

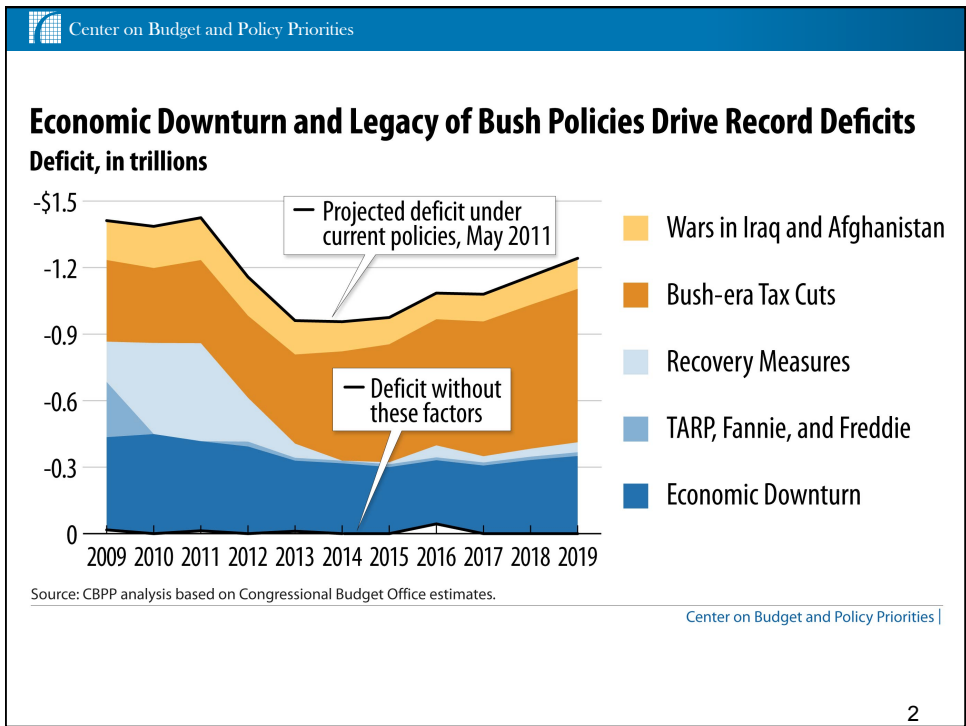
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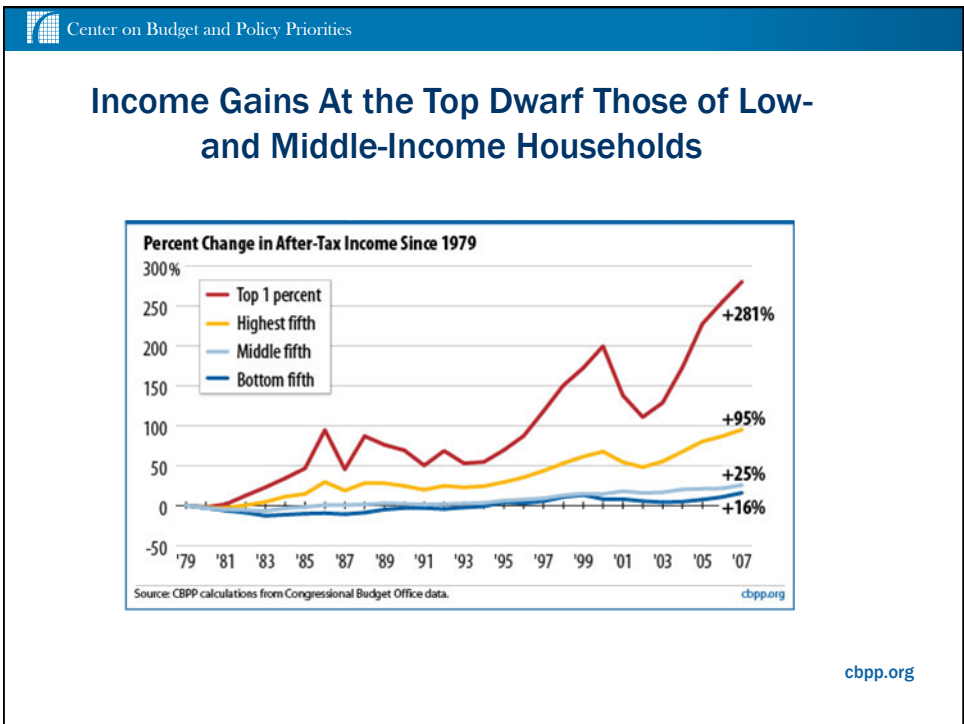
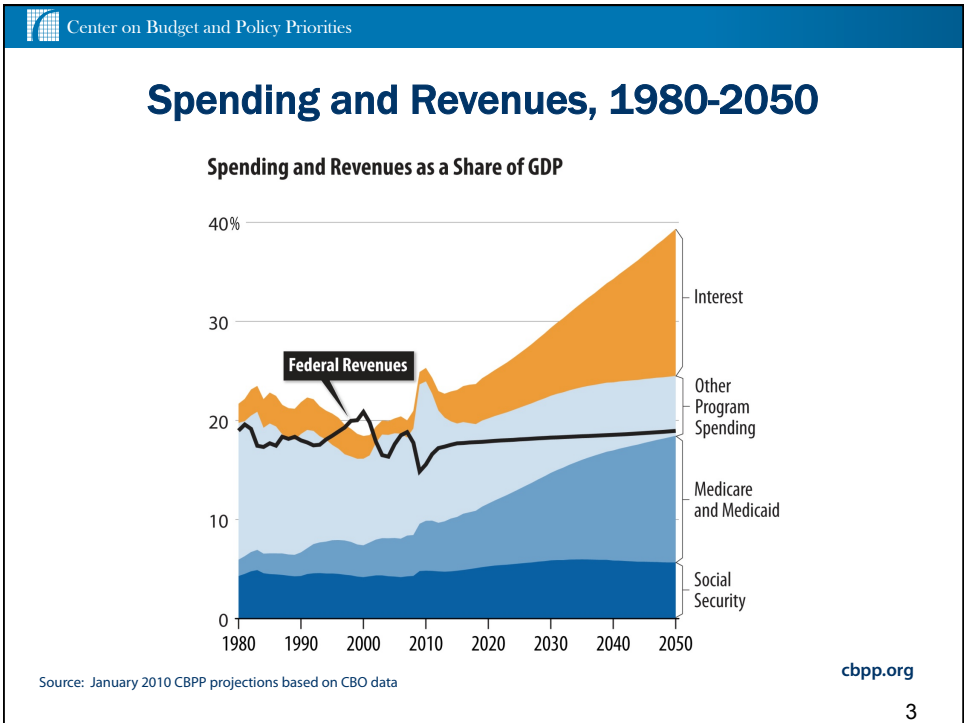
Federal Budget Outlook and Low-Income Housing Programs

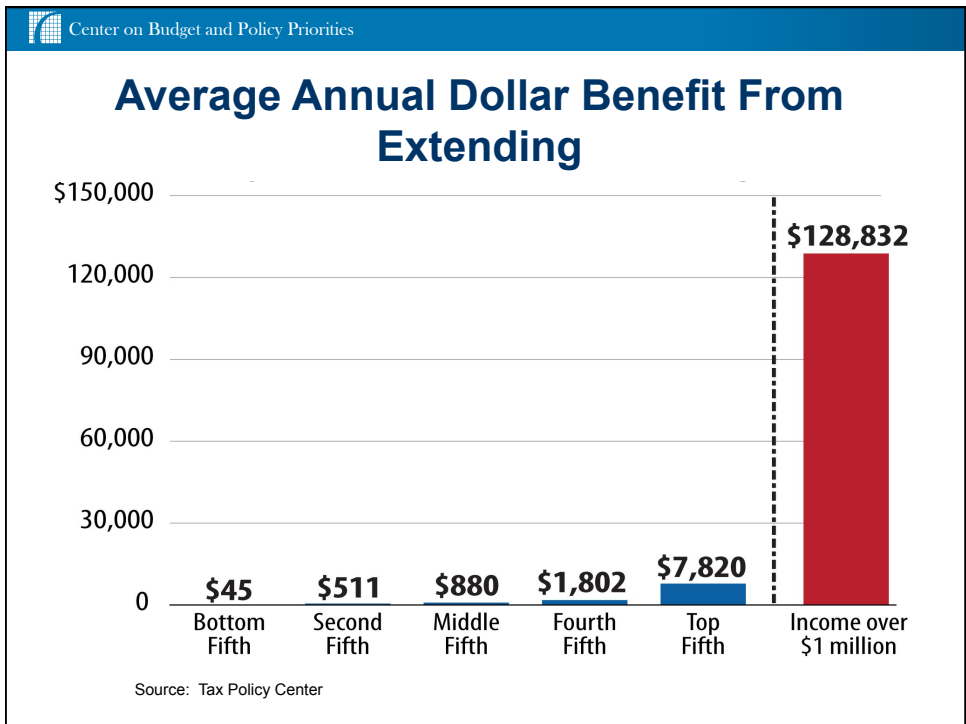
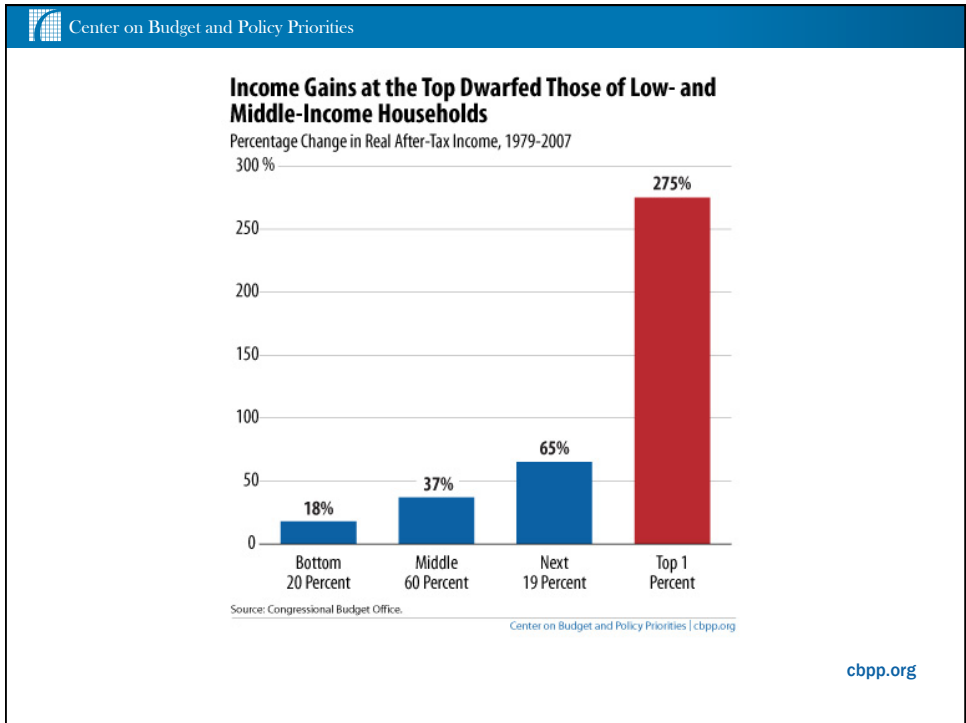
Barbara Sard

November 10, 2011

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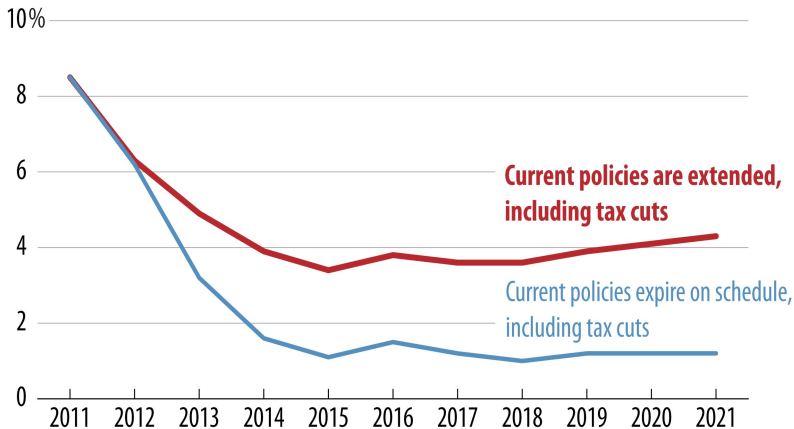
The Major Deficit Reduction Components of Budget Control Act

1. Cuts discretionary spending by nearly \$1 trillion over ten years, enforced by binding annual spending caps.
2. Establishes a bipartisan, bicameral committee tasked with identifying at least \$1.2 trillion more in deficit reduction by November 23, with Congressional vote by December 23.
 - If Committee fails, up to \$1.2 trillion in automatic cuts in discretionary and mandatory programs over 10 years, beginning in 2013.
 - Automatic cuts would be across-the-board in 2013 but not later years.
 - Many low-income programs (but not housing/CD) would be exempt from automatic cuts in 2013.

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Even with Budget Control Act Savings, Current Policies Result in Growing Deficits by End of Decade

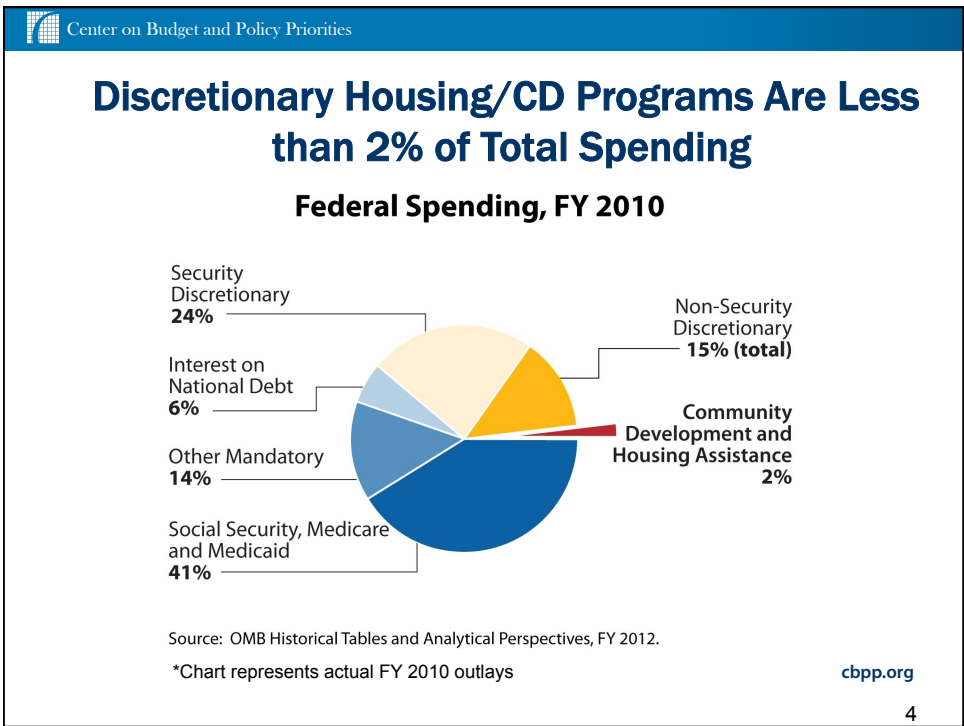
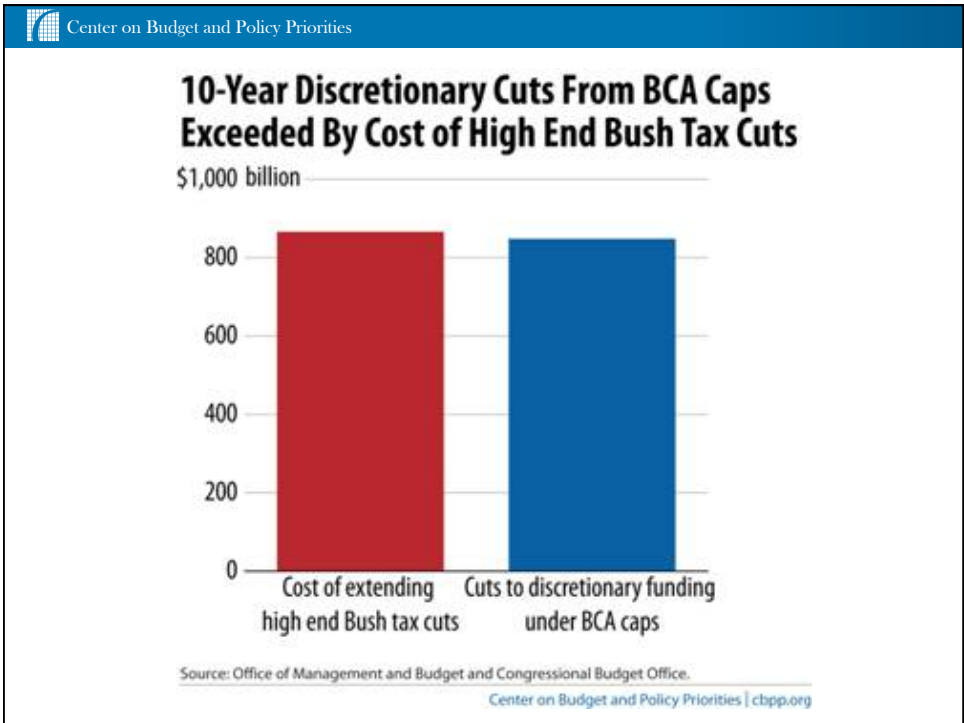
Deficit as a Share of GDP under different scenarios

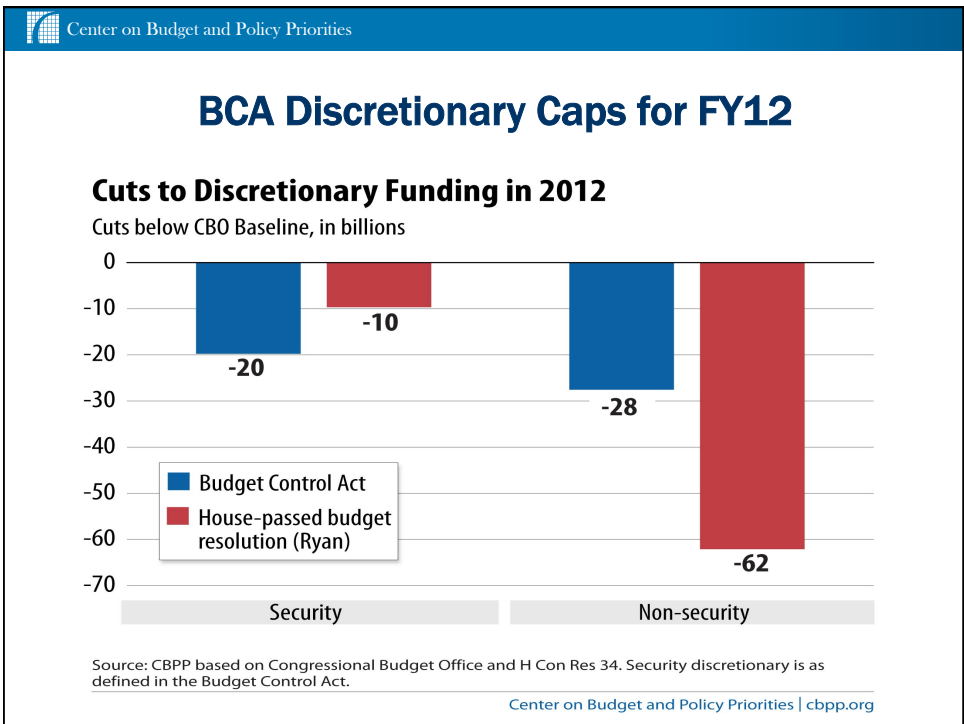
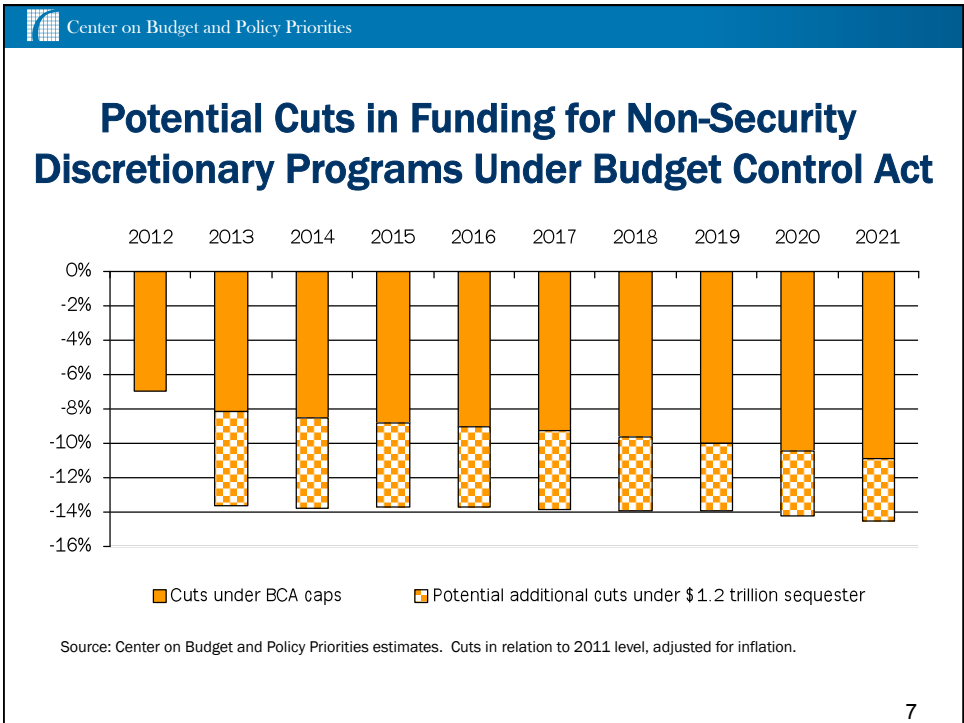


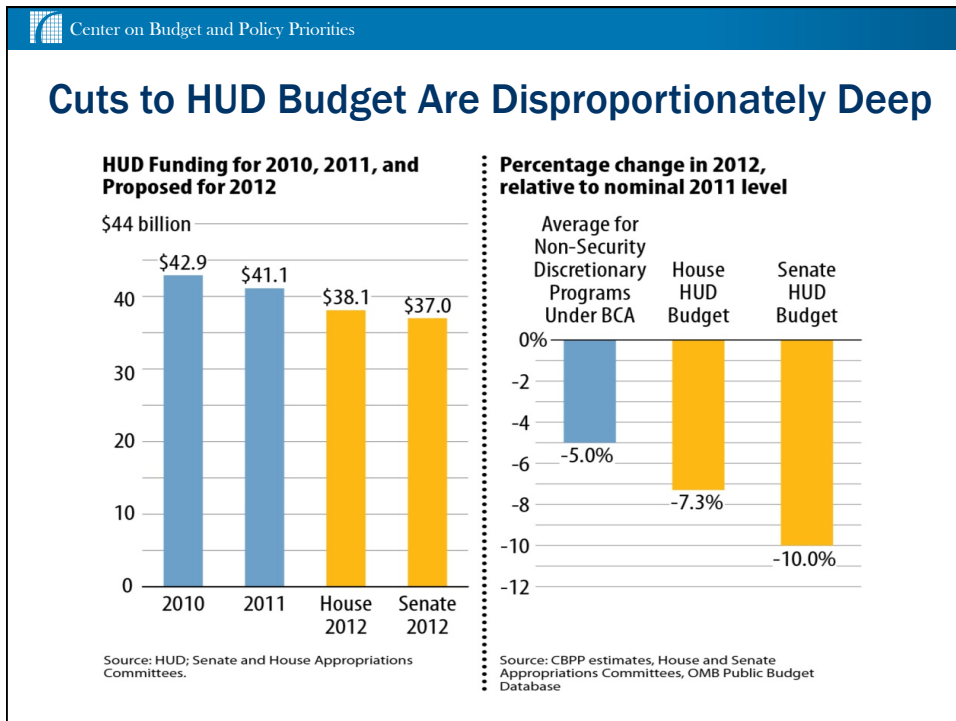
Source: CBPP based on Congressional Budget Office data, September 2011.

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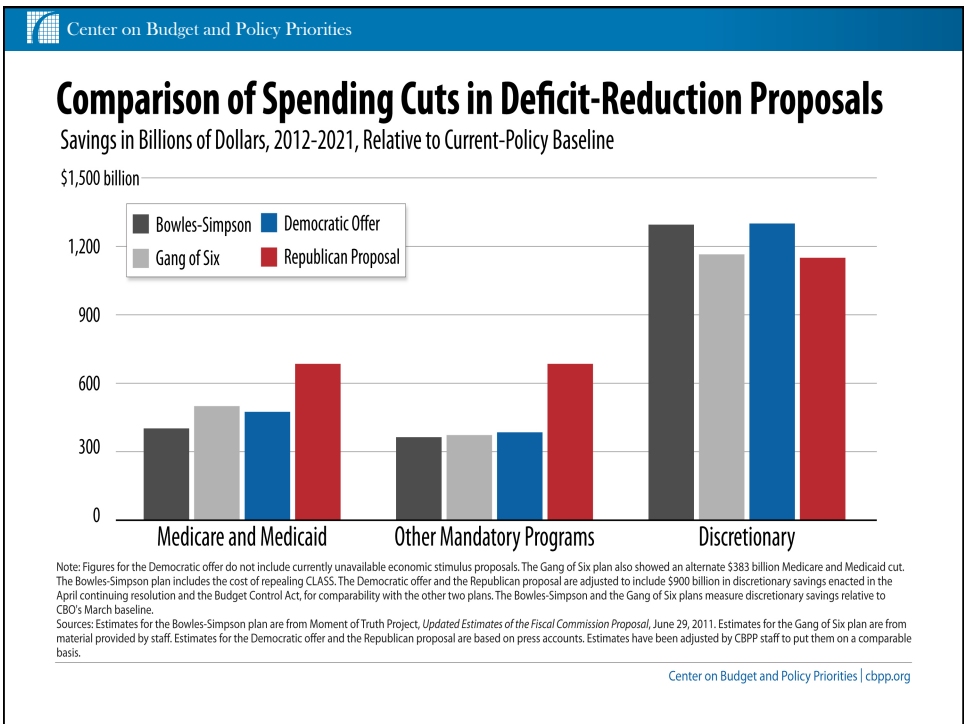
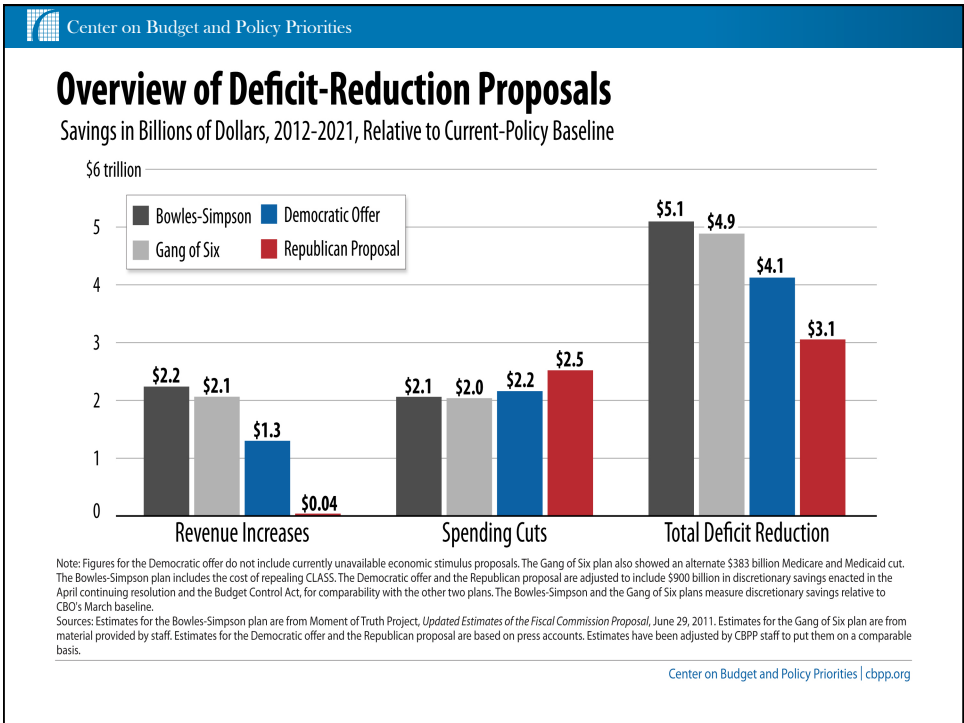




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Overly Severe Multiyear Discretionary Caps Threaten Deep HUD Program Cuts

- Section 8 and other rental assistance costs will rise:
 - More units will need renewal funding
 - Private market rents are increasing
 - Recent modest rise in operating costs unlikely to last.
- Secretary noted 1% increase in rental assistance costs requires 4% cut in other funding.
- Reliance on “excess” reserves to fill budget holes of limited future value.
- If housing market improves, FHA market share likely to decline, reducing HUD-generated revenue.



The Road Ahead

- Both JSC (“Super Committee”) action and failure carry big risks for low-income programs, including Medicaid, food stamps, EITC, low-income housing.
- Securing substantial additional revenues is the only way to avoid deep cuts elsewhere in budget.
- Expiration of Bush-era/2010 tax cuts at end of 2012 and possible BCA-mandated sequester in January 2013 means major action by 2013
- BCA only gets us half way there – additional deficit reduction required to balance budget.

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Budget Decision Timeline

- FY 12 T-HUD details finalized this week; vote on conference agreement week of Nov. 18.
- Nov 23, 2011: Joint Select Committee (JSC) deadline for deficit reduction proposal under BCA
- By Dec 23, 2011: Congress votes on JSC proposal, if JSC reaches agreement
- Feb – Sep 2012: FY 2013 budget process; CR likely until post-election session
- End of 2012: Bush/2010 tax cuts expire
- January 2013: Automatic, across-the-the board cuts in discretionary and some entitlement programs, if JSC fails to achieve at least \$1.2T in deficit reduction

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What Is to Be Done?

- Important to show value of programs and impact of cuts.
But defense alone on impacts will not avoid harmful cuts.
- Time for policy changes that leverage additional funds, serve additional families or save costs without harming intended beneficiaries. E.g.:
 - Meet public housing capital backlog with private capital
 - SEVRA reforms would save \$700M - \$1 billion over 5 years
 - Administrative streamlining
 - Use non-HUD funds for service costs; focus work- and health enhancing services on assisted residents
- Engage in deficit reduction and budget debates – make case for additional revenues.

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Resources

- Primer on the Federal Budget Process
www.cbpp.org/policyBasics
- Timely analysis on budget debates
www.offthechartsblog.org (blog)
[@CenteronBudget](https://twitter.com/CenteronBudget) (twitter)
- Housing analyses and updates
 - Main:
<http://www.cbpp.org/research/index.cfm?fa=topic&id=33>
 - Fact sheets on federal rental assistance programs:
<http://www.cbpp.org/cms/index.cfm?fa=view&id=3586>
 - E-list sign-up:
<http://www.cbpp.org/research/index.cfm?fa=housing>

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