



# Federal Budget Outlook for Housing Assistance

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# Agenda

- Where Do Federal Housing Aid Dollars Go?
- Rental Aid Has Not Kept Pace with Need, and Budget Cuts Are Making It Worse
- What Is the 2018 Budget Outlook for Housing Aid?
- Broader Fiscal Agenda Poses Big Threats, Small Opportunities
- Q & A

# Where Do Federal Housing Aid Dollars Go?

## Most Federal Housing Expenditures Benefit Homeowners

Federal housing expenditures in billions, 2015

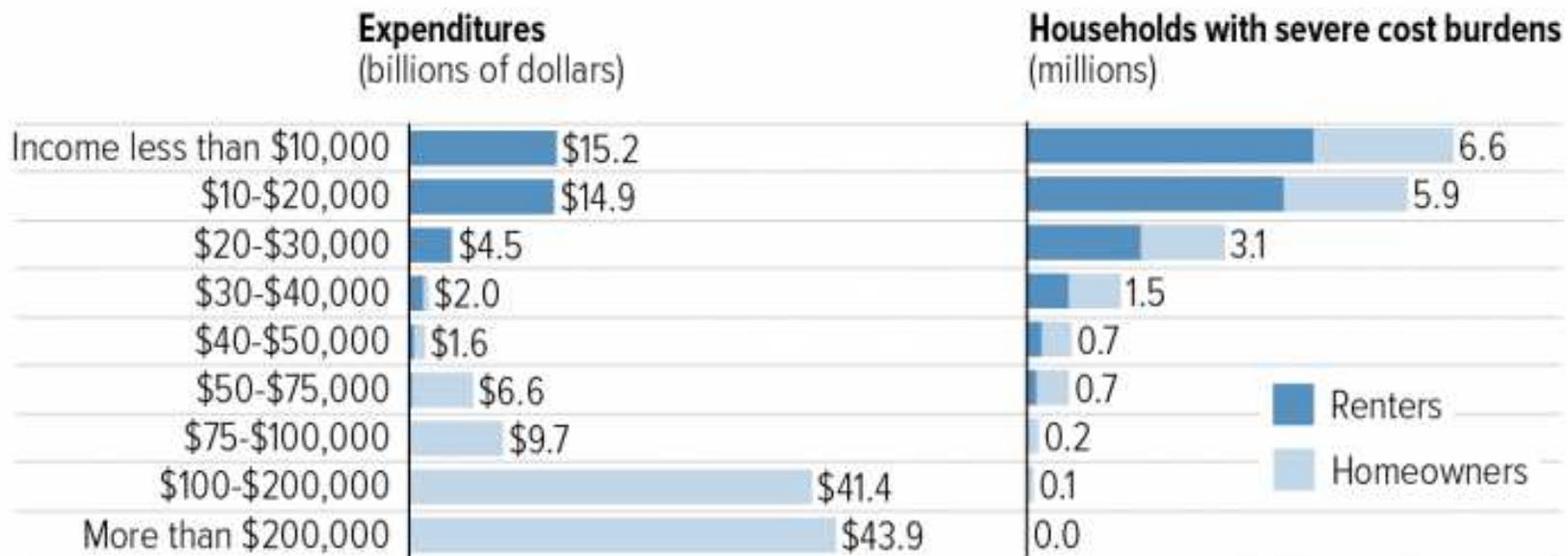


\*Low-Income Housing Tax Credit

Notes: These numbers do not include approximately \$840 million of housing-related spending through the Community Development Block Grant program, of which the majority is for homeownership assistance or rehabilitation of single-family homes. Figures are outlays and tax expenditures for fiscal year 2015. Tax expenditure estimates do not account for interaction effects, such as, for instance, how the use of one tax expenditure affects the use of others.

Sources: Office of Management and Budget public budget database; Joint Committee on Taxation, Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019.

## Federal Housing Expenditures Poorly Matched to Need



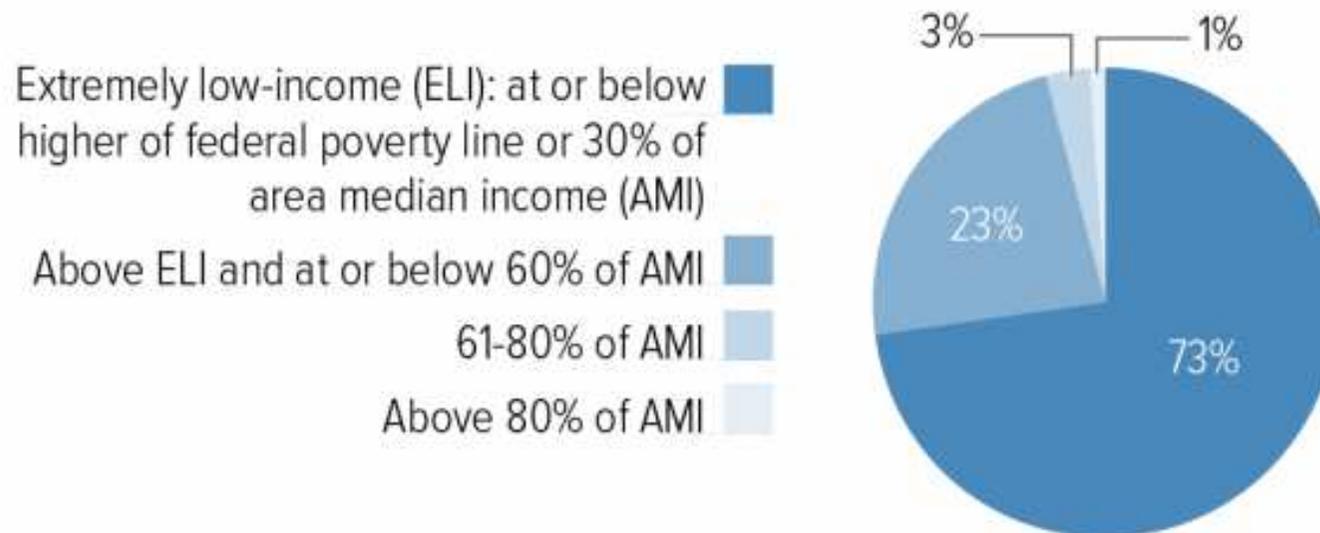
Notes: Data are for 2015. Homeowner expenditures include the mortgage interest and property tax deductions; income figures are for tax filing units. Rental expenditures include total outlays for the Housing Choice Voucher, Section 8 Project-Based, Public Housing, Housing for the Elderly (Section 202), and Housing for People with Disabilities (Section 811) programs; income figures are for households. Data on the income of beneficiaries of various housing expenditures are available only for these programs, which represent about three-fourths of homeownership and rental spending. HUD defines households with severe cost burdens as those paying more than half their income for housing.

Sources: CBPP analysis of HUD program data, Census data on number of households and cost burdens in each income group, Joint Committee on Taxation tax expenditure estimates, and the Office of Management and Budget public budget database

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## Most Severely Cost-Burdened Renters Are Extremely Low-Income

Renter households paying more than half of income for housing in 2015, by HUD income category

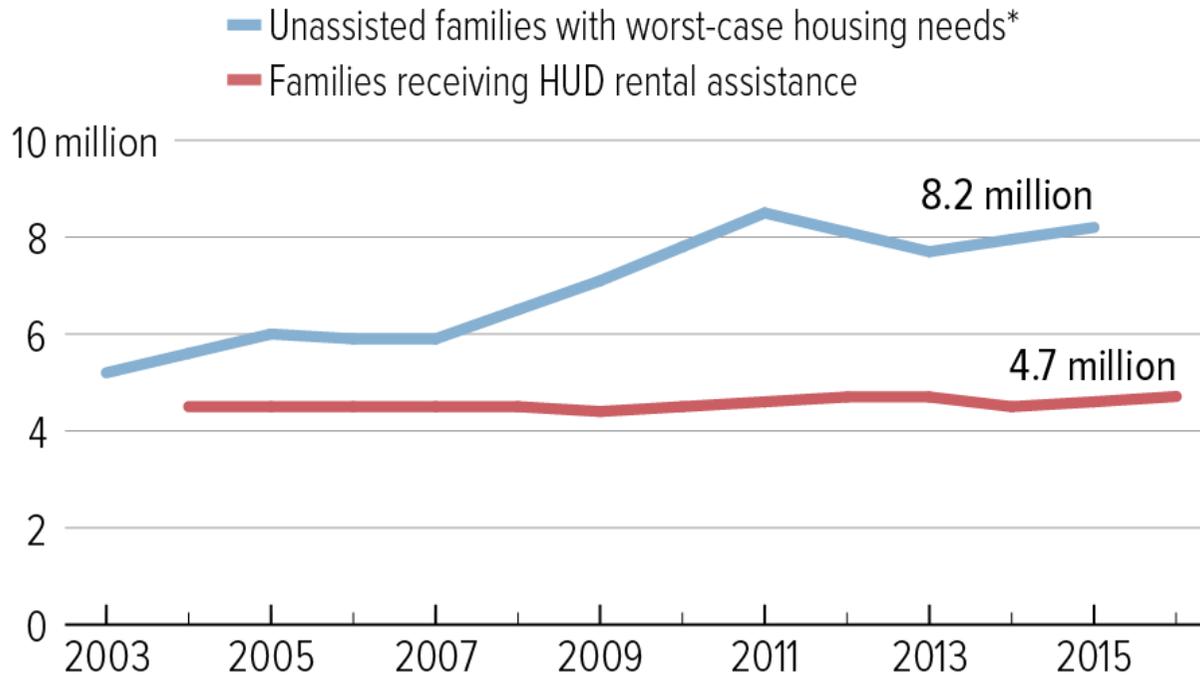


Note: AMI is determined by the Department of Housing and Urban Development (HUD) for families of various sizes in each metropolitan area and rural county.

Source: CBPP analysis of the 2015 American Community Survey using HUD AMI limits for fiscal year 2015

# **Rental Aid Has Not Kept Pace with Need, and Budget Cuts Are Making It Worse**

## Federal Rental Assistance Has Not Kept Pace with Growing Need

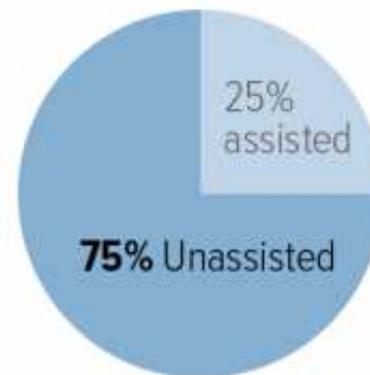


\*“Worst-case housing needs” = renters with incomes below half of the local median who receive no housing assistance and pay more than half of their income for rent and utilities and/or live in severely substandard housing. Data on worst-case housing needs only available through 2015; data on number of assisted families not available for 2003. Rental assistance includes all Department of Housing and Urban Development programs with subsidies tied to tenant income except Housing Opportunities for People with AIDS/HIV and McKinney-Vento permanent housing.

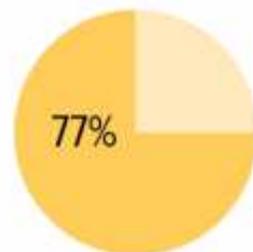
Source: HUD's 2015 Worst Case Needs report preview and Picture of Subsidized Households data

## Three Out of Four Low-Income At-Risk Renters Do Not Receive Federal Rental Assistance

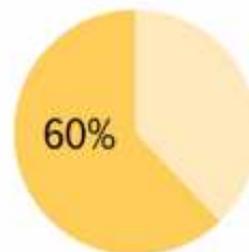
All low-income renters with housing needs



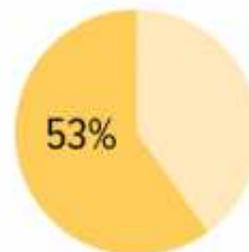
Families with children



Elderly without children



Disabled without children



Other households

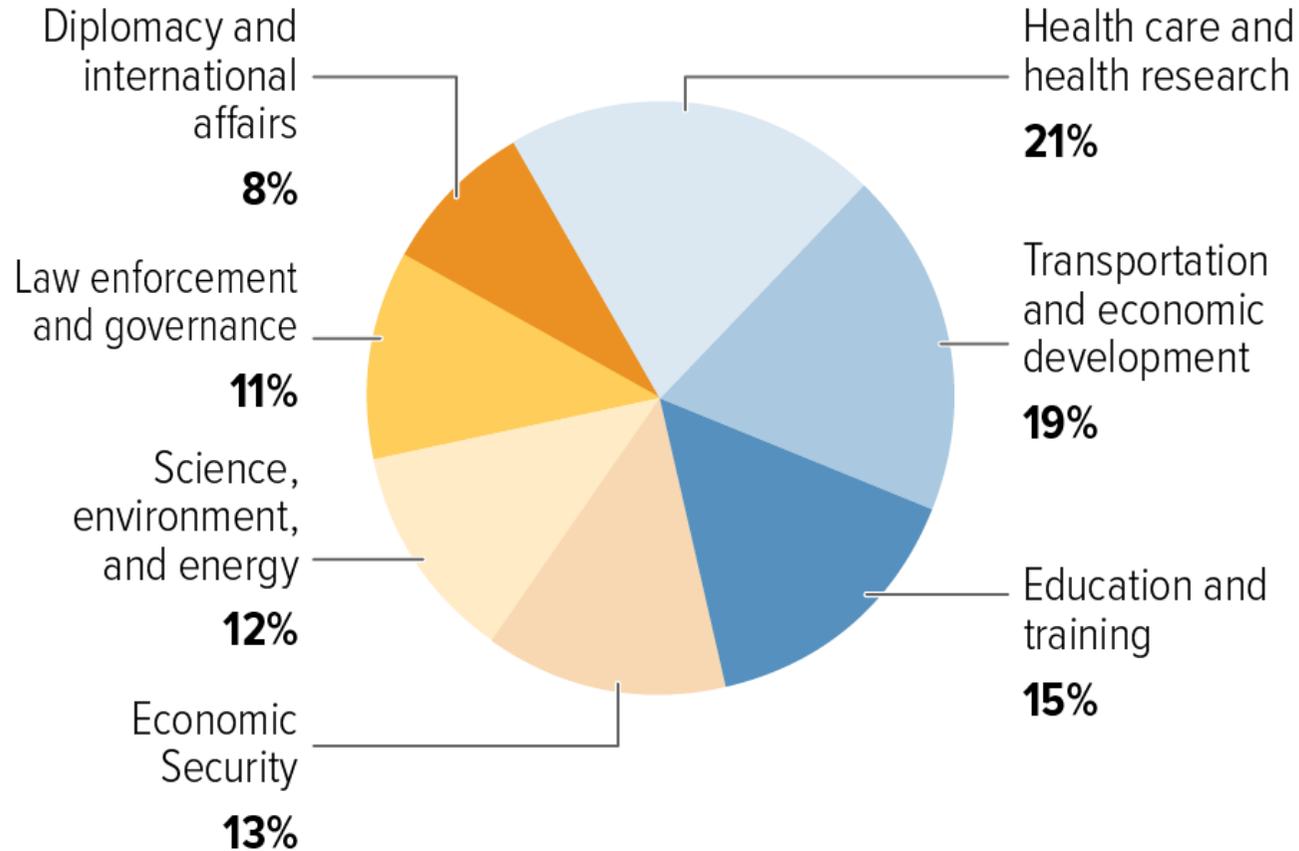


Note: Low-income renters are considered "at-risk" if they pay more than 30 percent of their monthly income for housing and/or live in overcrowded or substandard housing. Households are considered low-income if they earn 80 percent or less of the local median income.

Source: CBPP analysis of the 2013 American Housing Survey; 2015 HUD administrative data; FY2015 McKinney-Vento Permanent Supportive Housing bed counts; 2015-2016 Housing Opportunities for Persons with AIDS grantee performance profiles; and the USDA FY2015 Multi-Family Fair Housing Occupancy Report.



# Non-Defense Discretionary Spending, FY2016



Source: CBPP calculations using Congressional Budget Office data



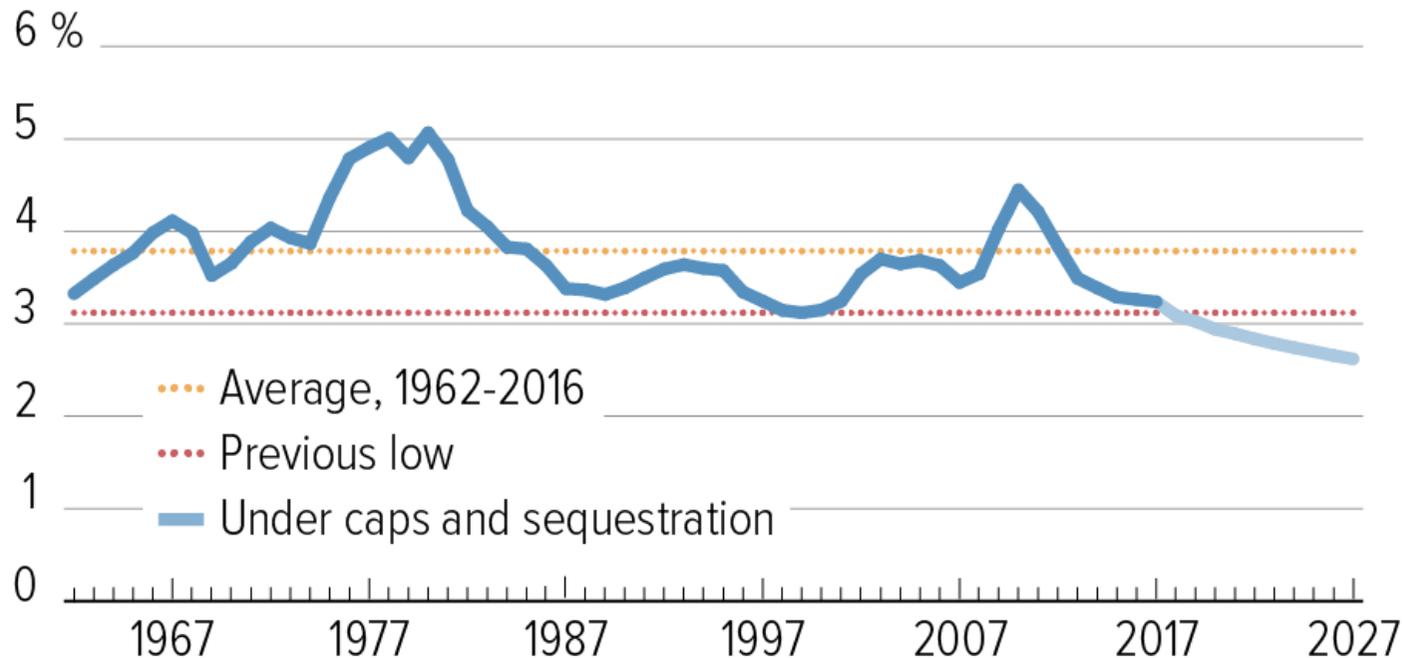
# Budget Control Act of 2011

- Two types: defense & non-defense (NDD); most HUD & USDA programs are in the NDD category, which totals ~16% of federal budget
- 2011 Budget Control Act (BCA) put separate annual caps on defense & NDD funding
- BCA LOWERED caps further in each year via “sequestration” when Congress did not reach another deficit reduction deal
- Two subsequent deals moderated “sequestration”-level caps, FY 2014 - 2017



# Non-Defense Discretionary Spending Set to Fall to Historically Low Levels Under Current Law

Spending as a percent of gross domestic product



Note: Data available only back to 1962. Sequestration refers to budget cuts required under the 2011 Budget Control Act, and includes modifications made in the Bipartisan Budget Acts of 2013 and 2015.

Source: CBPP based on Office of Management and Budget and Congressional Budget Office data

# BCA Caps Have Put Huge Pressure on the HUD Budget

- Under BCA caps, NDD funding fell 13% from 2010 to 2017 (real terms), and HUD program funding fell 9%
- Because of rent inflation, other factors, HUD rental assistance programs require significant increases every year to continue to prevent cuts in the number of families assisted
- Congress has prioritized HUD for funding under the caps — primarily to protect households receiving rental assistance — but has still made substantial cuts

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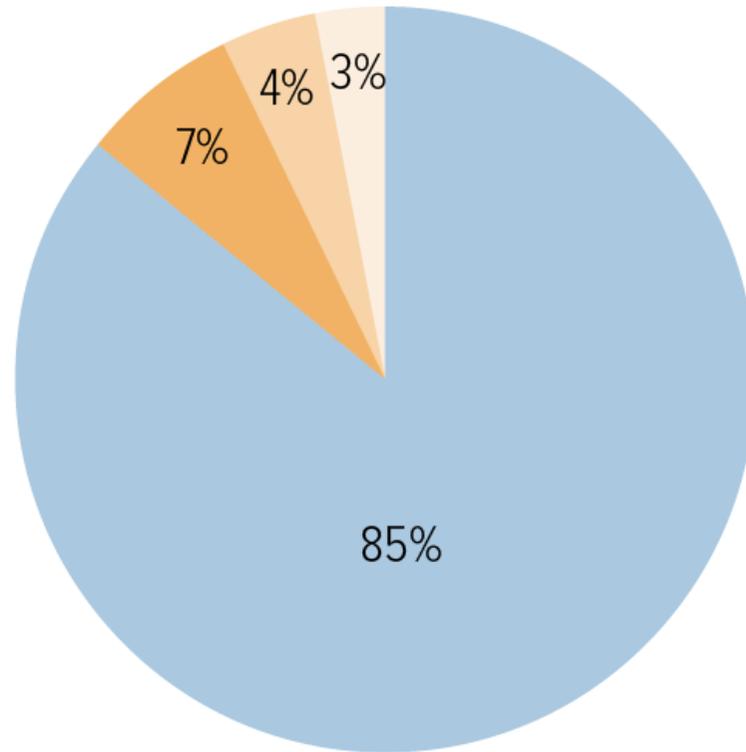
## 85% of HUD Budget Goes for Rental Assistance

Rental assistance programs  
(e.g., housing vouchers,  
public housing)  
**\$41.1 bil.**

Community development  
programs (e.g., CDBG)  
**\$3.3 bil.**

Other housing programs  
(e.g., HOME, Native  
American grants)  
**\$2.1 bil.**

HUD management &  
administration, IT  
**\$1.7 bil.**



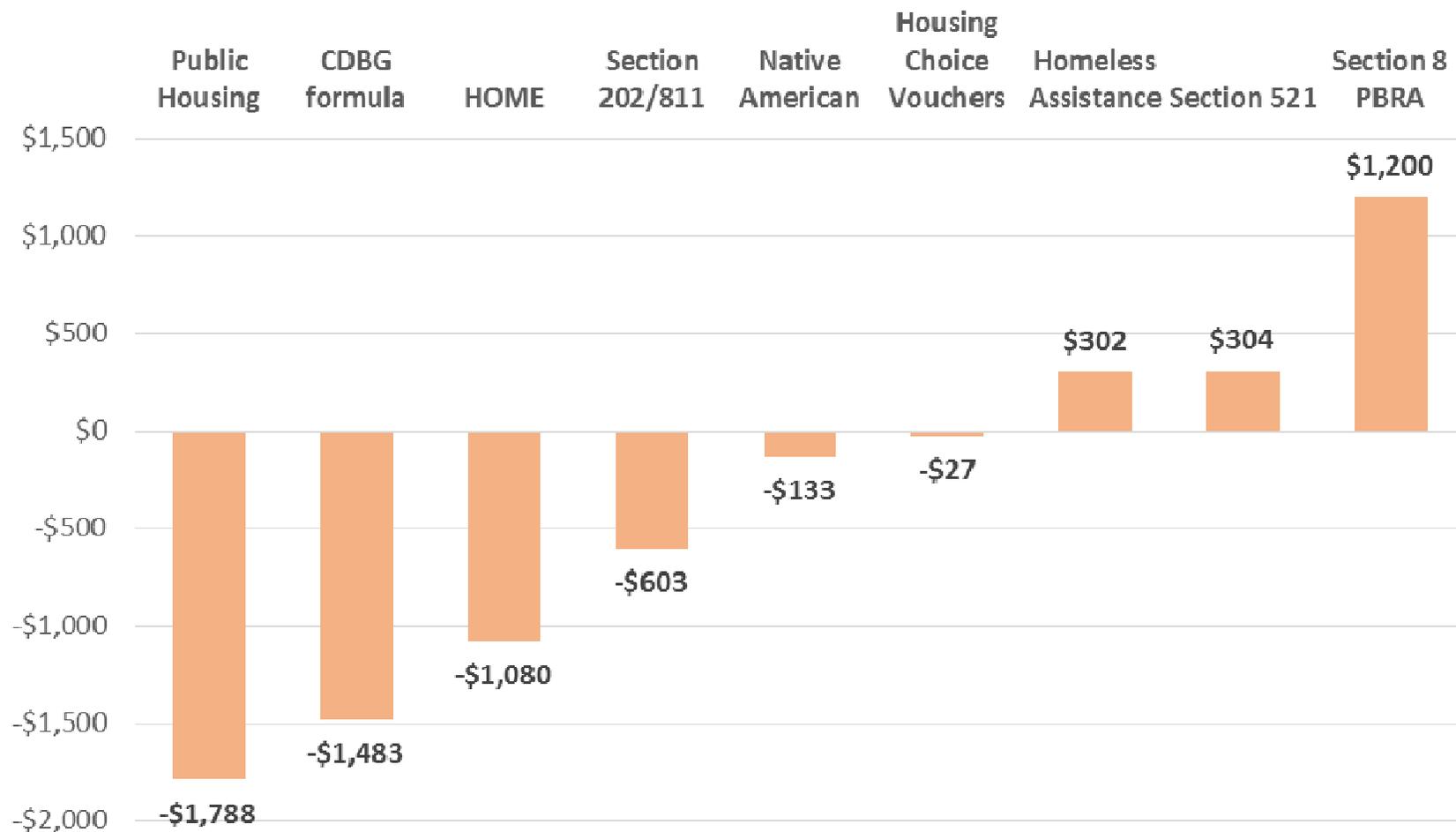
Note: HUD = Department of Housing and Urban Development. Figures are average funding levels in House and Senate 2017 HUD funding bills.

Source: CBPP analysis



# Public Housing and Block Grants Have Seen Deepest Funding Cuts

*Change in funding, 2010 to 2017, in millions of 2017 dollars*



# What Is the 2018 Budget Outlook for Housing Aid?



# Trump 2018 HUD Budget

- \$40.7B for HUD programs, \$7.4B (15%) below 2017
- Housing Choice Vouchers: funding cut would eliminate ~250K vouchers; state cut estimates at <https://www.cbpp.org/blog/trump-budget-would-increase-homelessness-and-hardship-in-every-state-end-federal-role-in>
- Public Housing: \$1.8B in cuts (29%)
- HOME, CDBG, Choice Neighborhoods, SHHOP eliminated, a loss of >\$4B/yr
- Proposes to offset cuts in part by modifying rules to raise rents on vulnerable tenants (more on this shortly)



## Overview of House & Senate Bills

- Both ignore Trump's proposed deep HUD cuts, prioritize rental assistance renewals for \$
- Both reject Trump's proposed rent policies, deferring to authorizing committees for action
- Senate bill provides \$45.5B for HUD programs, \$1.9B (4.3%) over 2017, while House bill freezes HUD program funding at 2017 level of \$43.7B
- Concerns: housing voucher funding likely inadequate even at Senate bill level; continued underfunding for public housing capital needs



# House 2018 HUD Bill

- Housing Choice Vouchers:
  - Renewals at \$18.7B, \$355M (1.9%) above 2017
  - Renewal funding is \$1B (5%) *below* CBPP’s need estimate, could leave up to 120K vouchers unfunded, including 2,500 in MD
  - Funding for ~4,500 new “mainstream” vouchers for non-elderly people with disabilities
  - \$100M cut in admin fees



## House 2018 HUD Bill (cont.)

- Public housing: \$4.4B for operations, equal to 2017; capital fund at \$1.85B, \$92M below 2017
- Section 8 PBRA: \$11.1B, \$266M above 2017, but less than required to cover all contract expenses in 2018
- Adequate funding to renew current homeless assistance grants, 202/811 PRACs; HOPWA level funded
- HOME & CDBG each cut by \$100M



# Senate 2018 HUD Bill

- Housing vouchers:
  - \$19.37B for renewals, \$1B (5.6%) above 2017
  - Substantial renewal increase, BUT just 2.4% above 2017 renewal eligibility, probably not sufficient to cover rent inflation and new RAD, tenant protection, other vouchers renewing for first time in 2018
  - Senate bill could leave up to 40K vouchers unfunded, incl 860 in MD (CBPP est'd renewal need of \$19.7B, ~\$345M above Senate bill level)
  - Bill funds ~5K new VASH vouchers for vets; ~2K Family Unification vouchers; ~2K “mainstream” vouchers for non-elderly people with disabilities
  - \$75M increase for admin fees



## Senate 2018 HUD Bill (cont.)

- Public housing: \$4.5B for op fund, \$100M over 2017; \$1.95B for cap fund, roughly level with 2017; lifts RAD cap
- Section 8 PBRA: \$11.5B, full renewal funding
- Homeless assistance: \$2.46B, \$73M over 2017, including \$40M for homeless youth initiative; HOPWA cut \$26M
- 202/811 PRACs: full renewal funding
- HOME & CDBG level funded at \$950M and \$3B



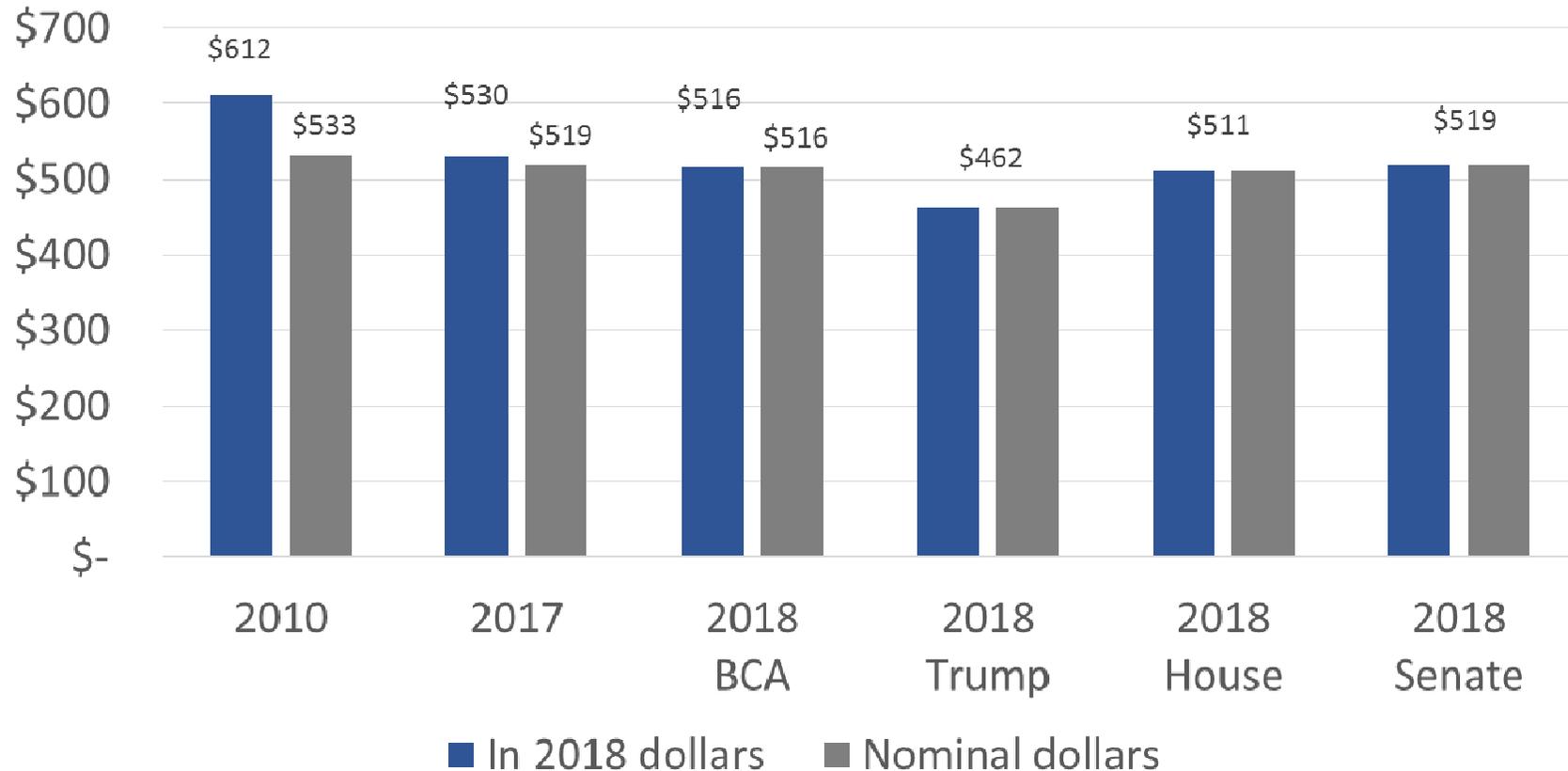
## Major HUD Program Funding (in millions)

	2017	Trump 2018	House 2018	Senate 2018
Housing Vouchers	\$20,292	\$19,318	\$20,487	\$21,365
<i>Renewals</i>	\$18,355	\$17,584	\$18,710	\$19,370
<i>Admin fees</i>	\$1,650	\$1,550	\$1,550	\$1,725
<i>New VASH, FUP, NED</i>	\$60		\$40	\$80
Section 8 Project-Based	\$10,816	\$10,751	\$11,082	\$11,507
Public Housing	\$6,342	\$4,528	\$6,250	\$6,445
Homeless Assistance	\$2,383	\$2,250	\$2,383	\$2,456
Section 202 Housing for Elderly	\$502	\$510	\$573	\$573
Section 811 Housing for People with Disabilities	\$146	\$121	\$147	\$147
Housing Opportunities for People with HIV/AIDS	\$356	\$330	\$356	\$330
HOME Block Grants	\$950	\$0	\$850	\$950
Native American Housing Block Grants	\$654	\$600	\$654	\$655
Community Development Block Grants	\$3,000	\$0	\$2,900	\$3,000



# House & Senate Reject Trump 2018 Cuts, But Retain Caps that Are Too Low

Non-Defense Discretionary Funding Caps  
*(in billions)*





# Raising the BCA Caps Is On the Table

- More adequate funding for critical housing programs depends on policymakers reaching an agreement to raise the BCA caps
- Ds & Rs who support housing and other NDD programs have leverage because of Senate filibuster rules, Republican divisions
- Lawmakers must use leverage to raise the caps & sustain parity in defense and NDD funding



# Appropriations Timeline

- Temporary 2018 funding resolution expires December 8
- Congress will attempt to negotiate a deal to raise BCA caps, finalize 2018 funding by early December
- But other issues (e.g., disaster relief, health care, tax cuts, debt ceiling) may complicate negotiations, affect timing

# Broader Fiscal Agenda Poses Big Threats, Small Opportunities

# The Republican Two-Step Fiscal Agenda

Step 1: Cut taxes for the rich now, driving up deficits

GOP tax framework would give 80% of its tax cuts to top 1% of households, according to Tax Policy Center, and add at least \$1.5 trillion to deficits.

Step 2: Use higher deficits to justify cuts in critical programs, such as:

- Rental assistance
- Medicaid
- Food assistance through SNAP
- Education

## Even Without Top Individual Rate Cut, Republican Tax Plan Delivers Large Tax Cuts to Most Well-Off

Estimated change in 2018 after-tax income by income group under plan, with top rate kept at current 39.6 percent

Income group	Average change in after-tax income	Average tax cut
Lowest fifth	+0.5%	\$60
Second fifth	+0.9%	\$290
Middle fifth	+1.2%	\$660
Fourth fifth	+1.2%	\$1,110
Top fifth	+2.6%	\$6,630
<b>Top 1 percent</b>	<b>+5.9%</b>	<b>\$89,770</b>
<b>Top 0.1 percent</b>	<b>+7.2%</b>	<b>\$507,600</b>

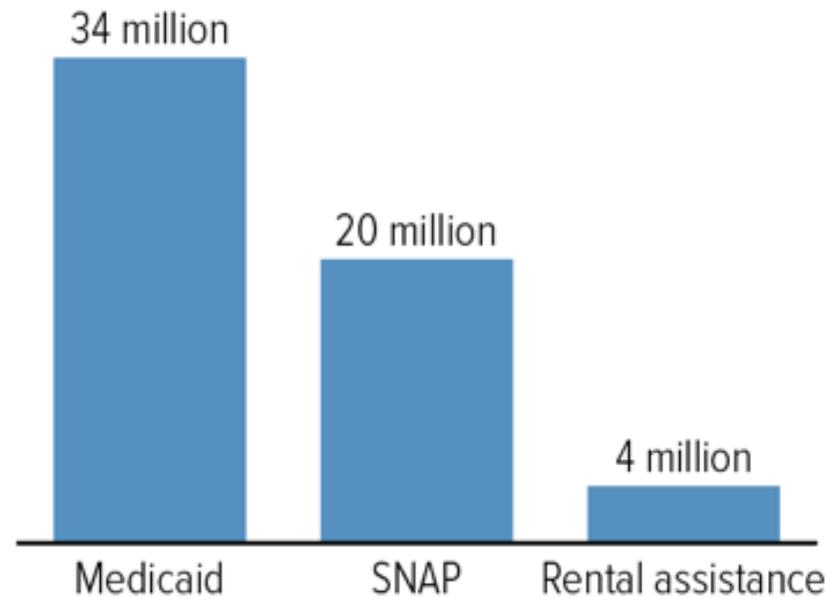
Source: CBPP calculations using Tax Policy Center data

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## Cuts to Medicaid, SNAP, and Rental Assistance Could Hurt Millions of Children

Child program participants



Note: Medicaid and housing figures are for 2016, SNAP (food stamps) figure is for 2015. Rental assistance includes vouchers, aid tied to certain private developments, and public housing.

Source: Congressional Budget Office, Department of Agriculture, and Department of Housing and Urban Development

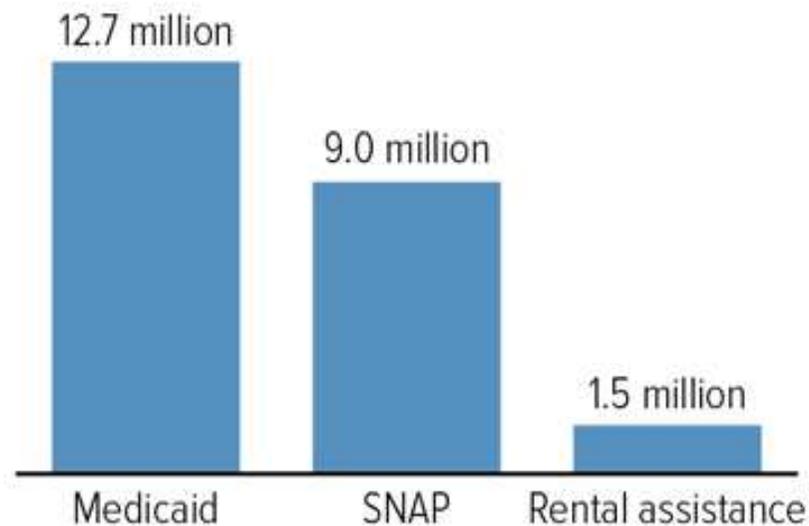
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## Cuts to Medicaid, SNAP, and Rental Assistance Could Hurt Millions of People with Disabilities

Program participants with disabilities under age 65



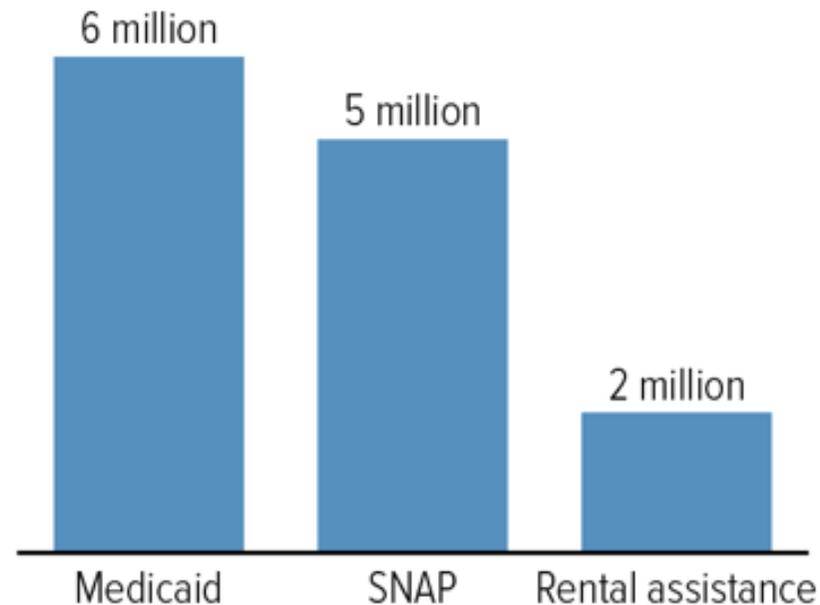
Note: Rental assistance refers to Department of Housing and Urban Development programs involving vouchers, aid tied to certain private developments, and public housing. Figures use latest data available. For more on methodology, see paper cited in source.

Source: Kathleen Romig, Brynne Keith-Jennings, and Raheem Chaudhry, "Recent Proposals Threaten Basic Needs and Independence for People with Disabilities," CBPP, June 21, 2017.

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## Cuts to Medicaid, SNAP, and Rental Assistance Could Hurt Millions of Seniors

Elderly program participants



Note: Medicaid and rental assistance figures are for 2016, SNAP (food stamps) figure is for 2015. "Elderly" = age 65 or older for Medicaid, 60 or older for SNAP, 62 or older for rental assistance. Rental assistance includes vouchers, aid tied to certain private developments, and public housing.

Source: Congressional Budget Office, Department of Agriculture, and Department of Housing and Urban Development



# What Does Tax Reform Mean for Low Income Housing Tax Credits?

- Republican budget plan retains LIHTC
- Plan silent on municipal bond tax exemption (incl housing bonds), but reportedly an agreement to retain it
- Corporate tax changes could affect LIHTC demand & prices, but tax bills likely to include mitigation provisions
- Cantwell-Hatch (S. 548) would expand/improve LIHTC
- BUT: Accepting a bad tax bill in exchange for relatively modest LIHTC or other tax improvements is a terrible trade — large share of tax cuts is likely to be paid for eventually by cuts in health, food, housing, other support for low and moderate-income families

# Keep Up-to-Date

- Subscribe to periodic Housing Policy Updates:  
<http://cbpp.us10.list-manage1.com/subscribe?u=fcb519d4a06d032e8e2bbf63f&id=8fdffd50b8>
- Housing publications:  
<http://www.cbpp.org/topics/housing>

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