



**To: Interested Parties**

**From: Center on Budget and Policy Priorities**

**Date: April 26, 2011**

**Re: Impact of the House Republican FY 2012 Budget on Housing and Community Development Programs**

The House-passed budget resolution for fiscal year 2012 (H. Con. Res. 34) claims to strengthen safety net programs, including federal housing assistance, while reducing spending overall. In fact, the budget includes deep funding cuts beginning in fiscal year 2012, and continuing over the coming decade, that would dramatically weaken housing and community development programs.<sup>1</sup>

Under the House Republican plan, the budget category that contains most housing programs would be cut by nearly 12 percent in 2012 and 18 percent by 2021, compared to the 2011 funding level.<sup>2</sup> If housing assistance programs received their proportional share of these reductions, they would be cut by \$5 billion overall in 2012.<sup>3</sup> Moreover, the cuts would deepen every year over the coming decade, reaching \$9 billion in 2021. In total, housing programs would lose \$75 billion in funding over the coming decade under the House plan.

Community development programs would be cut even more severely: under the House plan, total funding for community and regional development would be slashed by 22 percent in 2012 and 28 percent by 2021, compared to the level in 2011. The consequences of these overall reductions for particular housing and community development programs would be severe:

- **Housing Choice (“Section 8”) Vouchers:** In 2012, funding for the renewal of vouchers would be cut by \$2 billion below the 2011 level (and \$2.3 billion below the President’s request), risking the loss of housing vouchers now used by approximately 290,000 low-income seniors, people with disabilities, and families with children. Under the House budget, the number of families losing assistance would climb in later years. Such funding cuts would discourage private owners from participating in the housing voucher program, making it less effective and more difficult for low-income families to use.

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<sup>1</sup> For more information on the House Republican budget, which is sponsored by Rep. Paul Ryan, see the series of reports available on our web site at <http://www.cbpp.org/research/index.cfm?fa=topic&id=29>.

<sup>2</sup> The House budget includes specific spending assumptions for every major category of discretionary (i.e., annually funded) programs. One such category is “Income Security,” in which two-thirds of the discretionary spending is for housing assistance programs. These include the Section 8 rental assistance programs, public housing, homeless assistance, HOME, the Native American/Hawaiian block grants, the Section 202 and 811 supportive housing programs for the elderly and people with disabilities, Housing Opportunities for Persons with AIDS, housing counseling, Self-Help Homeownership Opportunity Program, and a number of USDA’s Rural Housing Service programs.

<sup>3</sup> Except where references to the President’s budget are made, all funding comparison figures in this memo are in real dollars, i.e., in relation to 2011 levels adjusted for inflation. In nominal terms, the House Republican budget would cut housing assistance by \$4.5 billion in 2012, compared to 2011.

- **Section 8 Project-Based Rental Assistance (PBRA):** Renewal funding for PBRA in 2012 would be reduced by more than \$1 billion below the 2011 level (and by \$1.2 billion below the President’s request). As a result, renewal funding would be eliminated for more than 150,000 Section 8 PBRA apartments now used by low-income households, two-thirds of which are seniors or people with disabilities. Moreover, such cuts would signal to private owners that program subsidies are unreliable. As a result, some owners would likely opt out of the program at the first opportunity, leading to the loss of assisted housing opportunities in good neighborhoods. (Federal costs may not be reduced despite the loss of project-based assistance, however, as tenants would be eligible for special replacement vouchers.) The cuts in PBRA funding would deepen in later years under the budget proposal.
- **Public Housing:** Public housing would lose more than \$800 million in funding in 2012, compared to 2011, and more than \$12 billion in total funding over the coming ten years. Such reductions would make it impossible for many authorities to maintain their properties in good condition, accelerating the loss of public housing due to deterioration. Already, some 10,000 public housing units are lost every year.
- **Homeless Assistance:** Homeless assistance would lose more than \$200 million in 2012 and a total of \$3.4 billion over the coming decade, compared to the 2011 funding level. Cuts of this magnitude, coupled with the loss of funding for the core rental assistance programs, would make it impossible to achieve the goals in the Federal Plan to End Homelessness.
- **Community Development Block Grants (CDBG):** Funding for CDBG formula grants would be reduced by \$750 million in 2012 and \$1.1 billion by 2021, compared to the 2011 level (adjusted for inflation). Over the next ten years, \$10 billion in CDBG formula grant funding would be eliminated.

For some programs, such as public housing and CDBG, the cuts described above would come on top of deep funding reductions already made in 2011.

These estimates assume that funding cuts in each budget category would be distributed proportionally in accord with each program’s share of total funding in the category. Of course, the appropriations committees are bound by the House resolution to adhere only to the overall discretionary spending target and not to the specific proposals for each budget category. Congress could therefore choose to protect one or more programs from deep cuts — but it could do so only by making deeper cuts elsewhere in the budget.

The funding cuts outlined above would fall on highly vulnerable families. Of the 4.9 million low-income households that now use federal rental assistance, more than half are headed by seniors or people with disabilities, while about one third are families with children. On average, these households have incomes of just \$12,500, well below the federal poverty line. When such families lose rental assistance, their monthly housing costs typically double or triple, placing them at risk of losing their homes. (State-by-state fact sheets on who is served by federal rental assistance programs are available on our web site at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3468>.)

Moreover, such cuts could not come at a worse time, as unemployment and foreclosure rates remain high, and the need for housing assistance is growing. According to HUD, the incidence of “worst-case” housing needs increased by 20 percent from 2007 to 2009, to more than 7 million renter households.<sup>4</sup> Homelessness is also on the rise, especially among families with children: in 2009, 325,000 children spent at least part of the year in a homeless shelter, an increase of 12 percent since 2007.

Finally, it is important to note that the House Republican budget would impose such deep cuts in housing and community development programs because of a serious flaw in its approach to deficit reduction — a flaw that it shares with a number of other proposals put forth by members of Congress, including the global spending cap proposal introduced by Senators Corker and McCaskill. The central flaw of the House Republican budget is that it relies entirely on spending cuts to address the deficit. (In fact, the plan achieves very little real deficit reduction because it proposes tax reductions that almost entirely offset the spending cuts.) Any approach to deficit reduction that focuses only on spending (e.g., global spending caps, constitutional balanced budget laws), and is not balanced by substantial increases in revenues, will inevitably force spending cuts — in entitlement programs such as Medicare and Medicaid, as well as discretionary programs such as low-income housing and community development — of a magnitude that is comparable to the draconian cuts of the House Republican budget plan.<sup>5</sup>

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<sup>4</sup> A renter household with “worst-case” housing needs has the following characteristics: has a very low income (below 50 percent of area median income); receives no housing assistance; and either pays housing costs that exceed half of household income or lives in housing with serious quality problems.

<sup>5</sup> For more information on the Corker-McCaskill proposal and its likely effect on programs serving low-income Americans, see “Proposed Cap on Federal Spending Would Force Deep Cuts in Medicare, Medicaid, and Social Security,” by Edwin Park, Kathy Ruffing, and Paul N. Van de Water, Center on Budget and Policies Priorities, April 15, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3471>.