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## **Fiscal Year 2013 Budget Proposal – PBRA Summary**

The Administration's funding request for the Section 8 Project Based Rental Assistance Program (PBRA) for Fiscal Year (FY) 2013 was reduced from FY2012 enacted levels. The Department faced a number of difficult budget choices this year and the decision to reduce funding levels for PBRA was made only after carefully determining that this reduction would not interrupt payments to owners or reduce the number of families served.

Secretary Donovan told stakeholders in a briefing that this reduced funding request for PBRA was a very difficult choice to make but was necessary in the context of the larger fiscal freeze mandated under the Budget Control Act.

This reduction in funding will mean that approximately 70% of PBRA contracts will be funded for less than twelve months at the time of their annual funding renewal cycle. This will not result in a repeat of the payment disruptions that occurred during 2006 and 2007. Those disruptions were the culmination of several years of insufficient appropriations to fully fund all renewal contracts; combined with increasing renewal needs due to large numbers of first time contract expirations, and a lack of administrative capacity within the Department to effectively manage the account under such pressures. The Department has corrected course since that time, is effectively managing the account, and has been making prompt payments to all PBRA owners without interruption for the past four years.

Furthermore, during FY2012, the Department will implement a new PBRA Budget Forecasting Tool which has already been utilized to forecast current and out-year funding needs considering a wide variety of market conditions and predictive analytics. This tool will enhance the Department's ability to optimize utilization of our PBRA resources in a way that ensures no interruption of payments to project owners.

### **The details in the numbers:**

The Department is requesting a total of \$8.7 billion to meet PBRA program needs. This includes \$8.3 billion for FY2013 and a \$400 million advance appropriation for FY2014 to cover contract needs during the first quarter of 2014. The request also includes \$260 million for Project Based Contract Administrators.

Under the request, the total funding level for FY2013 is \$639 million less than the FY2012 enacted amount and \$1.16 billion less than what would be required to fully fund all contracts for 12 months.

At the requested level, approximately 30% of all contracts will still receive full 12-month funding. Under this proposal, HUD anticipates that it will provide full 12-month funding for renewal contracts whose terms

February 24, 2012

expire during FY2013, as well as for multi-year term contracts that have an annual renewal funding cycle occurring during the first quarter of the fiscal year. These two categories of contracts equal 5,300 contracts encompassing approximately 360,000 units.

The remaining 10,600 multiyear term renewal contracts, (those with an annual renewal cycle later than the first quarter of FY2013), would be funded for fewer than 12 months to varying degrees, depending on their renewal date. These contracts cover approximately 739,000 units.

In all cases, sufficient funding will be provided to carry the projects' needs into FY2014. In addition, our request includes a \$400 million advance appropriation, which will be used to fund any true renewals, or multi-year term contracts with funding terms that begin in October or the beginning of November of FY2014. This advance is an important tool to ensure available funding at the beginning of the FY due to delays in apportionments after passage of a full appropriation or a Continuing Resolution.

**Cost savings are also assumed:**

At the same time that we are more efficiently managing the PBRA account's cash flow as described above, we are also looking to make some improvements to the underlying cost structure of the program. HUD is already working to implement the following:

- Apply residual receipts to off-set assistance payments for new regulation contracts.
- For contracts renewed under Option 1 and Option 2, use Small Area Fair Market Rents (SAFMRs) as a benchmark in determining market rents by requiring a justification of market rent determinations that exceed 110% of the SAFMR.
- For contracts renewed under Option 4, limit exception rent levels to Operating Cost Adjustment Factor (OCAF) increases in projected budgets resulting in rent levels exceeding market.
- Fund original term amendments through November instead of through December.

In addition, HUD has proposed four additional changes in FY2013:

- Apply residual receipts to off-set assistance payments for old regulation contracts.
- Increase Total Tenant Payment (TTP) to \$75 per month (while continuing hardship exemptions).
- Reduce the time period over which an owner may claim vacancy payments from 60 days to 30.
- Increase Tenant Medical Deduction from 3% of Income to 10% of Income.

Further questions about the President's FY2013 Proposed Budget can be sent to [MultifamilyDAS@hud.gov](mailto:MultifamilyDAS@hud.gov) and extensive details about HUD's budget are here: [HUD Proposed Budget](#).

The President's full budget proposal is on the White House Web Site: [Whitehouse Budget Proposal](#)