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HUD BILL AVOIDS DEEP CUTS IN 2008
President's Veto Threat Risks Loss of Housing Assistance for Low-Income Families

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Executive Summary

Congress is expected to approve soon an appropriations bill (H.R. 3074) to fund programs administered by the Departments of Housing and Urban Development (HUD), Transportation, and a few smaller agencies. The President has threatened to veto this and other domestic appropriations bills that do not contain the level of funding cuts requested in his budget.[1] To reduce the Transportation-HUD bill down to the President's proposed level, $3 billion would have to be cut from Congress' bill.

The President's budget and the Transportation-HUD appropriations bill differ primarily with respect to funding levels for key low-income housing and related programs. The President's budget would cut funding for HUD programs by $2.3 billion, or 6.1 percent, below the 2007 level,

KEY FINDINGS

- The President has vowed to veto the Transportation-HUD appropriations bill and other domestic appropriations bills that exceed the overall funding level for those bills in his budget. Congress would have to cut the Transportation–HUD bill by $3 billion to bring it down to the President's proposed funding level for the bill.
- If programs funded by the bill are reduced to the levels the President's budget calls for, housing vouchers used by 25,000 low-income families in 2007 will be cut off, and more than 15,000 new vouchers that Congress would provide for homeless veterans and other vulnerable families will not be funded.
- The President's budget would also impose the deepest funding shortfalls in the public housing program's history, exacerbating the recent deterioration in living conditions and security.
- Adopting the President's funding level would eliminate, as well, $200 million that Congress included in the bill to mitigate growing rates of mortgage defaults and foreclosures and also would cause significant funding cuts in supportive housing for the elderly and people with disabilities, project-based Section 8 rental assistance, and the Community Development Block Grant.

[1] See Jim Horney and Martha Coven, "The Labor-HHS-Education Bill – What's At Stake: The President's Funding Levels Would Weaken Education, Medical Research, and Other Critical Needs," Center on Budget and Policy Priorities, November 8, 2007, http://www.cbpp.org/11-8-07bud.htm.

adjusted for inflation. Congress' bill would increase funding by $576 million (or 1.5 percent) above the inflation-adjusted 2007 level.[2] Nearly all of the difference in HUD funding consists of funding increases needed to prevent substantial cuts in housing assistance for large numbers of low-income families and people who are elderly or have serious disabilities and in community development funding for states and localities. If the President succeeds in forcing Congress to enact the cuts he has proposed, the following consequences will ensue.

- Section 8 housing vouchers used by 25,000 low-income families in 2007 will receive no renewal funding in 2008. In addition, more than 15,000 new vouchers for homeless veterans and other vulnerable families will not be funded.
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- Public housing will face the deepest funding shortfalls the program has ever experienced, exacerbating the deterioration in living conditions and security that has occurred in recent years.
- Private owners of nearly 1 million apartments assisted under the project-based Section 8 program will be required to accept renewal contracts that guarantee only a few months of assistance payments, leading to doubts about whether HUD will be able to meet its contractual obligations. As a result, a large number of apartment-building owners could decide to terminate their partnership with HUD and raise rents on thousands of apartments that are now affordable to the low-income seniors, people with disabilities, and others who occupy them.
- Funding provided under the Section 202 and 811 supportive housing programs for low-income seniors and people with disabilities will fall by 22 and 47 percent, respectively, compared to the 2007 level (before adjustment for inflation), reducing the construction of new units by nearly half. This would result in the loss of approximately 2,800 new affordable housing units.
- State and local governments will lose $1.1 billion in Community Development Block Grant funding in 2008.
- $200 million approved by Congress to mitigate the growing rates of mortgage defaults and foreclosures will be eliminated. This funding would provide counseling services to help borrowers preserve their homes by modifying or restructuring their mortgages. Without assistance, tens of thousands of additional families are likely to lose their homes to foreclosure.[3]

(The table in the appendix shows state-by-state impacts of the cuts in Section 8 housing vouchers, public housing, project-based Section 8 rental assistance, and CDBG grants that will occur if the President prevails and forces funding levels down to the amounts he has proposed.)

[2] Comparisons between the aggregate level of HUD funding in the President's budget, Congress' bill, and the 2007 level adjusted for inflation are based on CBO's March baseline. To facilitate longer-term historical comparisons, program-level comparisons use the Consumer Price Index. Using a different deflator would not affect the qualitative conclusions of this paper.

[3] While included in the Transportation-HUD bill, the additional funding to mitigate mortgage foreclosures would be administered by the Neighborhood Reinvestment Corporation, which is not managed by HUD. Accordingly, the HUD funding comparison figures presented above do not include this funding.

TABLE 1		
What's at Stake in the HUD Bill for 2008?[1]		
Program Area	***Funding Cuts that Would Result from Reducing Funding to the President's Proposed Levels***	
	v. Congress' Bill	*v. 2007 Level, adj. for inflation*
Housing Vouchers (total)	-$436 million	-$354 million
Public Housing Operating / Capital	-$615 million	-$451 million
Project-Based Section 8 renewals	-$616 million	-$465 million
Elderly / Disabled Housing	-$272 million	-$298 million
CDBG formula grants	-$1.1 billion	-$1.1 billion

[1] Inflation adjustments made by CBPP using the Consumer Price Index. CDBG figures are based on the level of new program funding requested by the President,. See the note 30 and the state-by-state table in the appendix for a more complete explanation.

Housing Vouchers: Congress Would Fully Fund Renewals and Provide Additional Vouchers

Congress' bill would provide $16.4 billion for the Section 8 Housing Choice Voucher Program, the nation's largest low-income rental assistance program, including $14.7 billion to renew vouchers in 2008. The President proposed total funding of $16.0 billion for Section 8 vouchers, including freezing voucher renewals at $14.4 billion. The President's request is *$436 million below what Congress would provide.*

	2007	President's Budget 2008	Congress' Bill 2008
Section 8 Vouchers (total)	$15.92 billion	$16.0 billion	$16.44 billion
Renewals	$14.44 billion	$14.45 billion	$14.70 billion
Incremental vouchers	--	--	$135 million
Family Self Sufficiency	$48 million	$48 million	$49 million
Administrative expenses	$1.28 billion	$1.35 billion	$1.35 billion

The Section 8 voucher program helps nearly 2 million low-income families secure decent housing in the private market at rents that are affordable to them. The great majority of families using vouchers have incomes below 30 percent of the area median, which is roughly equivalent to the poverty line. More than half of the households using vouchers are families with children; about 30 percent are headed by people who are elderly or have disabilities. Because of funding limitations, only about one in four eligible families receives any housing voucher assistance.

Under Congress' bill, every voucher used by a low-income family in 2007 would be renewed in 2008, according to CBPP estimates. This goal would be achieved in part because the bill would use a cost-effective formula to allocate renewal funding among local agencies, based on their actual voucher leasing rates and costs during fiscal year 2007. (The bill negotiated by House and Senate appropriators provides slightly less funding for voucher renewals than the House-passed bill, but the adoption of the improved funding formula enables the funds to be distributed more efficiently, and thereby avoids the cuts that would have occurred under the House bill.[4])

[4] The conference agreement provides $25 million less than the House bill (and nearly $200 million less than the Senate bill) for distribution under the renewal formula, plus $50 million for certain adjustments. The renewal formula is nearly

In late 2006 and the first half of 2007, housing agencies began to rebuild their voucher programs, reversing a sharp decline in the number of families receiving voucher assistance that occurred from 2004 to 2006. By June 2007, housing agencies were assisting approximately 50,000 more families than they had in 2006, and there are good reasons to expect that the number of families served has continued to rise modestly since June.[5] (While the recent gains in voucher usage have been welcome, voucher utilization rates remain far below the 2003-2004 level.) The Congressional appropriations bill would provide sufficient funding to sustain these gains in 2008.

Congress Would Fund New Vouchers for the First Time Since 2002

The Congressional bill also includes $135 million to fund more than 15,000 new vouchers for homeless veterans, people with disabilities, and families with children who remain in foster care (or at risk of entering foster care) because the parents cannot afford adequate housing. These "incremental" vouchers, which would be the first that Congress has funded since 2002, would constitute a modest but important step toward meeting growing needs for assistance among low-income families. (The President's budget requested no funding for incremental vouchers.) HUD's most recent report on "worst-case housing needs" shows that the number of very low-income renter families with severe housing affordability problems grew by 20 percent from 2001 to 2005, to 6 million households.[6] The recipient groups targeted by Congress are among those with the most severe unmet needs.

In addition, Congress' bill provides $200 million — $50 million more than the President requested — for "tenant protection" vouchers to replace lost units of assisted housing and substantially reverse HUD's recent policy change restricting replacement vouchers to occupied units. The increase is to ensure that sufficient funds also will be available to provide vouchers to replace units that became vacant within 24 months of the demolition or sale of public housing or the conversion of privately assisted housing to market-rate housing.

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identical to that in the Senate bill, except that it bases each agency's funding on its voucher leasing and costs during the 12 months of federal fiscal year 2007 — that is, October 2006 to September 2007 — rather than on the 12 months of the calendar year. This change should avoid the delay that occurred this year in notifying state and local housing agencies of their funding levels. For an analysis of the housing voucher provisions of the House and Senate bills, see Douglas Rice, Barbara Sard, and Martha Coven, "Housing Vouchers Could Be at Risk In 2008: Distribution Formula and Funding Are Key Issues," Center on Budget and Policy Priorities, September 28, 2007, http://www.cbpp.org/9-28-07hous.htm.

[5] The decline in voucher usage is discussed in Douglas Rice and Barbara Sard, "Effects of the Federal Budget Squeeze on Low-Income Housing Assistance," Center on Budget and Policy Priorities, February 1, 2007, http://www.cbpp.org/2-1-07hous2.htm. On why voucher usage is expected to rise in the second half of 2007, see Douglas Rice, Barbara Sard, and Martha Coven, "Housing Vouchers Could Be at Risk In 2008: Distribution Formula and Funding Are Key Issues," Center on Budget and Policy Priorities, September 28, 2007, http://www.cbpp.org/9-28-07hous.htm. Our estimates are based on CBPP analysis of data that housing agencies provide to HUD through the Voucher Management System. Data through June 2007 were available to us for this analysis. We used the same methodology here as in our analysis of the Senate bill, described in the appendix to the just-cited paper, with adjustments for the funding level in the conference agreement and the change in the 12-month period described in the previous note.

[6] U.S. Department of Housing and Urban Development, "Affordable Housing Needs: Report to Congress, 2005," December 2005, which is based on data from the 2005 American Housing Survey, the most recent available.

President's Veto Would Risk the Loss of Vouchers for 25,000 Families

In comparison to Congress' bill, the President's funding proposal would eliminate renewal funding for 25,000 housing vouchers that low-income families are expected to use in 2007 to secure decent housing at affordable rents.[7] Some 1,600 housing agencies in all 50 states would receive insufficient renewal funding under the President's request. (A table displaying state impacts is included in the appendix.) In addition, lowering the funding in the Congressional bill to the President's requested funding level would eliminate the more than 15,000 incremental vouchers and additional replacement vouchers included in the Congressional bill.

Confronted with insufficient renewal funding under the President's proposal, state and local housing agencies may be able to draw on funding reserves to avoid terminating assistance to low-income families. But some of the agencies that would experience renewal funding shortfalls under the President's proposal will have little or no funding reserves at the beginning of 2008. And there is a risk that HUD will recapture a substantial amount of agencies' funding reserves part way through the year to meet the required rescission of $1.25 billion included in the Congressional bill.[8]

As a matter of policy, moreover, housing agencies should not be required to rely on reserves to cover basic renewal costs. Agencies set aside reserves to meet unanticipated costs, such as increases in voucher leasing or rents due to unexpected local market changes. If agencies are forced to rely on reserves to cover *foreseeable* costs, as well, they are likely to respond by assisting fewer families than they otherwise would have in order to maintain more ample reserves. This type of cautious behavior has been evident since 2004, as funding instability has spurred many housing agencies to accumulate large reserves even as the number of families they serve has fallen. Forcing agencies to rely on funding reserves to cover renewal costs in 2008 would reinforce such behavior.

In short, the President's funding proposal would fail to renew 25,000 housing vouchers in 2008, perpetuating the instability and voucher losses that have plagued the program in recent years, and would do so at a time when the economy is weakening and the risk is growing that unemployment will rise. In contrast, Congress' bill would fully renew voucher assistance for all low-income families currently being assisted and fund more than 15,000 additional vouchers, which would be targeted to some of the nation's most vulnerable low-income people.

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[7] The estimates ignore the potential impact of using the *formula* proposed by the President's budget to distribute voucher renewal funding among local agencies. These estimates assume that the amount of renewal funding proposed in the President's budget would be distributed via the voucher formula included in the Congressional bill, which bases 2008 funding on voucher leasing and costs during fiscal year 2007. If the President's proposed formula were used, the cuts would be much steeper. The estimate that 25,000 vouchers in use in 2007 would not receive renewal funding under the President's request does not account for the possible availability of some adjustment funds for this purpose. We have assumed that $50 million would be available for adjustments, as in the Congressional bill. The first use of these funds, to meet costs due to the "portability" feature of the voucher program, will take a portion of these funds. The remainder would meet only a small fraction of the cost of maintaining these vouchers.

[8] In prior years, HUD has typically used funds recaptured from project-based section 8 contracts to meet a rescission. But as discussed below, the project-based section 8 account needs additional funds to renew expiring contracts for a full 12 months. HUD may decide to use unexpended funds from terminated project-based section 8 contracts to supplement the appropriation, relying instead on recaptures of unspent voucher program funds from 2005 – 2007 to meet part or all of the 2008 rescission.

Public Housing: Cuts Proposed By President Would Endanger Affordable Housing for Elderly and Other Vulnerable Groups

The President's budget calls for a substantially lower level of funding for the public housing program than the Transportation-HUD appropriations bill approved by the conference committee. Public housing provides affordable homes for about 1.1 million low-income families. Nearly two-thirds of public housing units have at least one resident who is elderly or has a disability.

The Congressional bill provides $6.639 billion in 2008 for the two primary funding streams that support public housing (the Public Housing Operating Fund and the Public Housing Capital Fund), an increase of $164 million above the 2007 level, after adjusting for inflation. The President requested $6.024 billion for these accounts in 2008, $615 million (or 9 percent) less than what Congress would provide and $451 million (or 7 percent) below the amount appropriated in 2007, adjusted for inflation.[9]

	2007	President's Budget 2008	Congress' Bill 2008
Operating Fund	$3.86 billion	$4.0 billion	$4.2 billion
Capital Fund	$2.44 billion	$2.02 billion	$2.44 billion

The President's proposed cuts would come on top of a series of earlier funding reductions. Public housing funding was cut for five consecutive years after 2001. Appropriations legislation in 2007 restored a portion of the funds that had been cut from 2001 to 2006, but nonetheless left funding well below the 2001 level.

If the cuts sought by the President are accepted, the amount provided in 2008 will be $1.8 billion (or 23 percent) below the 2001 level adjusted for inflation.[10] The size of the public housing stock has declined since 2001, in substantial part as a consequence of the underfunding. But under the President's request for 2008, even funding *per public housing unit* would likely be more than 19 percent below the 2001 level, adjusted for inflation. This would result in the lowest per-unit public housing funding level at least since 1998. (Comparable figures are not available for earlier years, in part because the current system for funding public housing capital needs was first established in 1998.)

[9] The President's budget would also eliminate all funding for the HOPE VI public housing revitalization program and rescind the $99 billion appropriated for HOPE VI in 2007. The Congressional bill would provide $120 million in new funds for the program. HOPE VI funds are not included in the public housing funding level mentioned in this analysis, because HOPE VI grants go only to a few housing agencies each year, and they are used in part for purposes (such as social services or development of market-rate housing) other than core public housing capital and operating expenses. The proposed elimination of HOPE VI nonetheless would substantially reduce the resources available to housing agencies to redevelop the most severely distressed public housing projects.

[10] The 2001 funding level includes appropriations for the Public Housing Drug Elimination Grant program, in addition to the capital fund and operating fund. Congress eliminated the Drug Elimination Grant program (which funded general security activities in addition to anti-drug initiatives) in 2002 on the grounds that the activities it supported could be funded through the other public housing funding streams.

President's Request Would Cut Funding Far Below Level Needed to Sustain Public Housing

The President's funding request not only would reduce funding compared to the level in previous years, but also would provide far less funding than the most reliable estimates indicate is needed to sustain public housing.

Federal law requires local housing agencies to rent public housing to low-income families at rents the families can afford. Those rents are often inadequate to cover the costs of operating public housing developments (such as maintenance, security, and utilities), let alone the periodic capital investments required to keep the developments in a livable condition. Consequently, the federal government provides subsidies through the Public Housing Operating Fund to make up the difference between rents and operating expenses, and through the Public Housing Capital Fund to cover capital needs.

The amount of operating subsidy that each agency is eligible to receive is set by a federal formula. In 2008, agencies are likely to be eligible for a total of approximately $4.917 billion.[11] The President's request for $4.0 billion would provide only 81.4 percent of this amount.

The President's proposal to fund operating subsidies at a level so far below the amount for which housing agencies are eligible is particularly striking because the Administration itself developed the formula used to determine that amount. The formula is the product of a multi-year effort to develop more accurate estimates of the amount each local housing agency actually needs to operate its public housing (based primarily on data regarding the cost of operating comparable privately-owned housing). The Administration has never provided an explanation of how housing agencies can operate public housing without the full amount of revenues the formula indicates is needed. Yet in both years since the formula was implemented in 2007, the President has requested an operating fund funding level far below the needed amount.

In justifying the President's request for $1.97 billion for formula grants through the Public Housing Capital Fund, Administration budget documents refer to an estimate by a 1999 HUD-sponsored study that public housing developments accumulate $2 billion in new capital needs each year.[12] While this study does provide the most recent comprehensive estimate of public housing capital needs, the $2 billion figure is in *1998 dollars*. After adjusting for inflation (as well as for the loss of some public housing units since the study was conducted), the estimate of new capital needs comes to $2.53 billion in 2008, more than $550 million above the amount requested by the President. Thus, the President's request would provide housing agencies with substantially less than

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[11] In the budget documents it submitted to Congress in February 2007, HUD estimated the amount of operating subsidies housing agencies would be eligible for in 2008 to be somewhat higher ($4.986 billion). In July 2007, HUD announced the inflation factor it would use to determine eligibility for operating subsidies in 2008. Based on this inflation factor and other data related to public housing utility expenses, it appears that the estimate of utility funding eligibility the February 2007 HUD documents relied on was approximately $70 million too high.

[12] The President requested a total of $2.02 billion for the Public Housing Capital Fund. In addition to the funds for capital fund formula grants, this total includes $57 million set-aside for purposes not directly related to addressing capital needs in public housing developments.

they need to keep pace with annually accruing capital needs, let alone to address the approximately $20 billion backlog of capital needs the same study identified.

Impact of Cuts Would Fall on Vulnerable Families

Housing agencies that receive inadequate funding to cover their operating and capital needs must take measures to cuts costs, increase rent revenues, or obtain additional funds through other sources. A housing agency that experiences a shortfall in a single year or over the course of a few years may be able to make ends meet by tapping reserves or achieving administrative efficiencies. But 2007 was the fifth straight year that the federal government failed to provide the full amount for which agencies were eligible under the operating fund formula.

Moreover, in the last several years the shortfalls have been severe, with agencies receiving only 88.8 percent of the funds they were due in 2005 and 86 percent in 2006. These were the two deepest shortfalls the operating subsidy program experienced under the pre-2007 formula (which had been in place with only relatively modest changes since 1975). In 2007, under the Administration's new formula, agencies received only 83.4 percent of the funds for which they were eligible.[13] As a result of this repeated underfunding, many agencies have exhausted their ability to cover funding shortfalls with relatively painless cuts, and many already have been forced to take measures that have harmful effects on low-income families.

Under the 2008 Transportation-HUD appropriations bill approved by a Congressional conference committee, housing agencies would receive approximately the same amount of capital funding as in 2007 and a somewhat higher share of the operating subsidies for which they are eligible — 85.4 percent. Since this operating subsidy funding level still falls well below the amount that agencies are due, some agencies may still be forced to impose additional cuts, particularly agencies that have been relying on reserves to cover operating deficits in recent years. Many agencies, however, having already made sufficient reductions in recurring costs or adopted revenue-raising policies to cope with the low funding levels in recent years, would not be forced to make additional cuts under the funding level in the bill. Some might even be able to scale back some of the harsher measures they had taken previously.

If, however, the President is successful in forcing Congress to reduce public housing funding to the level he has proposed in his budget, the funding level for the Public Housing Operating Fund will be $200 million below the amount in the bill, and funding for capital fund formula grants will be $361 million lower. (Funds set-aside within the Public Housing Capital Fund for purposes other than formula grants would be reduced by $54 million.[14])

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[13] Under the new funding formula, operating subsidy eligibility levels have been higher than in previous years (even when adjusted for inflation). As a result, the percentage agencies received of the funds for which they were eligible in 2007 likely was lower than it would have been had eligibility been determined under the formula in place in 2006 and before. Even if the pre-2007 formula had still been in place, however, the 2007 funding level almost certainly would have resulted in one of the deepest shortfalls in the history of the program.

[14] The Transportation-HUD bill approved by the Congressional conference committee provides $40 million for Resident Opportunities and Self-Sufficiency (a program that provides grants to housing agencies and non-profits to provide job training and supportive services to help public housing residents move toward self-sufficiency) and $18.5 million for a reserve to cover capital needs resulting from disasters occurring in 2008. The President proposed to eliminate all funding for these purposes, for a combined reduction of $58.5 million. The President, however, proposed

As a result, agencies will receive a smaller (rather than a modestly larger) percentage of the operating subsidies for which they are eligible than they received in 2007. Moreover, formula grants under the capital fund will fall by 18 percent compared to last year, the sharpest cut in the history of the capital fund. Under the President's proposal, some agencies that under the Congressional funding level could have rolled back painful measures they have taken previously to raise revenues or reduce costs will be forced to leave those measures in place. In addition, a large number of agencies will likely be required to make additional cuts on top of those they have already made. The effects of the President's proposal could include:

- **Charging tenants more for rent and utilities.** Housing agencies are generally required to charge tenants no more than 30 percent of their income for rent and utilities (up to a utility allowance set by the housing agency), but they have discretion to institute certain policies that result in higher charges on tenants — and use the revenues raised through these higher charges to make up for shortfalls in operating and capital funds. For example, they can establish minimum rents of up to $50 a month for tenants with little or no income or establish fees for services such as parking. Housing agencies may also delay adjustments in utility allowances when utility rates increase, a measure that leaves tenants bearing the full burden of charges above the allowance. Many housing agencies have taken each of these measures in recent years.

  If the President's entire proposed reductions of $200 million in operating funds and $361 million in capital fund formula grants were passed along to tenants as higher rents, utility charges, and other fees, each family would be charged an additional $44 per month on average compared to what they would be charged under the Congressional funding level. Since most families living in public housing have incomes substantially below the poverty line and struggle to make ends meet, this difference could make it significantly harder for many families to meet their basic needs.

- **Shifting units to higher income tenants.** Since tenants' rents are generally set at 30 percent of their income, tenants with higher incomes generate more rental revenue. Housing agencies are permitted to rent the majority of their public housing units to households with incomes as high as 80 percent of the local median income, which on a national basis comes to $42,500 for a family of three. Housing agencies can therefore raise additional revenue by providing more units to higher income families — and fewer to poorer families — as units become available.

  If public housing agencies responded to the cuts the President has proposed below the Congressional funding level entirely by shifting units to households with incomes near the maximum level allowed, more than 65,000 fewer units would be available to households with income below 30 percent of the local median (which nationally is about $15,900 for a family of three). Families with incomes below this level are far more likely than families with higher incomes to experience homelessness or other serious hardship if they do not receive housing assistance.

- **Deferring capital repairs to public housing developments.** Coping with the President's proposed $361 million cut in Public Housing Capital Fund formula grants entirely by scaling back capital repairs would mean allowing more than 22 percent of the new capital needs

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to provide a total of $4.1 million more than Congress for HUD technical assistance to housing authorities and expenses stemming from administrative and judicial receiverships for troubled housing authorities.

estimated to accumulate in 2008 to go unaddressed. (The Congressional funding level would also fall short of covering new capital needs, but by a much smaller margin: 8 percent.) Unaddressed capital needs could include failing to replace faulty fire safety systems, repair crumbling stairwells, or make other safety related improvements. In addition, deferral of some capital investments, such as replacement of a leaky roof, could result in damage to buildings and more costly repairs in the future.

- **Scaling back security protections.** Making up even half of the President's proposed $200 million reduction in operating fund funding through cutbacks in security would mean posting more than 1,500 fewer security guards in public housing developments than would be possible under the Congressional funding level, or making equivalent cuts in electronic security systems or other security expenditures. In some developments, weakening security precautions in this manner could expose tenants to significantly higher crime rates.

Local agencies could opt to make deeper cuts in one area and shallower cuts in another. All agencies however, would have to cope with the President's proposed funding reduction by raising more revenues or spending less than they would under the Congressional funding level — except for agencies that had substantial budget surpluses in 2007 or have remaining reserves and opt to use those reserves, rather them retaining them out of fear that cuts will grow even deeper in the future.[15] Virtually all the measures agencies could use to cut expenditures substantially or raise revenues would result in greater hardship for vulnerable public housing residents.

Because elderly people and people with disabilities make up the majority of the households living in public housing, much of the impact of the President's proposed cuts would fall on these groups. In many cases, low-income individuals who are elderly or have disabilities would have a particularly difficult time coping with the consequences of the cuts. Tenants living on low fixed incomes (as many elderly people and people with disabilities in public housing do) have little flexibility to cover sharply higher rents or fees. Safety hazards left unaddressed or inadequate security may also be especially threatening for tenants who have limited mobility or are in frail physical condition.

Continued Underfunding Will Hasten Loss of Public Housing

Faced with repeated funding shortfalls, many housing agencies have opted to reduce the size of their public housing stock. From 1995 to 2006, the number of public housing units fell by 160,000. [16] In some cases, housing agencies have demolished developments that have decayed to the

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[15] In addition to concerns about future reductions, some agencies may be discouraged from using reserves by HUD's annual performance assessment process, under which agencies that have reserves below the level HUD deems to be adequate can be sanctioned. Agencies that draw down too far on their reserves risk being designated as "troubled" and subjected to far more onerous HUD oversight.

[16] Reliable, publicly available time-series data on the number of available public housing units are difficult to obtain, and our estimate that 160,000 public housing units were lost from 1995 to 2006 is necessarily rough. It is based on comparisons of data from two sources: HUD's *Performance and Accountability Report* (PAR) for 2006 and 2000 (the latter of which contains public housing counts from 1997 through 2000); and Edgar O. Olson, "Housing Programs for Low-Income Households" (National Bureau of Economic Research, 2001), which contains public housing unit counts for 1976-1998 provided by the Congressional Budget Office. HUD's 2006 PAR indicates the availability of 1,172,204 public housing units in 2006 (see page 370 of the report). According to CBO (via Olson), 1,397,205 public housing units were available in 1995, which implies that the public housing system experienced a loss of 234,397 units over the 1995-2006 period. Incidentally, the CBO data for 1997 and 1998 match the data presented in the HUD 2000 PAR for these years,

point of uninhabitability. Some agencies have also sold certain developments to cover the costs of maintaining those that remain. Finally, some housing agencies have retained control over developments but withdrawn them from the public housing program, a measure that allows the agencies to charge higher rents but can reduce the share of the units available to poor families.

Demolition or sale may be appropriate for some obsolete, poorly designed, or poorly located housing developments. Many such developments have already been demolished or sold, including most of those (such as Cabrini-Green and Robert Taylor Homes in Chicago) that formed the basis for the widely-held stereotype of the decaying, isolated, crime-ridden public housing project.

Many of the remaining developments, however, bear little resemblance to that stereotype. A substantial share of public housing developments provide decent housing in low-poverty neighborhoods with good schools and strong job opportunities, or affordable homes for low-income elderly people or people with disabilities who would otherwise be forced to leave their neighborhoods or hometowns or move to institutional settings. The decision to demolish or sell a public housing project should be made by the housing agency, residents, and other members of the community based on an assessment of local circumstances, not out of desperation because the federal government has failed to meet its funding obligations.

The funding level in the 2008 Transportation-HUD appropriations bill would not necessarily halt the loss of high-quality public housing — accomplishing that would likely require full funding for the public housing operating subsidy and an adequate mechanism to address the backlog of capital needs. By building on the restoration of funds that occurred in 2007, however, Congress' bill would at least move the public housing program in the direction of a sustainable funding level and enable housing agencies to retain developments that might otherwise be lost. The President's proposed cuts would have the opposite effect, sending a message to agencies that public housing's already difficult fiscal situation is getting worse rather than better and forcing the demolition or sale of additional developments.

Project-Based Section 8 Rental Assistance: Funding Shortfall Threatens Permanent Loss of Housing Affordable to Poorest Families

The Congressional bill would provide $6.14 billion in funding for the renewal of project-based Section 8 housing assistance in 2008. The President has proposed funding of $5.5 billion in 2008, *$616 million below what Congress would provide*, and $465 million below the 2007 level, adjusted for inflation.

	2007	**President's Budget 2008**	**Congress' Bill 2008**
Project-Based Section 8 Renewals	$5.83 billion	$5.52 billion	$6.14 billion

which suggests the two sets are based on the same ultimate source, and that the CBO figures for earlier years are therefore likely to be comparable to HUD PAR data. However, the CBO data (as well as the figures in the HUD 2000 PAR) also show a decline of more than 76,000 public housing units between 1997 and 1998. We estimate that the bulk of this decline — more than 65,000 units — was due to a shift of units from public housing accounts to the newly created Native American Block Grant account in 1998. Therefore, the actual loss of public housing units appears to be about 160,000 over the full 1995-2006 period.

Project-Based Section 8 Funding Cut Would Worsen Problems Experienced in 2007

The President's proposed cut would perpetuate and worsen major disruptions in the project-based Section 8 program that occurred in the second half of fiscal year 2007, due to shortfalls in program funding. By doing so, the cut would discourage private owners from continuing to participate in the Section 8 program, threatening the loss of thousands of affordable apartments that are now occupied by some of the nation's poorest families.

The project-based Section 8 program functions as a partnership between the federal government and private property owners to provide affordable rental housing to low-income families. Under the program, HUD provides monthly housing assistance payments to property owners. In exchange, owners make the subsidized apartments available to low-income families at rents that do not exceed 30 percent of their income.

The great majority of these families have incomes that are very low (less than half of area median income, or less than about $26,500 for a family of three, on average), and three-quarters are headed by people who are elderly or have disabilities. For approximately 1 million project-based Section 8 apartments, this arrangement between private owners and HUD is governed by contracts lasting one or five years, funding for which is renewed annually through appropriations from Congress.[17]

In remarkable testimony presented before the House Subcommittee on Housing and Community Opportunity in October 2007, HUD's chief financial officer conceded that the President's 2008 budget request will be insufficient to cover 12 months of housing assistance payments for Section 8 renewals in fiscal year 2008. Instead, HUD intends to "manage" an inadequate budget by providing funding in "increments" of less than 12 months, and for only a few months in many cases.[18] Indeed, HUD has already begun to force owners to accept revised contract terms at the time of renewal that are consistent with the new policy.

This change in policy — coming on the heels of widespread payment delays in the second half of 2007 — has generated substantial uncertainty among property owners about whether HUD will meet its obligations under the Section 8 contracts.[19] Owners rely on the Section 8 assistance payments to operate and maintain their properties. Delays or shortfalls in these payments place vulnerable tenants at risk, as explained below.

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[17] An additional 300,000 apartments operate under 20 to 40-year contracts that Congress fully funded upfront. All of these long-term contracts will expire over the next 10-20 years, thereby increasing the need for annual appropriations to preserve the affordability of the housing. For more discussion on the long-term budget challenges of the project-based Section 8 program, see Douglas Rice and Barbara Sard, "Effects of the Federal Budget Squeeze on Low-Income Housing Assistance," which is available at http://www.cbpp.org/2-1-07hous2.htm.

[18] Verbal and written testimony by HUD chief financial officer John W. Cox at hearing on "The Impacts of Late Housing Assistance Payments on Tenants and Owners in the Project-Based Rental Assistance Program" before the House Committee on Financial Services, Subcommittee on Housing and Community Opportunity, October 17, 2007. According to the testimony, project-based Section 8 contracts renewed in fiscal year 2008 will be funded only through November 2008, i.e., contracts with renewal dates in July 2008 will be funded for four months, those with renewal dates in August will be funded for three months, etc.

[19] HUD's CFO testified that 2007 was not the first year that HUD had "short-funded" contracts to make up for budget shortfalls in the project-based Section 8 program. Yet in previous instances, HUD never notified private owners of the short funding and never required owners to sign revised contracts that made the policy explicit.

The problems in 2007 originated in an inadequate President's budget request for the project-based Section 8 program. While Congress increased funding above the request in the final 2007 HUD funding law, the program nevertheless experienced a large shortfall of funding in the second half of the fiscal year. As a result, thousands of Section 8 building owners endured lengthy delays in receiving assistance payments, and a large number of owners reportedly received no payments from HUD for periods of three months or more.

In the final quarter of the fiscal year, HUD formally implemented, for the first time, a policy of funding Section 8 contract renewals only "incrementally," i.e., of providing only a few months of funding for each contract — just enough to carry it over into the next fiscal year — rather than providing 12 months of funding for the entire period of the renewal contract. As part of this new policy, HUD required every owner to sign a revised contract that made clear that HUD would guarantee no more than a few months of funding at a time. As highlighted above, HUD plans to follow this policy through the end of fiscal year 2008 to ensure that total housing assistance payments will not exceed the President's budget.

Chronic late assistance payments and the new policy of "short-funding" Section 8 renewals — both of which are direct results of inadequate budget requests from the President — will have numerous harmful consequences that directly impact the predominantly elderly and disabled tenants of these developments, as well as other low-income families in need of assistance. According to persuasive testimony by private owners and trade associations at a hearing convened by Congress to address the issue of late payments in the project-based Section 8 program, these consequences include:[20]

- Increased costs of operating the Section 8 housing (e.g., vendors that provide services such as office supplies, landscaping, or plumbing repair may raise their prices if they sense that payments to them may be unreliable or if the contract term for their services is shortened to adapt to the short funding of the Section 8 contracts, and they may charge penalty fees if service payments are late);

- Delays in needed repairs and maintenance (one witness testified about an owner who was forced to suspend work to remove asbestos at one property after the work had already begun);

- Increased difficulty and costs of securing loans and investments to rehabilitate older housing to preserve it for low-income families. One witness observed, "The perception of this kind of contract [i.e., short-funded contracts] is devastating. Until recently, several years of predictability and stability in the Section 8 renewal process have led purchasers, lenders, and investors in Section 8 properties to rely on long-term Section 8 renewal contracts, even though subject to annual appropriations, as sufficient backing for their investments. They assumed the risk because in these contracts because they thought the risk was miniscule. They are not so sure anymore"[21]; and

[20] These witnesses testified at the same hearing as the HUD CFO. Their testimony is available at http://www.house.gov/apps/list/hearing/financialsvcs_dem/ht1017073.shtml.

[21] See testimony by Lawrence J. Lipton on behalf of the National Leased Housing Association. For the first several decades of the project-based section 8 program, Congress typically appropriated 20 years of funding for contracts in advance, providing certainty to owners, lenders and underwriters that the subsidy funds would be available. Congress'

- An increase in defaults on mortgages insured by the Federal Housing Administration.

In addition to deteriorating living conditions, tenants could be at risk of having to pay the full unassisted rent — which often exceeds their entire monthly income — or be evicted. Owners of developments in Philadelphia and Cleveland have put tenants on notice that if HUD is more than one month late in making Section 8 payments, the tenants — many of whom are elderly or have serious disabilities — will be responsible for the full rent. Owners also could attempt to mitigate funding shortfalls by admitting higher income tenants who will pay a larger share of the rent and by skipping over poorer applicants with a greater need for housing assistance.[22]

Up to 500,000 Affordable Apartments at High Risk of Loss Due to Funding Shortfall

Most importantly, significant numbers of private owners could choose to terminate their participation in (i.e., to "opt out" of) the Section 8 program at the first opportunity, having concluded that the problems generated by persistent funding shortfalls are too difficult to overcome or not worth the trouble. As one witness representing owners put it:

> Owners who have properties with market rents proximate or higher than the current project-based Section 8 subsidy amount will have no reason to continue to participate in a program in which they have no confidence that the subsidy will be available…There is little question that owners of these properties will have every incentive to opt out of the program so long as HUD does not provide a full year, annual contract.[23]

At greatest risk are approximately 500,000 Section 8 apartments with rents (i.e., the tenant rent plus the federal housing assistance payment) that are well below current market rates, thereby providing their owners with a strong financial incentive to leave the program. (The appendix shows the distribution of these at-risk units across the 50 states.)

When private owners terminate their participation in the project-based Section 8 program, communities lose important affordable housing resources that are not easily replaced. This is particularly true for the properties most at risk, where the market commands higher rents than the properties now are permitted to charge. Moreover, it will cost the federal government *more* if owners of these under-priced properties leave the program, because the "enhanced vouchers" that tenants will receive will provide higher subsidies pegged to the actual market rent.[24]

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shift to annual renewal funding in the late 90s initially created uncertainty, but owners and financial entities became accustomed to the new practice as funding proved reliable.

[22] The income targeting rules for project-based section 8 developments are similar to the rules for public housing discussed above.

[23] Testimony by Michael Bodaken, CEO of the National Housing Trust, at the October 17, 2007 hearing. See notes 18 and 20.

[24] When private owners opt out of the project-based Section 8 program, tenants receive so-called "enhanced vouchers," which allow them to remain in place (without an increase in their contribution towards the rent) even as the unit rent rises to market rates. In opt-out situations, the market rent is nearly always well above the contract rent determined under the Section 8 contract, yet the enhanced voucher subsidy will continue to cover the difference (within reasonable limits) between the tenant's contribution and the rising rent. Hence, the voucher subsidy will usually exceed the subsidy paid under the original Section 8 contract.

Yet this "lose-lose" outcome is very likely to happen unless program funding in 2008 is substantially above the amount the President has requested. Indeed, while HUD has provided no precise estimates of how much funding would be needed to fully renew project-based Section 8 contracts in 2008, many believe that the President's budget request is short by more than $2 billion of the amount needed to fully cover renewal costs, which also greatly exceeds the increase included in Congress' bill. To ensure stability in the program, Congress will likely have to increase the available program resources later in the year.[25]

Supportive Housing for the Elderly: President Would Cut Funding by 22 Percent

Congress would provide $735 million for Section 202 supportive housing for the elderly in 2008, the same level of funding provided in 2007 (and $20 million below the 2007 level as adjusted for inflation). The President proposed funding of only $575 million in 2008, a cut of $160 million below a freeze level and the Congressional bill.

According to HUD's most recent "worst-case" housing needs report, 1.1 million elderly households with very low incomes have severe housing affordability problems. Those households either pay more than half of their income for housing, live in severely substandard housing, or both — and receive no housing assistance.

	2007	President's Budget 2008	Congress' Bill 2008
Section 202 Housing for Elderly	$735 million	$575 million	$735 million

The "Section 202 program" provides capital grants and rental assistance to non-profit organizations to develop and operate affordable housing for elderly people with very low incomes. The program currently funds affordable housing for nearly 100,000 elderly households. A recent HUD study concluded that elders living in Section 202 housing have improved quality of life and longevity.[26] The same study also documented the effectiveness of the program in reducing medical costs, including savings in Medicaid and Medicare.

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[25] There are at least two means by which Congress could provide additional appropriations without exceeding the discretionary budget cap that Congress has placed on the Transportation-HUD bill for fiscal year 2008. First, Congress could include (either in the 2008 Transportation-HUD bill or in a later supplemental bill), an advance appropriation of budget authority *for fiscal year 2009*. An advance appropriation of sufficient size would allow HUD to fully fund Section 8 contract renewals in 2008, by authorizing, in advance, appropriations to cover the months of those contracts falling in fiscal year 2009. Second, Congress could approve additional emergency funding for project-based Section 8 as part of the Iraq war supplemental funding bill that it expects to take up in early 2008. Each of these options would face significant, but perhaps surmountable, political and budget process challenges, since either option could be subject to a 60-vote point of order in the Senate because it would lead to additional spending not contemplated in the original congressional budget resolution.

[26] The study, which was overseen by HUD's Office of Policy Development and Research, is unpublished, but these conclusions were cited in HUD's Congressional budget justifications for 2008, which are available at http://www.hud.gov/offices/cfo/reports/2008/cjs/toc2.cfm.

Despite the success of the program and the large need for housing assistance among the low-income elderly, the President's budget would cut the production of new supportive housing for elderly households by 38 percent in 2008, to just over 3,000 new units.[27]

Supportive Housing for People with Disabilities: President Urging 47 Percent Cut in Funding

Congress' bill would provide $237 million for the "Section 811 program" in 2008, the same level of funding as was provided in 2007, without adjusting for inflation. The President has proposed to spend $125 million — a cut of over 48 percent in comparison to the 2007 funding level, adjusted for inflation.

The Section 811 program provides rental assistance to help low-income people with disabilities live in housing that offers supportive services they need to live independently. The program also allocates capital funding and operating subsidies to non-profit organizations that develop and operate affordable supportive housing for people with disabilities. All households living in Section

	2007	President's Budget 2008	Congress' Bill 2008
Section 811 Housing for People with Disabilities	$237 million	$125 million	$237 million

811 housing subsist on very low incomes, such as income from the Supplemental Security Income program (which raises the incomes of poor elderly and people with disabilities only to about 75 percent of the poverty line for single individuals and 90 percent of the poverty line for couples). According to a HUD report released in December 2005, more than 500,000 households headed by people who have disabilities (and are not elderly) face severe housing affordability problems but receive no federal housing assistance.

Under the President's proposed cut, the number of new supportive housing units funded under the program would fall by 89 percent, from nearly 1,000 in 2007 to just over 100 in 2008.[28] The President would also eliminate $15 million in funding for new "mainstream" rental vouchers for low-income people with disabilities, reducing the number of new vouchers from 400 in 2007 to zero in 2008.[29]

Community Development Block Grants: States and Localities Would Lose $1.1 Billion Under President's Proposal, Deepening Previous Funding Cuts

The Community Development Block Grant program helps to fund a wide range of development activities in low- and moderate-income communities, including affordable housing development and

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[27] The production figures were cited in HUD's budget justifications; see the previous note.

[28] See HUD's Congressional budget justifications, available at: http://www.hud.gov/offices/cfo/reports/2008/cjs/toc2.cfm.

[29] The Section 811 Mainstream program provides five years of advance budget authority for new vouchers, unlike the Congressional practice of providing annual funding for section 8 vouchers.

rehabilitation, homeless assistance, improvements to public facilities such as senior and youth centers, economic development, and the provision of social services.

	2007	President's Budget 2008	Congress' Bill 2008
CDBG formula grants	$3.71 billion	$2.62 billion	$3.72 billion

Congress' bill would provide $3.72 billion for CDBG formula grants in 2008, $13 million above the 2007 level, unadjusted for inflation. The President's budget would provide only $2.6 billion for formula grants in 2008, $1.1 billion (or 30 percent) less than both what Congress would provide and the nominal 2007 level.[30] The table included in the appendix shows the impact of these cuts at the state level.

The President's cut in CDBG funding would deepen reductions already enacted in recent years. The President's funding level is $2.6 billion — or 50 percent — below the 2001 level, adjusted for inflation. Such deep and persistent funding cuts undermine the quality of life in low- and moderate-income communities across the country.

Conclusion

The Administration has defended the President's planned vetoes of the domestic appropriations bills by stressing the need for fiscal responsibility. This dispute, however, is far more about budget priorities than fiscal responsibility. While seeking to cut domestic discretionary programs, the President's budget proposes sharp increases in funding for military programs unrelated to operations in Iraq and Afghanistan and the war on terrorism, and the President is now insisting that the $51 billion cost of extending Alternative Minimum Tax relief for one year *not* be paid for — and be deficit-financed instead. The Administration has declared that the President will veto the AMT-relief bill if its costs are offset by closing several tax loopholes exploited primarily by extremely wealthy individuals (generally with multi-million-dollar incomes), as an AMT bill passed by the House on November 8 would do.[31]

With respect to the Transportation-HUD bill, the difference in priorities reveals itself to be a dispute over funding for low-income housing assistance and for programs designed to boost

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[30] These figures excluse amounts set aside for the Working Capital Fund, Indian Tribes, and technical assistance. The President's 2008 budget proposed a rescission (i.e., retroactive cuts) of $356 million from economic development and neighborhood initiatives, despite the fact that Congress provided no such funding in its 2007 HUD bill, which was approved after the release of the President's budget. Because the savings from the proposed rescissions were applied to reduce the President's overall request for community development funding, reductions would have to come from elsewhere in the account to reduce overall community development funding down to the President's proposed level. We have assumed that the entire reduction would be made in CDBG formula grants, as formula grant funding makes up 93 percent of the budget request.

[31] See Richard Kogan, "A Tale of Two Bills: The Labor-HHS-Education and Defense Appropriations Bills," Center on Budget and Policy Priorities, November 12, 2007, http://www.cbpp.org/11-12-07bud.htm, as well as the paper cited in note 1. See also Aviva Aron-Dine, "House AMT Patch Bill Is Fiscally Responsible," Center on Budget and Policy Priorities, November 7, 2007, http://www.cbpp.org/11-7-07tax2.htm, and other recent papers on AMT available at: http://www.cbpp.org/pubs/fedtax.htm.

development in low- and moderate-income communities. The President has proposed funding cuts that would lead to a loss of rental assistance for substantial numbers of low-income families and low-income elderly and disabled people who are served by the Section 8 voucher or other federal housing programs. The President's cuts also would speed the deterioration and loss of public housing units and apartments supported by the project-based Section 8 rental assistance program, which are important affordable housing resources for some of the nation's poorest and most vulnerable people.

In contrast, Congress' Transportation-HUD appropriations bill would make modest investments to sustain existing levels of housing assistance and community development funding, reduce the number of homeless veterans, and avoid thousands of impending mortgage foreclosures. These investments would avoid the cuts the President seeks and ensure that the federal government remains a reliable partner in helping states and localities address growing needs for affordable housing.

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APPENDIX: WHAT'S AT STAKE IN THE HUD BILL FOR 2008?

TABLE A

State Impacts on Four Key Programs If Funding Is Cut to the President's Proposed Levels

State	**Section 8 Housing Choice Vouchers**[1] *Number of Families Whose Vouchers Would Not Be Renewed by the President's Budget*	**Project-Based Section 8 Rental Assistance**[2] *Number of Affordable Units at High Risk of Loss Due to Owner Opt-Outs Following Funding Shortfalls*	**Public Housing**[3] *Reduction in Funding for Operating and Capital Expenses, Compared to Congressional Bill*	**Community Development Block Grants**[4] *Reduction in Funding, Compared to Congressional Bill*
AL	455	5,223	-$16,732,557	-$14,827,492
AK	119	444	-$852,802	-$1,417,114
AZ	164	3,716	-$2,432,322	-$16,254,871
AR	317	2,571	-$5,017,589	-$8,263,818
CA	4,282	73,442	-$20,404,734	-$140,830,631
CO	260	8,783	-$3,192,184	-$11,479,942
CT	366	8,823	-$8,018,363	-$12,540,634
DE	19	2,489	-$1,303,394	-$2,165,406
DC	0	9,170	-$5,562,644	-$5,585,312
FL	948	26,168	-$15,428,113	-$48,401,369
GA	839	13,727	-$19,749,629	-$24,572,910
HI	74	2,419	-$2,723,877	-$4,575,252
ID	73	640	-$232,789	-$3,654,975
IL	754	11,151	-$40,201,684	-$52,761,508
IN	409	8,977	-$6,577,130	-$21,108,762
IA	298	2,567	-$1,223,158	-$12,377,118
KS	161	3,035	-$2,845,740	-$8,389,133
KY	274	7,266	-$9,085,383	-$13,704,353
LA	202	9,617	-$12,281,971	-$18,681,685
ME	44	713	-$1,557,969	-$5,942,746
MD	438	16,423	-$10,109,589	-$16,695,512
MA	587	19,552	-$16,959,595	-$32,980,448
MI	179	14,665	-$10,075,000	-$39,569,382
MN	340	6,776	-$7,921,538	-$17,455,653

TABLE A				
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MS	67	7,550	-$5,253,971	-$10,573,800
MO	310	8,880	-$7,722,411	-$20,144,550
MT	91	1,061	-$749,311	-$2,764,376
NE	117	2,381	-$2,129,465	-$5,832,057
NV	235	2,554	-$1,997,165	-$6,081,816
NH	38	550	-$1,411,827	-$3,971,527
NJ	1,147	13,121	-$21,320,306	-$30,360,272
NM	220	2,868	-$1,592,623	-$6,322,918
NY	2836	35,757	-$107,819,368	-$105,060,365
NC	657	11,304	-$15,570,408	-$21,401,927
ND	107	1,012	-$544,448	-$1,909,587
OH	1,180	22,195	-$24,843,665	-$48,725,326
OK	112	5,801	-$4,383,466	-$9,098,112
OR	295	3,476	-$2,506,668	-$10,965,071
PA	974	16,818	-$39,703,958	-$66,771,174
RI	141	5,876	-$3,727,935	-$5,155,445
SC	350	4,473	-$5,935,962	-$11,680,095
SD	57	1,367	-$458,697	-$2,401,101
TN	420	19,207	-$14,463,837	-$15,047,618
TX	2,373	26,987	-$22,353,987	-$76,904,508
UT	18	1,193	-$700,336	-$6,171,968
VT	103	650	-$561,485	-$2,507,669
VA	488	21,202	-$9,477,922	-$18,448,737
WA	224	8,318	-$6,527,300	-$18,475,927
WV	158	676	-$2,439,347	-$7,548,205
WI	398	9,492	-$4,072,882	-$20,081,769
WY	52	541	-$234,626	-$1,264,138
Total[5]	**25,180**	**493,667**	**-$560,534,000**	**-$1,105,250,000**

Notes

[1] For an explanation of the methodology used, see notes 4, 5, and 7 in the paper. Voucher cuts represent vouchers expected to be in use in the final quarter of calendar year 2007, based on the assumption that voucher usage in the final quarter will be about 3.1 percent above the average for 2006. HUD data show that voucher usage had already increased by approximately 2.6 percent as of June 2007.

[2] Totals consist of the number of project-based Section 8 units in each state with rents that are below the HUD-established Fair Market Rent (FMR). More than one-quarter of these units have rents that are well below FMR, i.e., below the 80 percent of FMR level. A recent (2006) report issued by HUD, "Multifamily Properties: Opting-in, Opting-out, and Remaining Affordable," concluded that owners of Section 8 properties whose rents were less than the FMR were are greater risk of opting out of the program. Data were generously provided by the National Housing Trust, based on its analysis of HUD data.

[3] Totals are based on the difference in funding provided for the public housing operating fund and public housing capital fund formula grants under the President's budget and Congress' Transportation-HUD bill, assuming that housing agencies in each state receive the same proportion of funding in 2008 as they did in 2007. Totals do not include cuts proposed in the President's budget in funds set aside within the public housing capital fund for purposes other than formula grants. See note 12 for additional information on those cuts.

[4] Totals are based on the difference in funding provided under the President's budget and Congress' Transportation-HUD bill, assuming that each state (and localities within the state) receives the same proportion of total CDBG formula funding in fiscal year 2008 that it did in fiscal year 2007. See note 30 for additional explanation of the amount of CDBG formula grant funding provided under the President's budget.

[5] Totals for Section 8 vouchers, public housing, and CDBG include figures for American Samoa, Guam, Northern Marianas Islands, Puerto Rico, and Virgin Islands.