	Mattie Hunter	D
Member:	Andy Manar	D
Member:	Julie A. Morrison	D
Member:	Donne E. Trotter	D
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What You Can Do

- Reach Out to General Assembly Members!
 - Tell Appropriations Committee members why we need increased funding for Supportive Housing Services and Homeless Prevention.
 - Tell all legislators you support making temporary tax increase permanent.
 - Thank cosponsors of Fair Tax constitutional amendment resolutions for their support.
 - Ask those who aren't co-sponsors to sign-on and/or vote for resolutions on House floor.

Federal Budget Overview

- President Obama released his FY15 federal budget proposal on March 4.
- Budget proposal limited by discretionary spending caps in accordance with Bipartisan Budget Act of 2013.
- President's proposal for FY15 is within FY15 spending cap with additional request for \$56 billion in spending; \$28 billion for non-defense and \$28 billion for defense offset by mandatory savings and revenue.
- HUD budget request is \$46.6 billion, 2.6% higher than FY14, 10.1% higher than FY13.
- USDA rental housing budget request is consistent with FY14 appropriations.
- Federal fiscal year goes from October 1 to September 30.

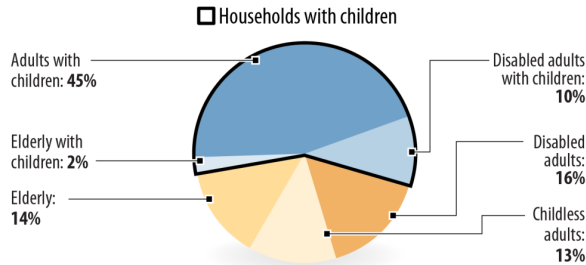
Housing Choice Voucher Funding

- The President's budget proposes to maintain all Housing Choice Vouchers in use in FY14. However, request is insufficient to cover vouchers lost due to sequestration. The Administration requests \$20.05 billion for Tenant-Based Rental Assistance (TBRA), including \$18 billion for contract renewals. HUD says that this amount will maintain all current tenants and restore the balance of vouchers lost due to sequestration.
- According to HUD, 74,000 vouchers were lost in FY13 because of sequestration and the FY14 appropriations could restore 34,000. HUD expects that the FY15 request would restore the remaining 40,000. However, a preliminary analysis by the Center on Budget and Policy Priorities estimates that HUD's FY15 TBRA request would renew all current vouchers, but is unlikely to be enough to restore all lost vouchers.
- In order to get to 74,000 restored vouchers, HUD assumes voucher cost savings measures that were enacted in the FY14 appropriations bill now being implemented, as well as new costs savings measures proposed in the FY15 budget. HUD also is counting new Veterans Affairs Supportive Housing (VASH) Vouchers.

The Housing Choice Voucher (HCV) Program is the nation's largest rental assistance program. More than 5 million people in 2.1 million low-income households use vouchers.

Who Do Housing Choice Vouchers Help?

Nearly All Households Using Housing Choice Vouchers in Illinois Include Children or People Who Are Elderly or Disabled



Note: Childless adults are households headed by a person under 62 without disabilities, and without children in the home. Disabled adults are younger than 62.
Source: CBPP tabulation of 2010 and 2011 HUD administrative data.

Center on Budget and Policy Priorities | cbpp.org

79,684 low-income households used Housing Choice Vouchers

in Illinois to afford decent, privately owned housing in safer neighborhoods in December 2012.

Housing vouchers help low-wage working families to make ends meet: in 2010, 67 percent of the non-elderly, non-disabled households using vouchers in Illinois were working or had worked recently.

Sequestration Sharply Cut Housing Choice Voucher Assistance in 2013

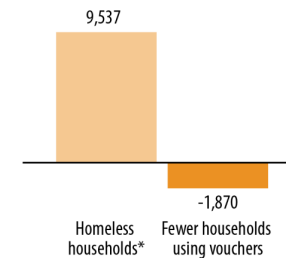
1,870 fewer households were using Housing Choice Vouchers at the end of 2013

in Illinois, compared to a year earlier, due to the sequestration cuts implemented in March. 70,000 fewer households nationally were using vouchers.

59 of the 74 agencies administering housing vouchers in Illinois reduced the number of households they served as a result of sequestration.

Congress increased HCV funding in 2014, but agencies will be able only to restore less than half of the housing vouchers lost due to sequestration.

Housing Choice Voucher Cuts Undermined Efforts to Address Homelessness in 2013



*Point in time count in January 2013
Source: Department of Housing and Urban Development
Center on Budget and Policy Priorities | cbpp.org

Housing Costs Strain Family Budgets

267,641 poor households in Illinois pay more than half their monthly income for housing costs.

This is an increase of 42,368 households, or 18.8 percent, since 2007, the beginning of the Great Recession.

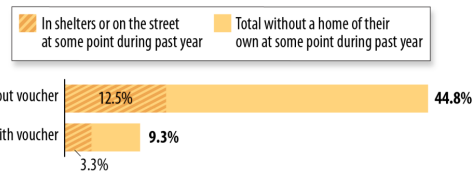
In Illinois, many households struggle to make ends meet.

9.1% of the labor force was unemployed in 2013.
14.7% of the population lives below the poverty line.
20.6% of children live below the poverty line.
13% of households struggle to afford a nutritionally adequate diet.

Housing Choice Vouchers Sharply Reduce Homelessness and Housing Instability Among Families with Children

On a single night in Illinois in 2013, 13,425 people were homeless, including 3,506 children and 1,267 veterans.

Rigorous studies show that Housing Choice Vouchers are very effective at making housing affordable and reducing homelessness and instability.



Note: Chart compares housing status of low-income families who were randomly selected to receive a voucher and used a voucher during the year when families were surveyed about housing status to families in a control group who did not use vouchers.
Source: Michelle Wood, Jennifer Turnham, and Gregory Mills, "Housing Affordability and Family Well-Being: Results from the Housing Voucher Evaluation," Housing Policy Debate, 2008.

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Housing Choice Vouchers Benefit the Community

Private owners in Illinois received \$652,604,177 in HCV assistance payments in 2013. This helped owners to pay property taxes and prevent blight by maintaining their properties in good condition, in addition to helping low-income families to afford housing.

In addition to improving the lives of vulnerable low-income people, vouchers can produce savings in healthcare, child welfare, corrections, and other program areas that offset part (in some circumstances all) of the cost of the rental assistance.

For more information on the Housing Choice Voucher program, including Illinois-specific information, please see:

Sources and methods: <http://www.cbpp.org/files/3-6-14hou-sources.pdf>
Policy Basics on Housing Choice Vouchers: <http://www.cbpp.org/cms/?fa=view&id=279>
Paper on Benefits of Housing Vouchers: <http://www.cbpp.org/cms/index.cfm?fa=view&id=4098>
Local Data on Housing Choice Voucher Cuts Due to Sequestration: <http://www.houserscorner.org/>

Impact of Lost Vouchers in Illinois

- Number of Vouchers in Use, December 2012 (HUD): 79,684
- New Veterans' (VASH) and Tenant Protection Vouchers Added in 2013 (HUD): 695
- Number of Vouchers in Use, December 2013 (CBPP projection): 78,509
- Change in the Number Vouchers, as of December 2013: -1,870
- Percentage Change: -2.35%

Voucher Program Advocacy

- Center on Budget and Policy Priorities is working with a variety of national and local groups, including Housing Action Illinois, to advocate for a FY 2015 appropriation for the Housing Choice Voucher program to fully renew the vouchers in use in 2014 and to fund an additional 40,000 housing vouchers in order to partially restore the 70,000 Housing Choice Vouchers lost due to sequestration cuts to be used as follows:
 - Reducing homelessness and keeping vulnerable families together - \$240 million for 30,000 vouchers nationally.
 - Reducing unnecessary institutionalization of people with disabilities (Olmstead compliance) - \$40 million for 5,000 vouchers in states with Olmstead Settlement Agreements, including Illinois.
 - Protecting victims of domestic violence seeking emergency transfers - \$40 million added to tenant protection account for up to 5,000 vouchers nationally.

Homeless Assistance Grants

- Budget proposal includes increased funding of \$301 million to maintain the current level of housing and services provided by the Emergency Solutions Grant (ESG) and Continuum of Care(CoC) programs and provide modest expansion of services. The CoC program would be funded at \$2.18 billion to continue current projects and allow for new project funding. ESG would be funded at \$215 million.
- McKinney-Vento programs and other housing programs are being negatively impacted by sequestration, which is reducing ability of service providers to address homelessness throughout Illinois and around the nation. Specific impact will be better known when FY 2013 Continuum of Care grant competition awards are announced.
- Increased funding for the ESG and CoC programs within the Homeless Assistance Grants is needed in FY 2015 to help overcome these challenges.
- Senator Durbin is one of 25 Senators who have signed “Dear Colleague” letter in support of “robust” FY15 funding. A request to Senator Kirk to sign the letter, along with 320+ petition signatures, is pending.
- Representatives Danny Davis, Foster, Gutierrez and Schakowsky among 89 House members who signed “Dear Colleague” in support of administration’s budget request.

Project-Based Rental Assistance (PBRA)

- Proposed to be funded at \$9.7 billion, 2% below FY14. HUD plans to adjust all PBRA contracts to align with the calendar year starting in January 2016, in order to more accurately predict the cost of renewing contracts and streamline administration practices. This change is projected to produce savings, accounting for the reduced funding request.
- In FY13 and FY14, HUD provided owners of PBRA properties with only partial year contracts, referred to as “short funding.” HUD proposes to return to full year contracts starting in FY15 under the new calendar year funding structure.
- Senate “Dear Colleague” letter requests \$10.5 billion.

Public Housing

- The President would provide slight increases in public housing operating and capital funds in order to maintain current units and address some capital needs. The budget requests \$4.6 billion for the operating fund and \$1.9 billion for capital fund. These would be a 5% and 3% increase over the FY14 funding level.
- In FY12, Congress appropriated \$3.9 billion for the Operating Fund but required housing agencies to use funds from their reserves, increasing operating funding to approximately \$4.7 billion, slightly below the FY10 funding level. The FY15 request, while an improvement, still falls below the FY10 and FY11 funding levels.
- House “Dear Colleague” letter requests \$5.1 billion for operating, \$3.4 billion for capital.

Housing Counseling

- President's proposal would migrate some funding from National Foreclosure Mitigation Counseling Program (NFMC to HUD) Housing Counseling. HUD Housing Counseling would be funded at \$60 million (a \$15 million increase) and NFMC would be funded at \$50 million (a \$17.5 million decrease). Overall, this represent a small net loss for housing counseling programs (\$2.5 million).
- There is some advantage to having funding in the HUD Housing Counseling budget, as opposed to NFMC, as it is more flexible funding.
- Advocates are requesting \$60 million for Housing Counseling and \$67.5 million for NFMC.

Supportive Housing

- The Section 202 program would be funded at \$440 million, an increase of 15% over the FY14 funding level and 24% above the FY13 level. HUD says that this increase in funding would provide \$20 million for new Section 202 units.
- HUD requests \$160 million for the Section 811 program, a 27% increase over FY14, but close to FY13 funding. The Administration says this funding includes \$25 million for Project Rental Assistance awards for new units.
- The Housing Opportunities for Persons with AIDS (HOPWA) program would be funded at \$332 million, roughly level with the funding appropriated in recent fiscal years.
- House “Dear Colleague” letter asks for support of administration’s request for Sections 202 and 811. For HOPWA, House and Senate “Dear Colleague” letters ask for \$350 million and \$335 million, respectively.



**FY15 Budget Chart for Selected
 Department of Housing and Urban Development (HUD)
 and Department of Agriculture (USDA) Programs**
(figures in millions)

HUD Program (set asides indented)	FY10 Enacted	FY11 Enacted	FY12 Enacted	FY13 Final (Including Sequestration)	FY14 Enacted	FY15 President's Budget
Tenant Based Rental Assistance	18,184	18,371	18,914	17,964	19,177	20,045
<i>Contract Renewals</i>	16,339	16,669	17,242	16,349	17,366	18,007
<i>Tenant Protection Vouchers</i>	120	110	75	71	130	150
<i>Administrative Fees</i>	1,575	1,447	1,350	1,306	1,500	1,705
<i>Family Self Sufficiency Coordinators</i>	60	60	60	57	75	75
<i>Family Unification Program Vouchers</i>	15	---	---	---	---	---
<i>Section 811 Mainstream Vouchers</i>	---	35	112	106	107	108
<i>Veterans Supportive Housing Vouchers</i>	75	50	75	75	75	75
Project Based Rental Assistance	8,552	9,257	9,340	8,851	9,917	9,746
Public Housing Capital Fund	2,500	2,040	1,875	1,777	1,875	1,925
<i>Emergency/Disaster Grants</i>	20	20	---	19	20	20
<i>Resident Opportunities and Self-Sufficiency</i>	50	50	50	47	45	---
<i>Jobs-Plus Pilot</i>	---	---	---	---	---	25
Public Housing Operating Fund	4,775	4,617	3,962	4,054	4,400	4,600
HOPE VI	135	100	---	---	---	---
Choice Neighborhoods Initiative	65	65	120	114	90	120
Native American Housing Block Grants	700	649	650	616	650	650
Native Hawaiian Housing Block Grants	13	13	13	12	10	13
Housing Opportunities for Persons with AIDS	335	334	332	315	330	332
Community Development Fund	4,450	3,501	3,308	3,135	3,100	2,870
<i>CDBG Formula Grants</i>	3,990	3,336	2,948	3,078	3,030	2,800
<i>Sustainable Communities Planning Grants</i>	150	100	---	---	---	---
HOME Investment Partnerships Program	1,825	1,607	1,000	948	1,000	950
Self-Help Homeownership Opportunity Program	27	27	14	13	10	---
Homeless Assistance Grants	1,865	1,901	1,901	1,933	2,105	2,406
Housing Counseling Assistance	87.5	0	45	43	45	60
Housing for the Elderly (Section 202)	825	399	375	355	384	440
Housing for Persons with Disabilities (Section 811)	300	150	165	156	126	160
Fair Housing and Equal Opportunity	72	72	71	67	66	71
<i>Fair Housing Assistance Program</i>	29	28	28	27	26	23
<i>Fair Housing Initiatives Program</i>	43	42	43	40	40	46
Healthy Homes & Lead Hazard Control	140	120	120	114	110	120
Policy Development & Research	48	48	46	43	46	50

USDA Program	FY10 Enacted	FY11 Enacted	FY12 Enacted	FY13 Final (Including Sequestration)	FY14 Enacted	FY15 President's Budget
Section 514 Farm Labor Housing Loans	27	26	21	---	24	24
Section 515 Rental Housing Direct	70	70	65	28	28	28
Section 516 Farm Labor Housing Grants	10	10	7	---	8	8
Section 521 Rental Assistance	980	956	905	837	1,110	1,089

Notes:

- > In the FY15 budget request SHOP program funds are not requested (consistent with prior years) but \$10 million is provided for SHOP as a set-aside in the HOME account.
- > In the FY15 budget request and in the FY14 Omnibus, HUD's FSS Program is funded as a stand alone account.
- > HUD "FY13 Enacted" figures do not include the OMB .2% or sequestration cuts.
- > HUD "FY13 Final" figures include the OMB .2% adjustment and sequestration cuts.
- > USDA "FY13 Enacted" figures include the 2.513% rescission required by H.R. 933.
- > The "FY14 House Subcommittee Bill" provides FSS funding through a separate account rather than in TBRA.
- > The FY13 CDF figure does not include \$400 million in supplemental disaster funds appropriated by Congress. \$300 million of these disaster funds are in the FY13 CDBG account.
- > HUD and USDA have not yet released all of their FY13 "Sequestration and OMB Adjustment" project and activity funding levels.
- > In FY14, HUD proposes funding the FSS line item out of a separate account.
- > The FY12 Public Housing Operating Fund includes a provision for HUD to offset public housing authority reserves as additional operating funding.
- > Policy Development & Research excludes academic grants.

National Low Income Housing Coalition Budget Chart available at
http://nlihc.org/sites/default/files/FY15_Budget_Chart_HUD_USDA.pdf.

National Housing Trust Fund

- United for Homes Campaign to fund NHTF through mortgage interest deduction reform continues but comprehensive tax reform unlikely this year.
- Bipartisan Johnson-Crapo bill in Senate would wind down Fannie Mae and Freddie Mac and create a new Federal Mortgage Insurance Corporation (FMIC) to regulate the secondary mortgage market, similar to the way the FDIC regulates banks. The bill would require an assessment of 10 basis points on all outstanding FMIC covered securities. These funds would be directed to affordable housing activities with 75% going to the NHTF, estimated to generate \$3.5 billion annually.
- In a January 23 letter to Federal Housing Finance Agency Director Mel Watt, 33 Senators (including Senator Durbin) asked Mr. Watt to end the suspension of contributions to the NHTF. Congress established the NHTF in 2008 to finance grants to states and nonprofits primarily for affordable rental housing projects affordable to extremely low-income households.

Key Legislators

- Senator Dick Durbin and Senator Mark Kirk both serve on Senate Appropriations Committee Subcommittee on Transportation, Housing and Urban Development, and Related Agencies (THUD).
- Representative Mike Quigley serves on House Appropriations Committee Subcommittee on Transportation, Housing and Urban Development, and Related Agencies (THUD).

What You Can Do

- Watch out for action alerts asking Senators Durbin and Kirk to support funding to allow for restoration of Housing Choice Vouchers lost due to sequestration.

For More Information

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