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The Affordable Housing Crisis - This editorial discusses the funding shortfalls faced by affordable housing programs over the past few years and some possible solutions.

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Maine Voices: Sequestration Would be Devastating for Low-Income Mainers - A sampling of articles from around the country about the effects of the federal "fiscal cliff" on affordable housing. These are from Salt Lake City, Maryland and Maine.

Deficit Reduction Deal Without Substantial New Revenues Would Almost Certainly Force Deep Cuts in Housing Assistance - A detailed paper about the cuts that affordable housing programs have taken and are likely to face in any new legislation designed to reduce the federal debt.

THE AFFORDABLE HOUSING CRISIS

The New York Times – 12/4/2012 – EDITORIAL -- The precious few federal programs that provide rental assistance to the nation's poorest and most vulnerable families are already underfinanced. These programs provide decent housing for about only a quarter of the low-income families who qualify for them. And with nearly nine million households teetering on the verge of homelessness, the country clearly needs more support for affordable housing, not less. The main federal programs are traditional public housing, for which the government provides operating expenses, plus two different programs under Section 8 of the housing law, in which rents are subsidized in privately owned properties. Federal housing programs provide a lifeline for about five million low-income households that would otherwise be unable to afford livable housing at all. More than half of these households are headed by elderly or disabled people and more than a third are families that include children. These families are overwhelmingly "extremely low income," which means they earn less than a third of the median income in the areas where they live. Congress has not treated these housing programs kindly in recent years. Between 2010 and 2012, financing fell by about $2.5 billion, or nearly 6 percent, although some of this was mitigated by one-time measures, like spending from reserves. President Obama's budget for the 2013 fiscal year is not much of an improvement; given inflation, Congress would have to increase appropriations just to keep treading water, when, in fact, what the poor in this country need is a significant jump. The administration obviously needs to do better. The number of families eligible for this program has grown significantly since the start of the recession. Last year, for example, 8.5 million very-low-income families without housing assistance paid more than half their incomes for housing — an increase of 43 percent from 2007. These families skimp on food and medical care to make the rent and tend to move often, making it difficult for their children to be successful at school. They are also more prone to homelessness, which is traumatic for them and extremely costly for the municipalities that run shelters. Yet even as the need for affordable housing has grown, such units have disappeared. Over the last two decades, for example, private landlords have removed more than 200,000 apartments from subsidy programs so that they could raise rents. And, faced with weak federal support and no money for repairs, the local housing authorities that manage federally supported developments have boarded up or torn down more than 150,000 units. According to an analysis by the Department of Housing and Urban Development, it would take about $26 billion to repair the public housing developments that shelter more than two million of the nation's most vulnerable people. The department is currently engaged in a pilot project under which a small subset of public housing authorities will be allowed to leverage private capital to make the needed repairs on their properties. Meanwhile, Congress could help reduce costs for affordable housing units by passing the Affordable Housing and Self Sufficiency Improvement Act, a sound proposal in which core provisions have bipartisan support. The act would save money by streamlining a whole range of rules that are now redundant or excessively complicated — allowing agencies to more efficiently screen applicants, cutting the frequency with which housing authorities are required to inspect units, and simplifying the setting of rental rates. But Congress would still have to find major new sources of revenue to sustain the current programs and meet increasingly pressing housing needs. It took an important first step in 2008, when it created The National Housing Trust Fund. Modeled on successful state programs, the fund would provide subsidies and incentives to preserve, rehabilitate and build housing for low-income families in stable middle-class communities. It would also stimulate construction and create jobs. The money to underwrite the fund was supposed to come from the federally backed mortgage companies Fannie Mae and Freddie Mac, which imploded at the start of the recession. Now that those companies have turned the corner, the time may have come to divert some of their profits to affordable housing. Other ideas are circulating that go beyond simply beefing up programs with more appropriations. The Center on Budget and Policy Priorities, for instance, has suggested revising the tax code — which now provides some $100 billion in tax breaks to homeowners — to give low-income renters a benefit as well. The benefits would take the form of a credit to be distributed by the states according to income and other criteria. The center estimates that eligible families would end up paying about only 30 percent of incomes on housing, and that even a modest renters' credit capped at $5 billion would lift 250,000 renters out of poverty, help 1.2 million of the lowest income renters and cut the number of poor households that spend more than half their incomes on rent by 700,000. That proposal deserves a serious reading.

LOW-INCOME ADVOCATES FEAR THE FISCAL CLIFF

The Salt Lake Tribune – 11/19/2012 – by Cathy McKitrick -- Out on the street? Sequestration would mean less help. -- If Congress does not achieve a reasonable compromise by year's end, sequestration or across-the-board federal budget cuts will kick in, and low-income advocates in Utah warn that the weakest segment of the population could be hurt the most. Recent figures from the Washington, D.C.-based Center on Budget and Policy Priorities suggest that careening off the so-called fiscal cliff would chop close to $1.5 million in statewide Community Development Block Grant funding, 861 fewer households could get rental housing vouchers, and public housing assistance would shrink by $576,265. Kerry Bate, director of housing opportunities for the Salt Lake County Housing Authority, fears losing hard-fought ground if the cuts occur. "This is a meat-ax approach," Bate said. "My biggest concern is that we have a lot of people in very fragile housing situations." With the recent recession, what used to be a two-year wait for housing assistance has now stretched to five. "These proposed cuts would exacerbate that a great deal," Bate said. "Not only would it delay new people coming into the program, it would also impact those we've already helped." Janice Kimball, housing and services director for the county's Housing Authority, said their Section 8 voucher waiting list now has more than 6,900 names on it as families are backlogged to get access to a voucher, which subsidizes rents. "We're able to help 15 to 20 households per month with Section 8," Bate said. All totaled, the Salt Lake County Housing Authority would miss out on about $1.5 million for all of its programs, said Andre Bartlome, chief financial officer for the Housing Authority. About $300,000 of that would be trimmed from the public housing program in which Salt Lake County serves as landlord to 625 households. "That would mean we can't do the maintenance and property management as well as we do it now," Bartlome said. If it occurs, sequestration follows on the heels of several years in public housing cuts, which Bate warned could "absolutely put more people on the streets." "The simplest and shortest way to get people off the streets is a housing subsidy," Bate said, adding that the inverse of that statement also holds true. Roughly 40 percent of the state's vulnerable population — which includes low-income, elderly and disabled individuals — are served by the Salt Lake County Housing Authority. A similar percentage receives help from Salt Lake City's Housing Authority. Terry Feveryear is deputy director for the city's Housing Authority. She also serves as vice chairman of the national housing committee for the National Association of Housing and Redevelopment Officials (NAHRO), whose members administer federal programs that include Public Housing, Section 8 Housing Choice Vouchers, CDBG and HOME. Section 8 funding for Salt Lake City has been cut repeatedly over the past eight years, Feveryear said, and another 8.2 percent trim would mean that 350 to 375 fewer families could be served. A similar trim to public housing would mean further building deterioration. "We wouldn't have the funds to do repairs," Feveryear said. The Salt Lake City and County housing authorities operate a 300-unit building for senior citizens at 1992 S. 200 East. The city's side is called City Plaza, the county's portion is High Rise. "Sequestration basically means taking a big cut from the population that needs it the most," Feveryear said. Salt Lake City has over 5,000 names on its Section 8 waiting list, Feveryear added, and applicants generally face a three-year wait. Bill Tibbitts, associate director of the nonprofit Crossroads Urban Center in Salt Lake City, voiced concerns about sequestration even though his organization would not be impacted directly by federal funding cuts . "We have an emergency food pantry. When other resources get tighter, we see a surge here," Tibbitts said. Whether it's across-the-board cuts or trims to specific programs that could hurt struggling families, Tibbitts said he is wary of how lawmakers' action or inaction will impact the societal safety net. "Doing nothing is not an option, but many progressive organizations are concerned about alternatives," Tibbitts said. "What do we fear most — sequestration or cuts to Medicare and Social Security? It will be interesting to see what they come up with."

FAMILIES FACE LOSING RENTAL ASSISTANCE

Your4State – 11/15/2012 -- Katie Kyros

WASHINGTON COUNTY, MD - Some families who receive rental assistance are facing a crisis. They could lose their housing, and it's all in the hands of Congress. Housing agencies across the Four-State are facing an 8.2 percent cut. They say they may have to cut families for the first time. "My rental assistance has given me a chance to have a decent life," says senior Cora Farquharson, who has a Section 8 voucher. "This is a safe place to live. It has security. If I didn't have it, I don't know where I would be." Farguharson is one of 600 people who receive rental assistance in Washington County. More than 1,400 families are hoping for that sense of safety; they're on the waiting list for rental assistance. The Housing Authority has seen the number jump since the summer. But the waiting list won't move, and many households will be cut if Congress allows cuts to take effect in January. "We have never had to withdraw rental assistance from someone that was actually getting it," says Richard Willson, executive director of the Washington County Housing Authority. "If Congress is unable to get through that logjam, we will be actually withdrawing assistance from families getting it. We're right now trying to figure out how do you do that fairly." Going over the fiscal cliff would mean the Housing Authority would have to cut 40 to 50 families in January.

MAINE VOICES: SEQUESTRATION WOULD BE DEVASTATING FOR LOW-INCOME MAINERS

The Portland (ME) Press Herald – 11/29/2012 -- By Greg Payne -- Maine's delegation needs all the help it can get from ordinary citizens to see this tragedy is averted. -- PORTLAND — Previously little-used, the word sequestration was thrust into our daily parlance earlier this year when Congress passed the Budget Control Act to stave off the debt ceiling crisis. But let's not forget the impact behind the buzzword: There are $1.2 trillion in indiscriminate federal budget cuts scheduled to take effect on Jan. 1, 2013, which would have devastating effects on Maine families. The House and Senate say they'll work together to find an alternative. But it's still unclear if that will be a balanced approach that includes new revenue and protects the spending needed to help the most vulnerable among us. According to the Office of Management and Budget, sequestration would trigger an 8.2 percent cut to critical Housing and Urban Development programs. Those include tenant-based rental assistance, Community Development Block Grants and the HOME Investment Partnerships program, which is key to the construction of new, affordable homes. According to the report, the cuts would have a disastrous effect on low-income people. What does this mean for Maine? In short, more than 1,000 Maine families would lose their housing vouchers and face eviction. If they became homeless, we would have a harder time helping them, since the cuts would also cost the state nearly $1 million in homeless assistance. On top of that, Maine would lose $10 million to address public housing infrastructure needs and $1.3 million in Community Development Block Grant funding, a critical resource used by municipalities statewide to address housing rehabilitation and infrastructure needs. These cuts would do real harm to our communities and our neighbors who are already struggling. In Maine, nearly 40,000 renting families are extremely low-income (making about $18,500 a year or less), and yet there are only 20,228 units affordable and available for them, according to the National Low-Income Housing Coalition. The gap between these numbers already makes homelessness and severe housing instability a mathematical certainty in Maine. Unnecessary cuts to programs attempting to bridge the divide simply move us further in the wrong direction. As has been well documented on these pages over the past couple of weeks, the city of Portland is already facing increasing numbers of Maine people experiencing homelessness. Not only have our shelters gone over capacity, but our overflow shelters have as well, forcing the city to shelter dozens of our neighbors by sitting them in chairs in city offices overnight. What would happen in Portland and around the state if hundreds more Mainers found themselves without a warm, safe place to sleep or care for their children? These cuts would impact our most vulnerable neighbors: working families with children, the elderly and people with disabilities, including Maine's veterans. And they'd exacerbate our state's growing poverty: The U.S. Census Bureau shows the number of Mainers living below the poverty level increased from 12.9 percent in 2007 to more than 14 percent in 2011 -- the kind of poverty Maine hasn't seen in a generation. Earlier this month, more than 250 people from the affordable housing and community development arenas came together to discuss these issues at the Maine Affordable Housing Coalition's Housing Policy Conference in Portland. From local leaders to state lawmakers and federal housing policy experts, the consensus was clear: the unmet need for safe, affordable homes is tremendous and growing, and yet the resources available to address those needs are shrinking. Sequestration would further deplete these resources and move our state and our nation even further behind. Maine's congressional delegation is playing a key role in negotiations around sequestration and its possible replacement with an alternative deficit reduction plan. Seventy organizations from Maine have signed on to a letter, delivered this week, encouraging them to replace sequestration with a balanced deficit reduction plan that includes new revenues and does not harm low-income families and key community development resources. Signers include a diverse group of private and public sector organizations, including architects, engineers, developers, investors, and housing and service providers. While it is imperative that we reduce our nation's deficit over the long term, we need not and should not balance the budget on the backs of our most vulnerable.

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DEFICIT REDUCTION DEAL WITHOUT SUBSTANTIAL NEW REVENUES WOULD ALMOST CERTAINLY FORCE DEEP CUTS IN HOUSING ASSISTANCE

By Douglas Rice

Any major legislation to reduce federal budget deficits that does not include substantial new revenues would almost certainly require deep cuts in programs that serve low-income families, including housing and community development programs. Such cuts would come on top of the ten-year spending cuts that President Obama and Congress enacted last year — and they could be far deeper than the across-the-board cuts ("sequester") that are scheduled to take effect in early January unless policymakers overturn them.

In last year's Budget Control Act (BCA), the President and Congress set binding "caps" on total funding (or "budget authority") for discretionary programs in each fiscal year from 2012 to 2021.[1] The caps, coming on top of the spending cuts that policymakers enacted in annual appropriations bills beginning in fiscal year 2011, will cut discretionary funding by a total of $1.5 trillion over ten years, thereby shrinking non-defense discretionary spending to its lowest level on record as a share of Gross Domestic Product (GDP) in data that go back to 1962.[2] The caps have already forced substantial reductions in housing and community development assistance (see Figure 2 below), and they will likely put intense pressure on the budget of the federal Department of Housing and Urban Development (HUD) over the next decade. If the HUD budget fell in proportion to the BCA caps, that would mean a $2.5 billion annual funding cut by 2021, which is equivalent to eliminating housing voucher assistance for more than 300,000 low-income families, or to reducing funding for the three large block grants — CDBG, HOME, and the Native American Housing Block Grant — by 55 percent.

Policymakers agree, however, that they must do much more than implement these funding caps to address projected long-term deficits and debt. Consequently, they included in the BCA a mechanism — known as "sequestration" — to compel themselves to agree on further steps to reduce deficits. Sequestration requires more than $1 trillion in additional spending reductions for

[1] The BCA also sets separate sub-caps for defense and non-defense discretionary programs. This policy is important because it makes it more difficult for policymakers to lessen or avert reductions in defense funding by further cutting funding for non-defense programs.

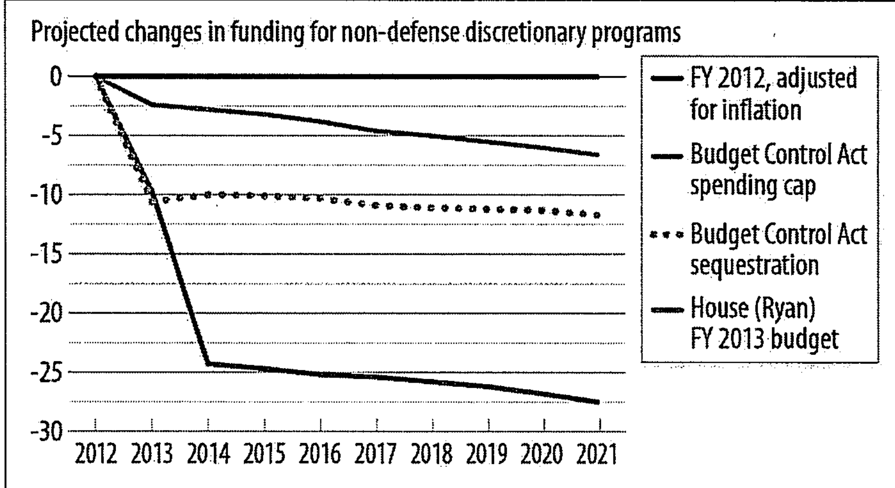
[2] Richard Kogan, *Congress Has Cut Discretionary Funding by $1.5 Trillion Over Ten Years*, Center on Budget and Policy Priorities, September 25, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3840.

defense and non-defense discretionary programs over the decade, beginning with across-the-board cuts in January 2013. In part because the scheduled cuts are harsh, indiscriminate, and unpopular, the President and Congress will try, in the coming weeks, to hammer out a framework under which to replace these cuts with a more balanced and comprehensive package of spending cuts and tax increases.

To understand what's at stake for housing assistance and community development programs, consider that policymakers broadly agree that, as part of their deficit reduction efforts, they should largely or entirely avoid cuts in Social Security benefits for current retirees and limit or avoid them for current Medicare beneficiaries. Also, many lawmakers oppose cutting defense funding below the BCA caps. If, however, policymakers limit their deficit reduction efforts in this way, then they must achieve the lion's share of their savings from three remaining major areas of the budget: non-defense discretionary spending — which comprises just one-sixth of spending and has already taken sizeable cuts under the BCA caps — low-income entitlement programs such as Medicaid and SNAP (food stamps) and revenues.

If, then, forthcoming deficit reduction does not include significant new revenues, it almost certainly will force very deep cuts in low-income programs (whether entitlements or low-income programs that are funded through non-defense discretionary spending) — and there is no reason to expect housing assistance and community development programs to avoid such cuts. Indeed, these cuts could be much deeper than those required under sequestration.

Figure 1
Unbalanced House (Ryan) Plan Forces Very Deep Cuts in Non-Defense Programs



Source: CBPP analysis based on OMB and CBO data.

The House-passed budget of Budget Committee Chairman Paul Ryan illustrates the consequences of a deficit reduction approach that forgoes new revenues. Under the Ryan budget, non-defense discretionary funding would fall by 24 percent in 2014 and 28 percent by 2021, compared to the 2012 level as adjusted for inflation. These cuts are *more than twice as deep* as the cuts required by sequestration, and more than four times as deep as those under the BCA caps (see Figure 1).

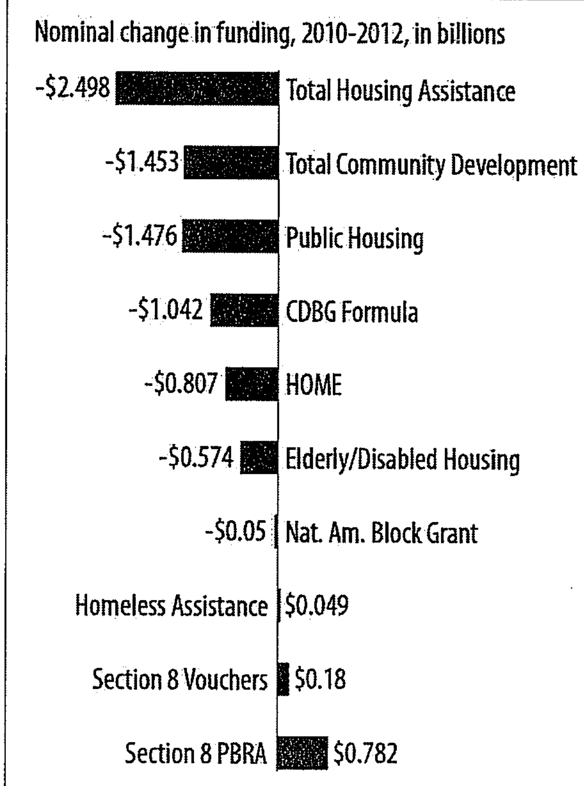
The cuts required by the Ryan budget would prove devastating to low-income families and communities. If all non-defense discretionary programs were cut by the same percentage, as many as 1.2 million households containing low-income seniors, people with disabilities, and families with children would lose federal rental assistance by 2021, and communities would lose more than $1.3 billion in funds for affordable housing and economic development. (See Tables 1 and 2 of the appendix for state-by-state estimates of the cuts in housing and community development programs under the BCA spending caps, sequestration, and the Ryan budget.)[3]

Congress Has Already Made Deep Cuts in Housing and Community Development Aid

To address projected budget deficits, the President and Congress in recent years have relied almost entirely on cuts to discretionary programs.[4] First, they enacted funding legislation for fiscal year 2011 that cut discretionary funding below the 2010 level. Soon thereafter, they enacted the BCA that, as noted above, set ten-year binding "caps" on total budget authority for discretionary programs.

Figure 2 shows the impact to date on housing assistance and community development programs. From 2010 to 2012, funding for housing assistance fell by $2.5 billion, or 5.9 percent, just in "nominal terms" — i.e., not counting the additional losses due to the effects of inflation — while funds for community development programs fell by $1.5 billion, or 24 percent.[5] Policymakers cut funds for public housing and housing and community development block grant programs most sharply.

Figure 2
Since 2010, Funding for Housing Has Been Cut by $2.5B (6%) and CD by $1.5B (24%)



Source: OMB public budget database.

To its credit, Congress mitigated the immediate effect of these cuts on low-income families in two ways. First, lawmakers targeted a larger share of resources to areas where they are needed to prevent the end of rental assistance to the low-income households that now receive it, such as by renewing Housing Choice vouchers and Section 8

[3] All figures are stated in 2012 dollars. The methods and sources used are explained in the appendix.

[4] "Discretionary" programs are those that Congress funds annually through appropriations, and they include most housing assistance and community development programs.

[5] "Housing assistance" is a standard federal budget category that includes the Housing Choice Voucher, Section 8 project-based rental assistance, public housing, homeless assistance, HOME, elderly and disabled housing programs, as well as various USDA housing programs. Most of the funding in the "Community Development" category is for CDBG formula grants, but it also includes a number of smaller HUD and USDA programs.

project-based rental assistance (see Figure 2). Second, lawmakers cut the price tag of HUD's fiscal 2012 budget by $1.8 billion through one-time savings measures in housing assistance programs — including the rescission of more than $400 million in unused funds and requirements that housing agencies spend down $1.4 billion in funding reserves in lieu of receiving new funding to cover the cost of operating public housing and renewing housing vouchers for low-income families.

While these measures helped to protect low-income families from immediate harm from budget cuts, policymakers for the most part cannot repeat them in future years. As a result, policymakers would need to allocate significant new funding just to sustain current program service levels. If policymakers do not do so, HUD and housing agencies will have no choice but to substantially reduce the number of low-income families that they assist.

The BCA Caps Will Continue to Put Great Pressure on Housing and Community Development Programs in Future Years

Under the BCA caps, nominal funding for non-defense discretionary programs will rise modestly from fiscal years 2013 through 2021, but by less than CBO's projected rate of inflation. Thus, funding will continue to shrink in real (inflation-adjusted) terms. (See Figure 1.)

A real cut in non-defense discretionary spending will likely put serious pressure on HUD's budget over the coming decade, forcing the President and Congress to make tough decisions from a menu of poor options.[6] By fiscal year 2021, the caps for non-defense discretionary programs fall 6.6 percent below the enacted 2012 funding level, adjusted for inflation. If HUD's budget fell proportionally, that would mean a $2.5 billion annual funding cut by 2021, which is equivalent to eliminating housing voucher assistance for more than 300,000 low-income families, or to reducing funding for the three large block grants — CDBG, HOME, and the Native American Housing Block Grant — by 55 percent.

Moreover, these figures probably understate the potential impact on low-income families and communities. First, they assume that the cost of renewing HUD rental assistance for the more than 4.6 million households that now receive it will grow at the expected general rate of inflation. These programs rely largely on private market rental housing, however, where rents and utility costs have grown somewhat more than the general inflation rate over the past two decades. If these trends continue, the number of households losing rental assistance under the funding cuts described above would be greater than these estimates suggest. If one assumes that rental assistance renewal costs will continue to grow at a rate consistent with recent history, for example, the HUD budget shortfall would grow to $4.5 billion by 2021, which is equivalent to eliminating housing voucher assistance for well over 500,000 low-income families.

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[6] For fiscal years 2014-2021, the President and Congress can set funding priorities under the BCA caps and protect low-income housing and community development from cuts if they choose, by cutting other programs more steeply. However, certain other non-defense discretionary programs such as veterans' health care, bio-medical research, and the FBI are the ones most likely to be shielded, and that will force deeper-than-average reductions in many of the remaining non-defense discretionary programs. The experience from the 2011 and 2012 funding cycles suggests that low-income housing and community development programs can expect to absorb funding cuts that are at least equal in depth to the cuts that non-defense discretionary programs as a whole will have to bear.

Second, no funds would be available to address the roughly $26 billion backlog in capital repairs required to maintain public housing in good condition. Current funding levels are insufficient to address these needs; indeed, the backlog of capital repair needs will likely grow under current funding levels. If these repairs are not made, public housing residents — most of whom are elderly or disabled — will have to live in deteriorating conditions, and hundreds of thousands of affordable apartments likely will eventually be lost to disrepair. Unless policymakers can devise a strategy to address these needs that relies less on appropriated funds, therefore, a large loss of public housing assistance will likely compound the problems outlined above.

Finally, as noted above, one-time savings measures absorbed $1.8 billion in funding cuts in HUD's 2012 budget, and policymakers for the most part cannot repeat these savings. If the President and Congress do not provide new funding in future years to offset these one-time funding cuts, then the impact of the BCA caps on low-income families will be much more severe, sharply increasing, for example, the number of families losing rental assistance.[7]

Four Keys to Sustaining Housing and Community Development Aid Under the BCA Spending Caps

HUD's budget thus faces serious challenges under the BCA caps, although the outcome is not written in stone. The pressure on HUD could ease somewhat if rental assistance renewal costs grow at a somewhat lower rate than our analysis assumes. For instance, no cuts in rental assistance or other programs would be required under our analysis if rental assistance costs grow at a rate that's somewhat *below* the projected overall rate of inflation.

In addition, policymakers can, and should, take important steps to avoid deep cuts in assistance for low-income families and communities:

1. **Prioritize low-income programs in making discretionary funding decisions, including by passing a HUD funding bill for fiscal year 2013 that's modeled on the Senate appropriations bill that covers HUD.** The Senate HUD funding bill, which the Senate Appropriations Committee approved in April, has weaknesses, but it also has many strengths and it improves on the President's budget request. Senate appropriators wrote the bill within a framework that adheres to the BCA caps, prioritizes scarce resources to avert cuts in the number of families receiving rental assistance, provides modest funding increases for other priorities such as assistance for homeless individuals and families, and avoids one-time budget savings or gimmicks that would exacerbate the budget challenge in future years.[8]

2. **Pass comprehensive rental assistance reform legislation, such as the Affordable Housing and Self-Sufficiency Act (AHSSIA).** This legislation, the most recent version of which was circulated in April by the House Financial Services Committee's Republican leadership, would streamline the major rental assistance programs, cut the costs of operating

[7] In addition, the analysis ignores the role of FHA mortgage insurance premiums in the HUD budget. FHA programs now dominate the mortgage market, yet their market share is expected to fall sharply in coming years as the private market continues to recover. As a result, HUD's budget may experience declining revenues, forcing the Administration and Congress to provide additional budget authority to sustain program funding levels.

[8] Douglas Rice, *Senate Funding Bill Improves on President's Budget Request for Rental Assistance*, Center on Budget and Policy Priorities, May 22, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3782.

these programs, and encourage housing agencies to serve more families within available funds.[9] The Congressional Budget Office (CBO) estimates that, when fully implemented, AHSSIA would reduce funding needs for HUD rental assistance programs by some $700 million per year, not counting additional savings associated with reduced administrative burdens for housing authorities and private owners. In light of the likely gap between HUD funding under the BCA caps and rental assistance renewal costs outlined above, savings of this magnitude would help mitigate the impact of funding cuts on low-income families.

3. **Embrace public housing reforms that enable agencies to access more private capital to meet capital repair needs.** The Obama Administration has proposed to let housing agencies convert public housing properties to "project-based" rental assistance contracts, and Congress approved a limited demonstration of the concept in the 2012 appropriations law. Project-based rental assistance contracts would make it easier for housing agencies to raise private capital to rehabilitate developments and preserve affordable rental housing for the long term. The Administration and Congress should make this option available to more housing agencies by adopting AHSSIA's expanded demonstration.

4. **Prevent further cuts in funding for non-defense discretionary programs by adopting a balanced approach to addressing the nation's remaining fiscal challenges.** See the discussion below.

Sequestration Would Cause Hundreds of Thousands of Low-Income Families to Lose Rental Aid, But Alternatives that Lack Substantial New Revenues Would Force Even Deeper Cuts

Along with setting ten-year caps on discretionary spending, the BCA created a Joint Select Committee on Deficit Reduction (the "supercommittee") to develop legislation to reduce deficits by another $1.2 trillion over ten years, and it created a backup mechanism of annual spending cuts, known as "sequestration," that would take effect if the supercommittee failed to meet its charge. Because the supercommittee failed, sequestration is scheduled to occur starting in January 2013 and to run through 2021.

Sequestration requires cuts in non-defense discretionary funding in each fiscal year from 2013 to 2021 below the BCA spending caps.[10] Figure 1 shows the effects of these cuts, compared to the cuts under the BCA caps. The first round of sequestration cuts, in January 2013, will apply to every non-exempt program, including nearly every discretionary housing and community development program. (In fiscal years 2014 to 2021, the funding cuts will not occur on an across-the-board basis; that is, the Administration and Congress will have the power to distribute the funding cuts however they wish by making the cuts when they write the annual appropriations bills for these years.)

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[9] For information on AHSSIA, see the materials available on our web site at: http://www.cbpp.org/research/index.cfm?fa=topic&id=143.

[10] Sequestration also applies to defense and mandatory ("entitlement") programs. Most low-income entitlement programs, including Medicaid and SNAP (food stamps), are exempted from sequestration, but the vast majority of low-income housing and community development programs are not. The only exception is the veterans' supportive housing program (HUD-VASH).

The Office of Management and Budget recently released estimates showing that funding for non-defense discretionary programs would fall by 8.2 percent under sequestration in January 2013. Table 1 in the appendix shows the estimated effects of a 2013 sequester on housing and community development programs in each state, which would be harsh. For instance, states would lose Housing Choice vouchers for up to 180,000 low-income families, and funding for the three major block grants would fall by $375 million — on top of the $1.9 billion in cuts that policymakers have enacted since 2010. These cuts would grow larger in subsequent years, unless policymakers acted to prevent sequestration from continuing.

Sequestration's harsh and indiscriminate effects have received much attention, and policymakers face great pressure to prevent it from occurring. If policymakers do so, however, they likely will couple this action with an agreement to cut projected deficits by much more than sequestration would achieve.

Without Revenues, Any Plan to Replace Sequestration Will Force as Deep --- Or Deeper ---Cuts Than Sequestration Itself

Policymakers need to achieve about $2 trillion in additional deficit reduction, on top of that achieved through the BCA caps (for a total of nearly $4 trillion including the BCA savings) in order to "stabilize" the federal debt over the next decade so it does not continue to grow as a share of the economy and, thus, risk serious financial and economic problems.[11] Moreover, as noted above, many policymakers argue that Social Security, Medicare, and defense should contribute little (or nothing) to the effort. If policymakers largely avoid those spending categories, they will need to include very substantial new revenues in their deficit reduction package to prevent very deep cuts to low-income programs, including housing and community development assistance.

The House-passed Ryan budget illustrates the point. It includes no new revenues and would impose a massive $5.3 trillion in spending cuts that over ten years. These cuts include severe cuts in non-defense discretionary programs, as well as in Medicaid and food stamps.[12]

Under the Ryan budget, funding for non-defense discretionary programs would fall by 24 percent in 2014 and 28 percent by 2021, compared to the 2012 level as adjusted for inflation. These cuts are *more than twice as deep* as the cuts that sequestration would require and more than four times as deep as those the BCA caps require (see Figure 2).

[11] Richard Kogan, "$2 Trillion in Deficit Savings Would Achieve Key Goal: Stabilizing the Debt Over the Next Decade," Center on Budget and Policy Priorities, November 1, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3856.

[12] See the following papers from the Center on Budget and Policy Priorities: Kelsey Merrick and Jim Horney, "Chairman Ryan Gets 62 Percent of His Huge Budget Cuts from Programs for Lower-Income Americans," March 23, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3723; Edwin Park and Matt Broaddus, "Ryan Medicaid Block Grant Would Cut Medicaid by One-Third by 2022 and More After That," March 27, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3727; Dottie Rosenbaum, "Ryan Budget Would Slash SNAP Funding by $134 Billion Over Ten Years," April 18, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3717; and Michael Leachman et al., "Deficit-Reduction Package That Lacks Significant Revenues Would Shift Very Substantial Costs to States and Localities," August 8, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3816.

Such cuts would almost certainly prove devastating to low-income families in every state, as Table 2 in the Appendix indicates. We estimate, for example, that if all non-defense discretionary programs were reduced by the same percentage, up to 1.2 million low-income families would lose rental assistance by 2021 under the Ryan plan, and communities would lose $1.3 billion for affordable housing and community development and $539 million for homeless assistance. These very deep cuts would come at a time when the number of poor households (particularly families with children) struggling to afford housing and avoid homelessness has been rising markedly. For instance, the latest American Housing Survey reveals that the number of poor renter households paying housing costs of more than 50 percent of their income — a housing cost burden that's associated with increased risks of homelessness — has risen by 14 percent over the past two years.[13]

Conclusion

Bipartisan deficit reduction commissions — including the Bowles-Simpson commission — have supported the principle that deficit reduction should be crafted so the most vulnerable Americans aren't made to bear greater hardships than they already do. An important part of sustaining the safety net for individuals and families is preventing further cuts to housing assistance and community development programs.

The risk of sequestration has received much attention in recent months. But the greater risk to housing assistance, community development, and other low-income programs lies in the decisions that the President and Congress will make about how to replace sequestration with a long-term deficit reduction package. Policymakers can avoid even deeper cuts in housing assistance and community development programs than the Budget Control Act makes likely — and preserve more of this critical part of the safety net — only through a balanced approach that includes significant new revenues.

[13] American Housing Survey, 2011, Preliminary Table C10-RO.