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Senate HUD Funding Bill Reverses Harmful Sequestration Cuts in Housing Assistance Contrasting House Bill Locks in Voucher Cuts for 100,000 Families, Deepens Cuts in Public Housing and Other Areas

By Douglas Rice

As early as next week, the House and Senate will consider separate bills to fund the Department of Housing and Urban Development (HUD) for fiscal year 2014. The stark differences between the two bills reflect the radically different budget priorities set by the budget resolutions that the chambers approved earlier this year. These differences will have to be resolved over the next several months, and low-income families needing housing assistance — who have been hit hard by the across-the-board sequestration cuts that took effect in March — have a lot at stake in the outcome.

Sequestration is already causing significant harm to low-income families. Facing the deepest voucher renewal funding shortfall on record, many state and local housing agencies have stopped reissuing vouchers to families on waiting lists when current voucher-holders leave the program, and many others are likely to follow suit in coming months. If Congress fails to reverse sequestration, agencies will likely cut the number of low-income families with rental assistance by 120,000 to 140,000 by early next year. If sequestration continues into 2014, moreover, and Congress provides voucher renewal funding in 2014 at the 2013 post-sequestration level, housing vouchers for thousands of additional low-income families will be eliminated.

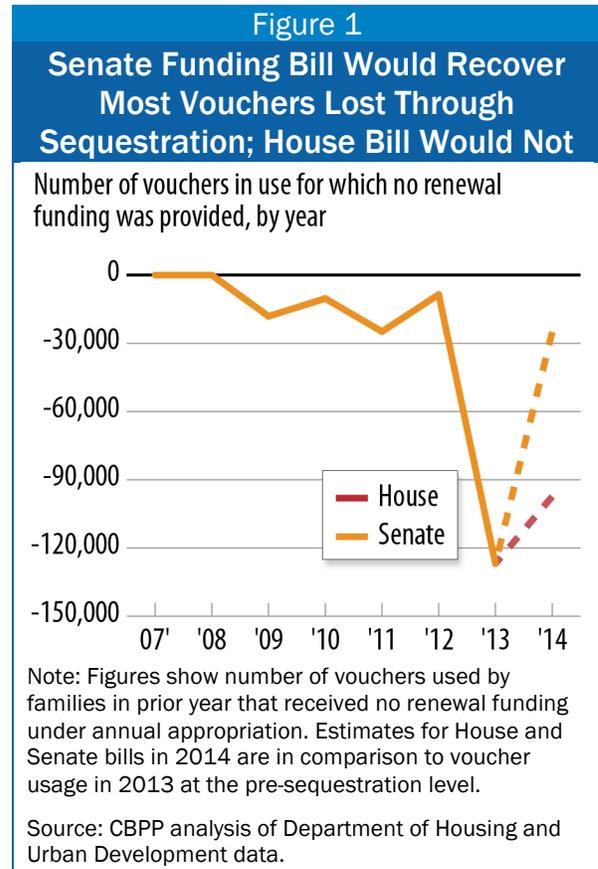
These cuts fall heavily on vulnerable people. Half of the families with vouchers are seniors or people with disabilities, and most of the rest are families with children. These households typically have incomes well below the poverty line and cannot afford decent housing without assistance. Some who will go without assistance will face extreme hardship, such as having to live in emergency shelters.

In addition to sequestration's cuts in housing vouchers, the consequences of its cuts in other housing assistance programs and in community development funding — which come on top of other deep cuts in these areas in 2011 and 2012 — will magnify over time. For instance, sequestration cut funding for Emergency Solutions Grants (ESG), which help communities provide emergency shelters and short-term assistance to prevent homelessness, by 25 percent in 2013. The combined effect of funding cuts for both vouchers and ESG likely will be that more individuals and families ultimately become homeless and remain homeless for longer periods of time.

As another example, since 2010, public housing agencies have lost a cumulative total of \$3.4 billion in federal funding (ignoring losses due to inflation) to operate and maintain public housing developments, which provide affordable homes to 1.1 million low-income families. These developments now face a \$26 billion backlog of repair needs.

Also since 2010, states and localities have lost \$2.5 billion in cumulative funding for the Community Development Block Grant (CDBG) and \$1.9 billion in cumulative funding for the HOME Investment Partnership program, the two large housing assistance and community development block grant programs. These and other cuts will contribute to further losses of public housing; impede the development of affordable housing for seniors, people with disabilities, and other vulnerable families; and undercut efforts to redevelop and revitalize low-income neighborhoods. (See appendix tables with state-by-state data.)

- The House and Senate budget resolutions both call for replacing sequestration with an alternative package of deficit-reduction measures. But their approaches differ dramatically. The Senate HUD funding bill for fiscal year 2014 would roll back sequestration, restoring critical parts of the federal housing safety net for low-income families. The House bill would cut funding for HUD housing and community development programs by nearly \$1 billion below the 2013 level after sequestration.
- The Senate bill would provide \$17.6 billion to renew **Housing Choice Vouchers**, restoring most of the vouchers that are now being eliminated under sequestration. In contrast, the House bill's \$17.0 billion for voucher renewals would lock in the elimination of housing vouchers for nearly 100,000 low-income families in 2014, roughly three-quarters of those likely to be cut due to sequestration in 2013. (See Figure 1.)
- The Senate bill would fund **public housing** operations at \$4.6 billion and capital repairs at \$2.0 billion in 2014, thereby reversing deep cuts that Congress made in 2012 and 2013. The Senate bill also provides \$250 million for the Choice Neighborhoods Initiative, at least two-thirds of which will go to revitalize public housing. Funds beyond these levels are badly needed to address public housing's huge backlog of repair and renovation needs, but the Senate bill would at least return the program to a more stable footing. In contrast, public housing would face a third consecutive year of deep cuts under the House bill, which would reduce funding to operate and maintain developments by \$277 million — or 16 percent — below the 2013 post-sequestration level. These cuts would compel agencies to further delay



or forgo maintenance and repairs, forcing low-income seniors, people with disabilities, and families with children to live in deteriorating conditions.

- The Senate bill would increase funding for **homeless assistance grants** by \$327 million above the 2013 post-sequestration level, including a \$121 million increase in funding for ESG grants for community initiatives to prevent homelessness. The House bill would provide a more modest increase of \$155 million for homeless assistance grants in 2014 (over the 2013 post-sequestration level).
- The Senate bill would return funding for most other HUD housing and community development programs to at least 2013 *pre*-sequestration levels. In contrast, the House bill would slash **Community Development Block Grant** funding by *\$1.4 billion — or 47 percent — below the 2013 post-sequestration level*, reducing funding to its lowest nominal level since Congress created the program in 1974. Communities use these funds to rehabilitate affordable single-family housing, improve damaged streets, sewers, and water systems in low-income neighborhoods, and provide community services to seniors and children. The House bill also would cut funding for the **HOME Investment Partnerships** program, which states and localities use to develop and preserve homes for lower-income owners and renters, by \$248 million — of 26 percent — below the 2013 post-sequestration level. As noted above, this would come on top of the \$1.9 billion in cumulative funding cuts in the HOME program that state and local governments have absorbed since 2010. In contrast, the Senate bill would restore the program’s funding to its 2013 pre-sequestration level.

Table 1
Proposed Funding Levels for HUD Programs in FY 2014
(Millions of dollars)

	2013 post-sequestration	House 2014	Senate 2014	Senate minus House
Housing Choice Voucher Renewals	\$16,349	\$17,000	\$17,568	\$568
Housing Choice Voucher Admin	\$1,306	\$1,350	\$1,685	\$335
Public Housing Operating	\$4,054	\$4,262	\$4,600	\$338
Public Housing Capital	\$1,777	\$1,500	\$2,000	\$500
Section 8 Project-Based Rental Asst.	\$8,851	\$9,451	\$10,700	\$1,249
Homeless Assistance	\$1,933	\$2,088	\$2,260	\$172
HOME	\$948	\$700	\$1,000	\$300
Section 202 Elderly Housing	\$355	\$375	\$400	\$25
Section 811 People with Disabilities	\$156	\$126	\$126	-
Native American Housing Grants	\$616	\$600	\$675	\$75
CDBG Formula Grants	\$3,078	\$1,637	\$3,150	\$1,513

While the Senate bill would reverse much of the harm to low-income families caused by sequestration, it remains frugal. Funding for most HUD programs would remain far below 2010 levels, adjusted for inflation (see Figure 2 below), even though the need for rental assistance has grown substantially. The number of renters with “worst-case housing needs” — those whose incomes are below 50 percent of the local median *and* who pay more than half their income for

housing or live in severely substandard housing — has risen by 43 percent since 2007. This has contributed to homelessness remaining a large, persistent problem.¹

Two Approaches to Replacing Sequestration

The Budget Control Act of 2011 (BCA) established tight spending caps for defense and non-defense discretionary programs that, even in the absence of sequestration, will reduce spending by roughly \$1.6 trillion over the decade.² In addition, the BCA called for sequestration if the congressional “supercommittee” and then Congress as a whole failed (as they did) to reach agreement on at least \$1.2 trillion in further deficit reduction. Sequestration, which Congress intended to be painful as an incentive to reach an alternative deficit-reduction deal, took effect on March 1 of this year.³

The House and Senate have both approved budget resolutions for fiscal year 2014 that would replace sequestration. Their approaches could not be more different, however, reflecting sharply different budget priorities.

- The Senate resolution replaces sequestration each year through 2021 with a balanced deficit-reduction package that includes both other spending reductions and higher revenues. For fiscal year 2014, it sets overall funding for defense and non-defense discretionary programs at the BCA levels prior to sequestration.
- But the House resolution increases funding for defense in 2014 about \$47 billion *above* the amount that defense is supposed to get under sequestration, while cutting funding for non-defense discretionary programs about \$47 billion *below* the amount those programs are slated to get under sequestration.⁴ (The House budget resolution also makes very large cuts in safety net programs that are entitlements.)

The two chambers’ HUD funding bills for 2014 clearly show the consequences for low-income families of these two very different budgetary approaches. The Senate bill rolls back sequestration cuts in housing assistance and community development programs, while the House bill locks in the sequestration cuts in some areas and makes the cuts still deeper in others. The following sections compare the Senate and House funding bills, beginning with the Housing Choice Voucher program, where sequestration is having the largest and most immediate impact on low-income people.

¹ See Will Fischer, “The Number of Families Struggling to Afford Rent Rises Sharply,” Center on Budget and Policy Priorities *Off the Charts* blog, November 21, 2012, <http://www.offthechartsblog.org/number-of-families-struggling-to-afford-rent-rises-sharply/>.

² Richard Kogan and Paul N. Van de Water, “How Much Deficit Reduction Is Needed Over the Coming Decade,” Center on Budget and Policy Priorities, July 10, 2013, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3989>.

³ See Richard Kogan, “Sequestration by the Numbers,” Center on Budget and Policy Priorities, March 22, 2013, <http://www.cbpp.org/cms/?fa=view&id=3937>.

⁴ Joel Friedman, Sharon Parrott, and Krista Ruffini, “Senate Appropriations Allocations for 2014 Reflect Better Approach than House Plan,” Center on Budget and Policy Priorities, June 25, 2013.

Housing Choice Vouchers

The largest federal rental assistance program, the Housing Choice Voucher program, helps 2.2 million low-income households rent modest housing in the private market at an affordable cost. Half of these households are headed by seniors or people with disabilities; most of the rest are low-income working families with children. Families using housing vouchers have incomes of about \$12,500 on average, well below the poverty line.⁵

Assisted families contribute roughly 30 percent of their income to housing, while the voucher fills the gap between this contribution and a family's actual housing costs, up to reasonable limits set by HUD and the agency that administers the program locally. Without vouchers, housing costs would typically double or triple for assisted families, making it very difficult for them to also pay for food, child care, medicine, transportation to work, and other essentials.⁶ Without vouchers, these families would be at much greater risk of falling behind on the rent and eventually losing their homes.

Sequestration Will Cause Large Decline in Number of Families Using Vouchers

Sequestration cut funding to renew housing vouchers by \$854 million in 2013. Largely as a result, state and local housing agencies are receiving about 6 percent less funding in 2013 than they need to renew all housing vouchers that families used in 2012, according to HUD. This marks only the third time in the program's nearly 40-year history that Congress has provided agencies with significantly less funding than they need to renew all vouchers in use. The 2013 shortfall will be the deepest on record (see Figure 1).

Facing such large shortfalls, agencies are being forced to cut program spending. So long as Congress fails to reverse sequestration, agencies simply cannot avoid substantial cuts in assistance that adversely affect low-income families. But how *quickly* they must cut depends in part on the extent to which they can close shortfalls for a while by spending down reserves. Most, though by no means all, agencies maintain modest reserves of unspent housing assistance funds that can and should be used to close renewal funding gaps and sustain voucher assistance to families. But this only delays the time when agencies will have to make deep cuts in assistance, particularly if sequestration continues in 2014.

One step that most housing agencies will be forced to take is to reduce the number of families they assist through attrition — that is, by not reissuing vouchers to families on the waiting list when families leave the program. Many housing agencies are already doing this, according to evidence from various sources. A survey of 232 member housing agencies released recently by the Public Housing Authorities Directors' Association (PHADA), for example, revealed that one-half had already stopped issuing housing vouchers upon turnover, and an additional one-sixth expected to

⁵ "Policy Basics: The Housing Choice Voucher Program," Center on Budget and Policy Priorities, updated January 25, 2013, <http://www.cbpp.org/cms/index.cfm?fa=view&id=279>.

⁶ According to CBPP tabulations of 2011 American Housing Survey data, the median housing cost burden of extremely-low-income renter households that don't receive housing assistance is 84 percent of income. (This figure excludes households paying no cash rent; it includes households paying housing costs that exceed 100 percent of household income.)

cease reissuance soon.⁷ Dozens of news reports from across the country also indicate that agencies are shelving vouchers.⁸

CBPP estimated in April that by early next year, agencies would be serving as many as 140,000 fewer families due to sequestration.⁹ Such deep cuts in assistance are sobering. Over the past five years, the number of families using vouchers has grown by about 150,000, mostly because Congress has funded roughly 80,000 new vouchers for homeless veterans, people with disabilities, and highly vulnerable families with children.¹⁰ The sequestration cuts threaten to offset these gains through reductions in assistance for other families.

Many housing agencies — particularly those with few reserves or low voucher turnover rates — are also reducing costs by raising the rents that families using vouchers must pay. Agencies can do this by reducing the voucher “payment standard,” or the maximum rent that a voucher will cover. This forces low-income families to choose between paying more for rent or moving to a lower-cost apartment (if one is available), unless the landlord is willing to accept reduced rent.

When payment standards fall, families’ housing costs can rise sharply. For example, a 10 percent reduction in the payment standard could result in a rent increase of \$100 per month or more for a typical family, a heavy burden on what are typically meager household resources.¹¹ Lower payment standards also can push families into neighborhoods with more crime, lower-performing schools, and less access to jobs.¹²

⁷ “PHADA Survey: Effects of Funding Cuts,” May 10, 2013, <http://www.phada.org/pdf/SurveySpecialEdition.pdf>.

⁸ Significant declines in voucher usage also should become evident in administrative data released by HUD over the next several months. For various reasons, however, there is a lag of several months between agencies shelving housing vouchers and the point at which the drop in voucher usage appears in administrative data released by HUD.

⁹ Douglas Rice, “Sequestration Could Deny Rental Assistance to 140,000 Low-Income Families,” Center on Budget and Policy Priorities, April 2, 2013, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3945>. That is, we estimate that agencies will be serving up to 140,000 fewer families than the number they were assisting prior to sequestration plus any additional families assisted through the issuance of new VASH vouchers for homelessness veterans or “tenant protection” vouchers (which are funded separately in the first year of use). Note that, while HUD is awarding approximately \$100 million that Congress set aside to prevent terminations of assistance for *current* voucher holders, these awards should not affect the rate of program attrition because HUD intends to award these funds only to agencies that have ceased reissuing vouchers and will have to start terminating currently assisted families unless the agencies receive additional resources. (See footnote 13.)

¹⁰ The remaining increases in voucher usage were due mainly to the issuance of “tenant protection” vouchers to replace public and other assisted housing that has either been demolished or is no longer affordable to low-income families. As such, these vouchers do not represent a net gain in the number of low-income families receiving housing assistance.

¹¹ In 2010, 21 percent of households in the voucher program already paid more than 40 percent of adjusted income for rent and utility costs, based on CBPP tabulations of HUD administrative data.

¹² Because of the detrimental effects on families, agencies must secure HUD’s permission to reduce payment standards immediately on families already using vouchers or to set payment standards more than 10 percent below HUD’s estimate of “fair” rents in the area. Thus far, HUD has refused to entertain such waiver requests, pending the allocation of contingency funds that will reduce shortfalls for some agencies, although it will likely consider such requests if the contingency funds prove to be inadequate to prevent some agencies from being forced to terminate assistance. Without a waiver from HUD, payment standard reductions apply immediately only to newly admitted families or families that move and therefore enter into a new rental contract. For currently assisted families that remain in place, the reduction applies only upon their second annual eligibility redetermination, which would typically not occur for 13 to 23 months.

As a last resort, agencies may terminate assistance for some current voucher holders, if attrition and other measures will not fully close their budget gaps. Fortunately, the fiscal year 2013 funding law authorizes HUD to allocate a modest amount of funding to prevent terminations of assistance at agencies with shortfalls.¹³ This important provision will likely protect thousands of low-income families from losing rental assistance due to terminations, although it may be insufficient to avert terminations entirely.

Senate Bill Restores Funding for Most of the Vouchers Cut Under Sequestration

The Senate bill provides \$17.6 billion to renew Housing Choice vouchers in 2014 — \$400 million below the President’s request but \$1.2 billion above the 2013 post-sequestration level. We estimate that this amount will be sufficient to renew most of the up-to-140,000 housing vouchers eliminated under sequestration in 2013. (Whether the bill can *fully* restore the lost vouchers will depend not only on the number of vouchers lost but also on the rate of increase in per-voucher costs, which is driven largely by the rate of increase in rental costs in the private market, as well as changes in tenant incomes.)

In contrast, the House bill provides \$17.0 billion for voucher renewals. While this is \$650 million above the 2013 post-sequestration level, we estimate that it will be sufficient to restore less than a fourth of the housing vouchers cut under sequestration this year, thereby locking in the elimination of assistance for nearly 100,000 low-income seniors, people with disabilities, and families with children.

Homeless Assistance

Housing vouchers are an essential tool to prevent homelessness and help families in emergency shelters and other types of temporary housing move into stable, permanent housing.¹⁴ Indeed, many communities prioritize homeless individuals and families for receipt of vouchers. As agencies stop reissuing vouchers in response to sequestration, the number of vouchers available to families that are homeless or at imminent risk of homelessness will shrink markedly, lengthening the time that families remain homeless (and causing other homeless families to be turned away from emergency shelters because they are full).

Sequestration also cut \$96 million from the grants that communities use to assist homeless people, leaving \$1.93 billion for fiscal year 2013. HUD distributes these funds through two channels: Emergency Solutions Grants (ESGs) and Continuum of Care (CoC) grants.¹⁵

¹³ The 2013 law sets aside \$103 million in voucher renewal funds, primarily to adjust agency allocations for various costs that are not adequately captured by the base renewal eligibility formula, and for “PHAs, that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate participating families from the program due to insufficient funds.” Initial applications for assistance were due on June 24, and HUD will likely be announcing an initial round of allocations within the next several weeks.

¹⁴ Jill Khadduri, “Housing Vouchers Are Critical for Ending Family Homelessness,” National Alliance to End Homelessness, January 29, 2008, <http://www.endhomelessness.org/library/entry/housing-vouchers-are-critical-for-ending-family-homelessness>.

¹⁵ The 2013 law provides \$2.03 billion for homeless assistance. After sequestration, \$1.93 billion will be available. This is an increase of \$32 million above the 2012 funding level. However, as explained below, the cost of renewing existing CoC grants for fiscal year 2013 will be significantly higher than \$1.72 billion, according to estimates released in HUD’s budget justifications.

HUD has announced that ESG funding awards will total \$215 million in 2013, about 25 percent below the 2012 level.¹⁶ State and local governments and nonprofits use ESG funds to operate emergency shelters and provide temporary rental assistance, financial assistance, or other services to help at-risk families avoid homelessness and to re-house families living in shelters. Because a large share of shelter operations represent fixed costs, communities may be more likely to address the decline in ESG funding by reducing other forms of ESG-supported assistance. This, too, would likely result in more families becoming homeless and families remaining in shelters longer.

CoC grants largely go to renew rental assistance and supportive services for permanent and transitional housing for formerly homeless people with disabilities and families with children. CoC grants for permanent supportive housing have played an important role in reducing “chronic homelessness” — that is, the number of homeless individuals with mental or physical disabilities who live on the street for extended periods.¹⁷

In its fiscal year 2013 budget request, HUD estimated that between \$1.81 billion and \$1.92 billion will be needed to renew funding for existing CoC housing programs. Yet 2013 funding after sequestration will be just \$1.72 billion, which implies that roughly \$100 million to \$200 million worth of CoC programming will not be renewed.¹⁸ As a result, tens of thousands of homeless people could lose access to the rental assistance and services they need to maintain stable homes, which could undercut recent progress against chronic homelessness.

The Senate HUD funding bill increases funding for homeless assistance in 2014 by \$327 million, enough to restore the sequestration cut in 2013 and to enable communities to modestly expand ESG-supported efforts to prevent homelessness and help families in shelters move into permanent housing. The House bill increases homeless assistance funding by \$155 million, which is enough to restore the sequestration cut in 2013 but may not be enough to fully reverse the ESG cuts *and* fully renew CoC grants, whose cost will grow by roughly \$100 million in 2014, according to HUD.

Public Housing

Public housing provides decent, affordable housing to more than 1 million low-income households, more than half of which are seniors or people with disabilities. It is supported largely through two federal funding streams, the operating fund (to cover maintenance, security, utilities, etc.) and the capital fund (for major repairs and renovations).¹⁹ Federal subsidies fill the gap between the rents that public housing residents can afford and the cost of operating and maintaining public housing developments.

¹⁶ See http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/about/budget/budget13.

¹⁷ HUD, “The 2011 Annual Homeless Assessment Report to Congress,” November 2012, <https://www.onecpd.info/resource/1966/2011-ahar-to-congress-and-supplemental-reports/>.

¹⁸ Because CoC grants require a more extensive application procedure, funding for fiscal year 2013 will be awarded in 2014; this is in contrast to ESG grants, which will likely be allocated via formula in the summer of 2013.

¹⁹ “Policy Basics: Introduction to Public Housing,” Center on Budget and Policy Priorities, updated January 25, 2013, <http://www.cbpp.org/cms/index.cfm?fa=view&id=2528>.

Public housing has been hit hard by three rounds of cuts since 2010; housing agencies have absorbed \$3.4 billion in cumulative funding reductions (see the appendix for state-by-state data). While the vast majority of public housing developments meet or exceed federal housing quality standards, chronic underfunding has created a large backlog of repair, renovation, and other capital investment needs. A 2010 HUD-sponsored report found that public housing developments had accumulated a \$26 billion backlog of capital needs. As of 2012, annual capital funding has fallen in inflation-adjusted terms by \$2 billion, or more than 50 percent, since 2001.²⁰

When federal funding is inadequate, some agencies can make ends meet by drawing on reserves or reducing unnecessary administrative costs. Following many years of underfunding, however, the remaining opportunities for such relatively painless measures have dwindled. Instead, many agencies are being forced to raise revenue or reduce expenses through steps that have harmful consequences for low-income families.

Agencies generally cannot institute across-the-board increases in rents, which are capped at 30 percent of household income. Agencies can generate added revenues, however, by passing more utility costs on to tenants,²¹ raising fees for parking and other services, or exercising their discretion to require the poorest families to pay minimum rents of up to \$50 a month. In addition, when tenants move out, agencies can rent their units to families with somewhat higher incomes since those families can afford higher rents, even though those families have less need for housing assistance than poorer families.

Agencies may also cope with funding shortfalls in part by cutting areas such as security and maintenance. Major maintenance cutbacks, however, could cause living conditions to deteriorate and leave serious safety hazards unaddressed, such as broken fire sprinklers or defective elevators in high-rise developments. In addition, if agencies cut back on maintenance of building grounds and exteriors, this could lead to blight that could harm surrounding communities. Deferring some types of repairs, such as patching leaky roofs, could also result in higher costs down the road.

Ultimately, if Congress fails to provide adequate resources for operations and renovation year after year, many public housing developments will deteriorate to the point that they are no longer habitable. Already, more than 260,000 public housing units have been demolished or otherwise removed from the stock since the mid-1990s.²²

The Senate HUD funding bill provides \$4.6 billion for public housing operations and \$2.0 billion for capital repairs, both of which are above 2012 and 2013 levels, though still below levels for earlier years. According to estimates released with the President's budget, \$4.6 billion would cover roughly 90 percent of agency operating costs in 2014, a significant improvement over the estimated 2013 rate of only 83 percent. The Senate bill also provides \$250 million for the Choice Neighborhoods

²⁰ Abt Associates, *Capital Needs in Public Housing*, U.S. Department of Housing and Urban Development, November 24, 2010.

²¹ The 30 percent cap on tenant payments covers "reasonable" utility costs along with rents. Agencies have broad discretion, however, to pass utility charges on to residents by setting low allowances for tenant-paid utilities or, in buildings with agency-paid utilities, imposing surcharges on families who have air conditioners or certain other appliances.

²² "Policy Basics: Introduction to Public Housing," <http://www.cbpp.org/cms/index.cfm?fa=view&id=2528>.

Initiative, at least \$165 million of which would be used to revitalize public housing and surrounding neighborhoods. Finally, the Senate bill includes \$10 million to fund HUD's Rental Assistance Demonstration, a promising new model that enables agencies to leverage federal funding to raise private capital to revitalize and preserve public housing

In contrast, the House bill cuts funding for public housing by \$277 million, or 16 percent, below the 2013 post-sequestration level. These cuts would compel agencies to further delay or forgo maintenance and repairs, forcing low-income seniors, people with disabilities, and families with children to live in deteriorating conditions and risking further losses of public housing.

HOME and CDBG

As in public housing, Congress made deep cuts in funding for HOME and CDBG, the large housing assistance and community development block grant programs, before sequestration took effect in 2013. As of 2013, states and localities have lost a cumulative total of \$2.5 billion in CDBG funding and \$1.9 billion in HOME funding since 2010 (ignoring losses due to inflation; see the appendix tables).

The House HUD funding bill would slash funding for these programs still more deeply. CDBG formula grants would fall by *47 percent below the 2013 post-sequestration level*, to just \$1.6 billion — by far the lowest level since Congress created the program in the 1970s. Such severe cuts would mean sharply reduced resources to help low-income communities repair streets and sewer systems, develop and preserve affordable housing, and provide basic services to seniors and children. The House bill would also reduce HOME funding to \$700 million, a \$248 million — or 26 percent — cut below 2013. In contrast, the Senate bill would reverse the sequestration cuts in CDBG and HOME.

Conclusion

Because of the Senate's more balanced budget priorities, the Senate HUD funding bill is able to at least reverse the sequestration cuts in nearly all of the HUD housing assistance and community development programs. The provisions discussed above are only a sampling of major differences between the House and Senate bills; differences in many other program areas — from funding to keep low-income children from being exposed to lead-based paint to funding for the Section 8 project-based rental assistance contracts that govern 1.2 million units of assisted housing²³ — are also significant. Yet, as Figure 2 shows, even under the Senate bill, funding levels for most HUD programs would remain well below the 2010 levels, adjusted for inflation.

In contrast, the House bill would cut funding for key programs — particularly public housing and housing and community development block grants — below the sequestration level in 2013, to

²³ Because of sequestration, HUD is “short-funding” most Section 8 project-based rental assistance (PBRA) contracts in 2013; that is, HUD is obligating less than 12 months of funding for some contracts upon renewal, thereby pushing a portion of renewal costs for the current year into the next fiscal year. While “short-funding” has little impact on low-income residents, it creates large HUD budget shortfalls in future years that must be filled if assistance is to be extended. For a fuller discussion, see our April 15 “Interested Parties” memo on the President’s fiscal year 2014 budget request, <http://www.cbpp.org/files/IP-memo-HUD-FY14-final.pdf>. The Senate bill would provide a substantial increase in Section 8 PBRA funding in 2014 to partially, if not fully, eliminate the short funding of contracts.

historically low levels. In addition, the House bill would fail to restore funding for 100,000 Housing Choice Vouchers cut under sequestration.

The differences between the House and Senate bills must be resolved over the next several months. Because the gap between the two bills is so wide, it will likely be resolved only as part of a broader budget agreement that settles overall funding levels for fiscal year 2014, possibly as part of a larger budget agreement in the fall. Low-income families have a lot at stake in how the House and Senate resolve their differences.

