

Federal Budget Outlook and Low-Income Housing Programs

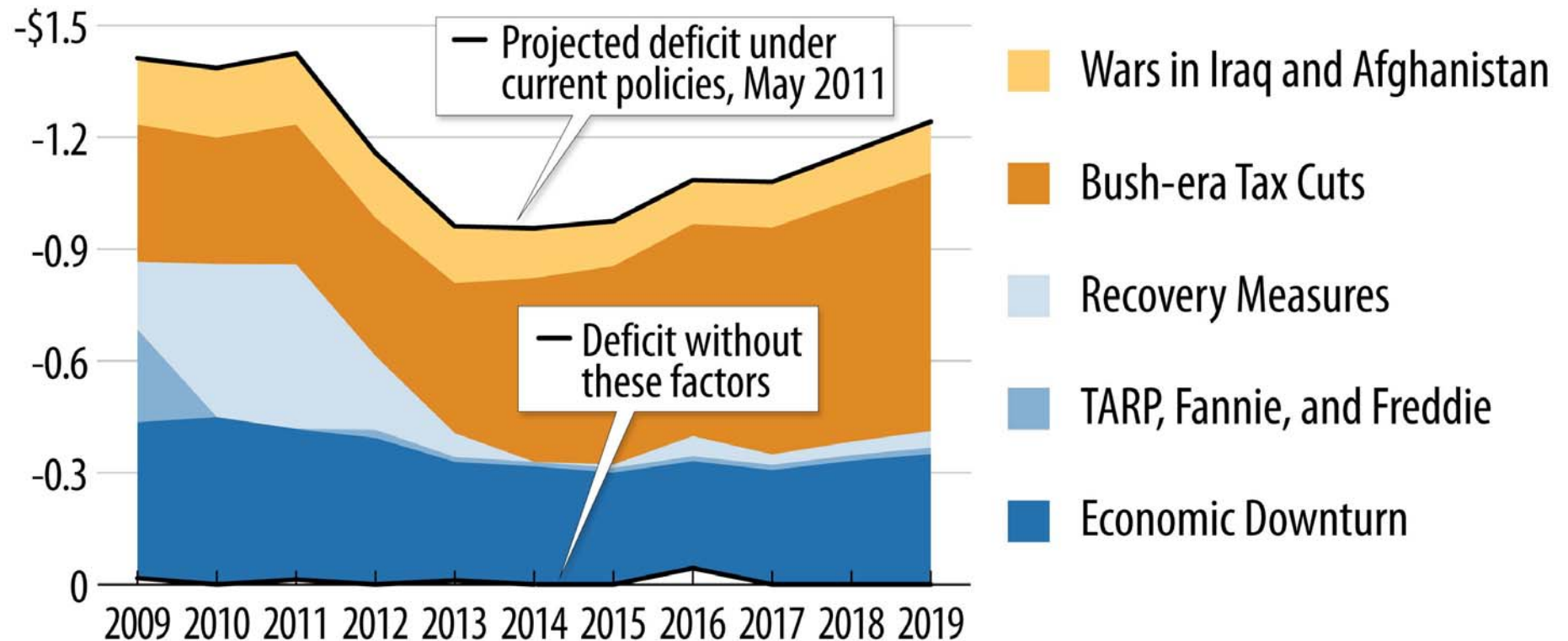
Barbara Sard

November 10, 2011



Economic Downturn and Legacy of Bush Policies Drive Record Deficits

Deficit, in trillions

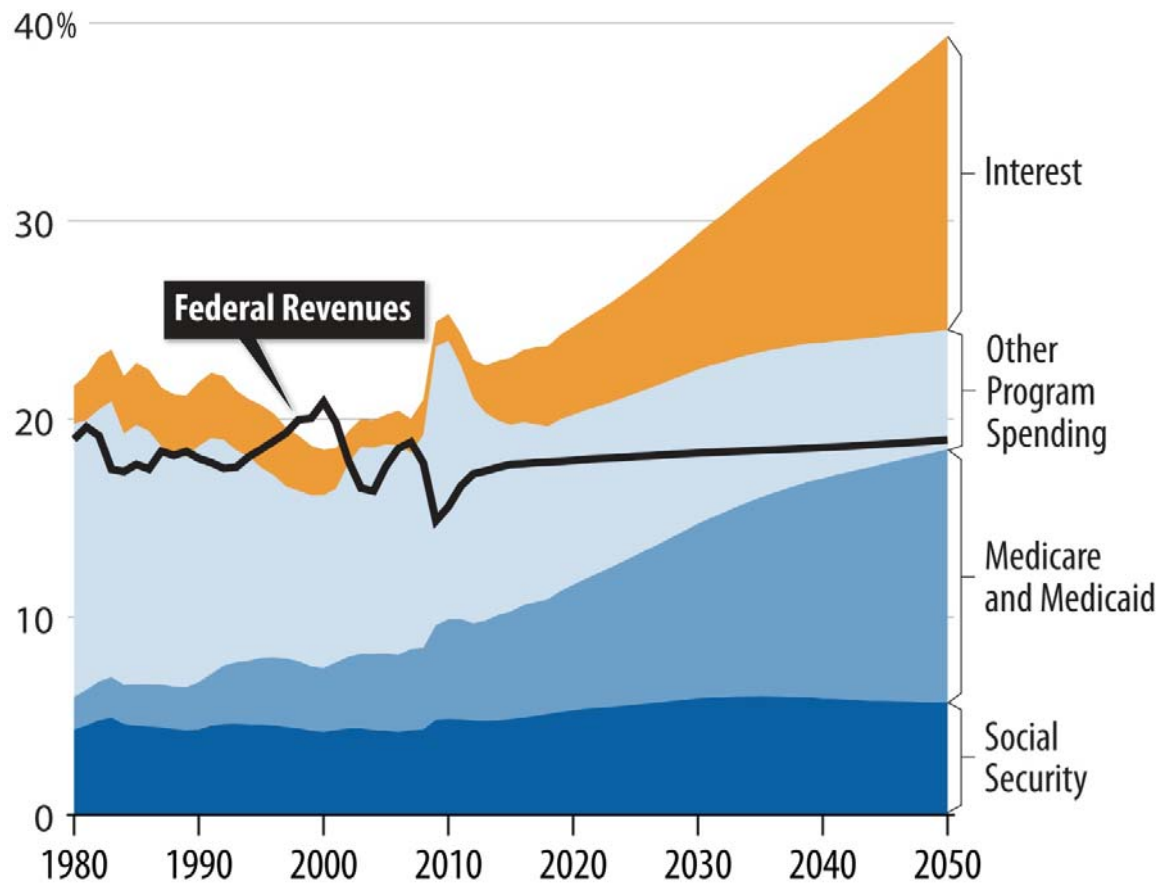


Source: CBPP analysis based on Congressional Budget Office estimates.



Spending and Revenues, 1980-2050

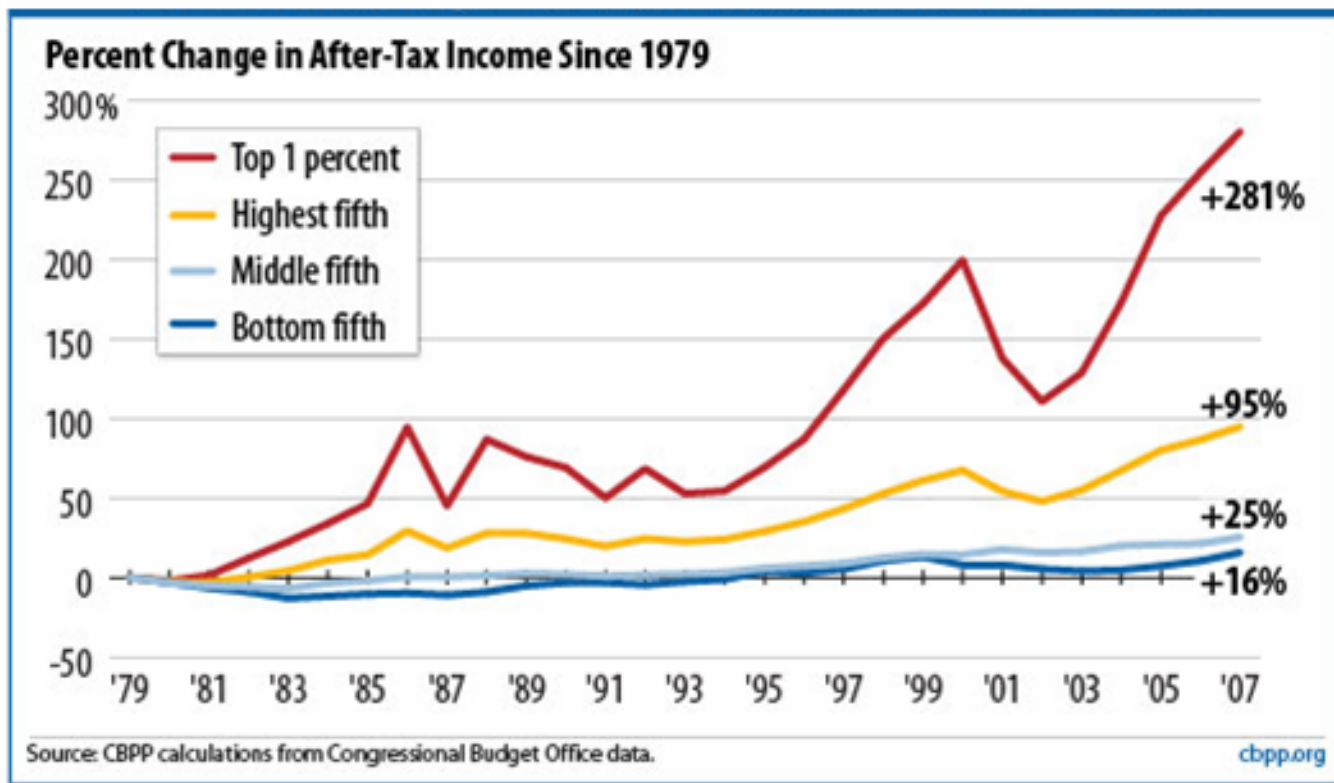
Spending and Revenues as a Share of GDP



Source: January 2010 CBPP projections based on CBO data



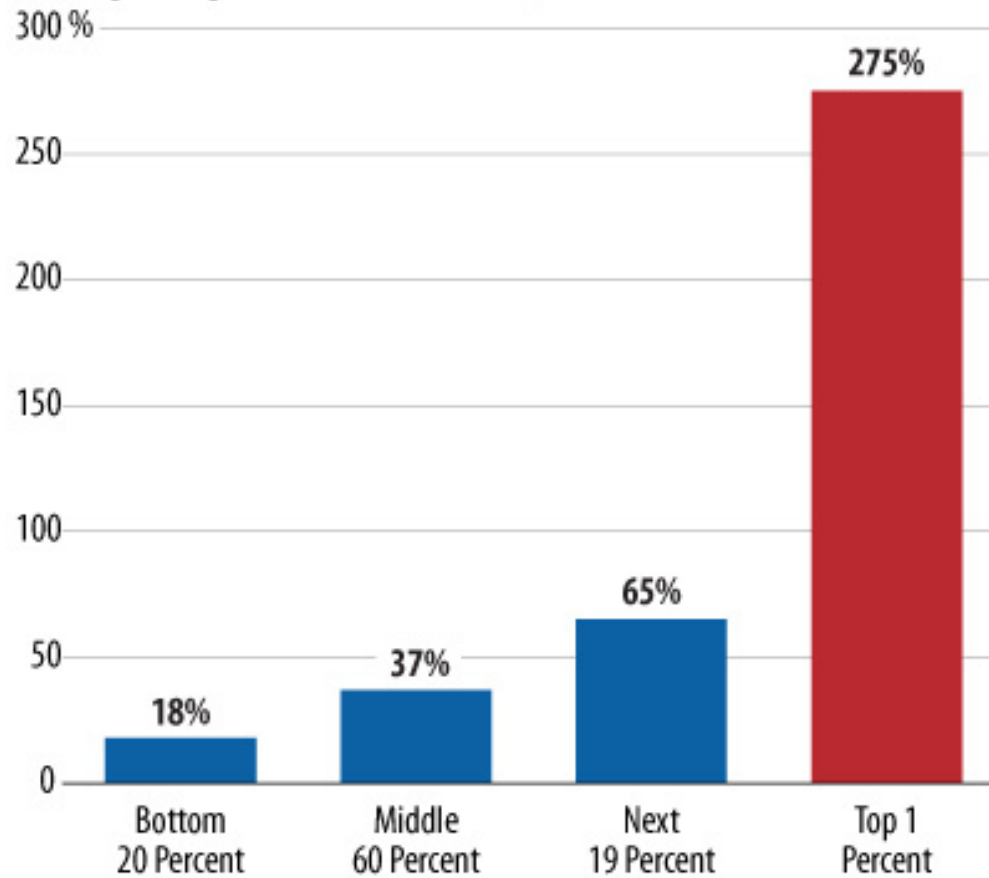
Income Gains At the Top Dwarf Those of Low- and Middle-Income Households





Income Gains at the Top Dwarfed Those of Low- and Middle-Income Households

Percentage Change in Real After-Tax Income, 1979-2007

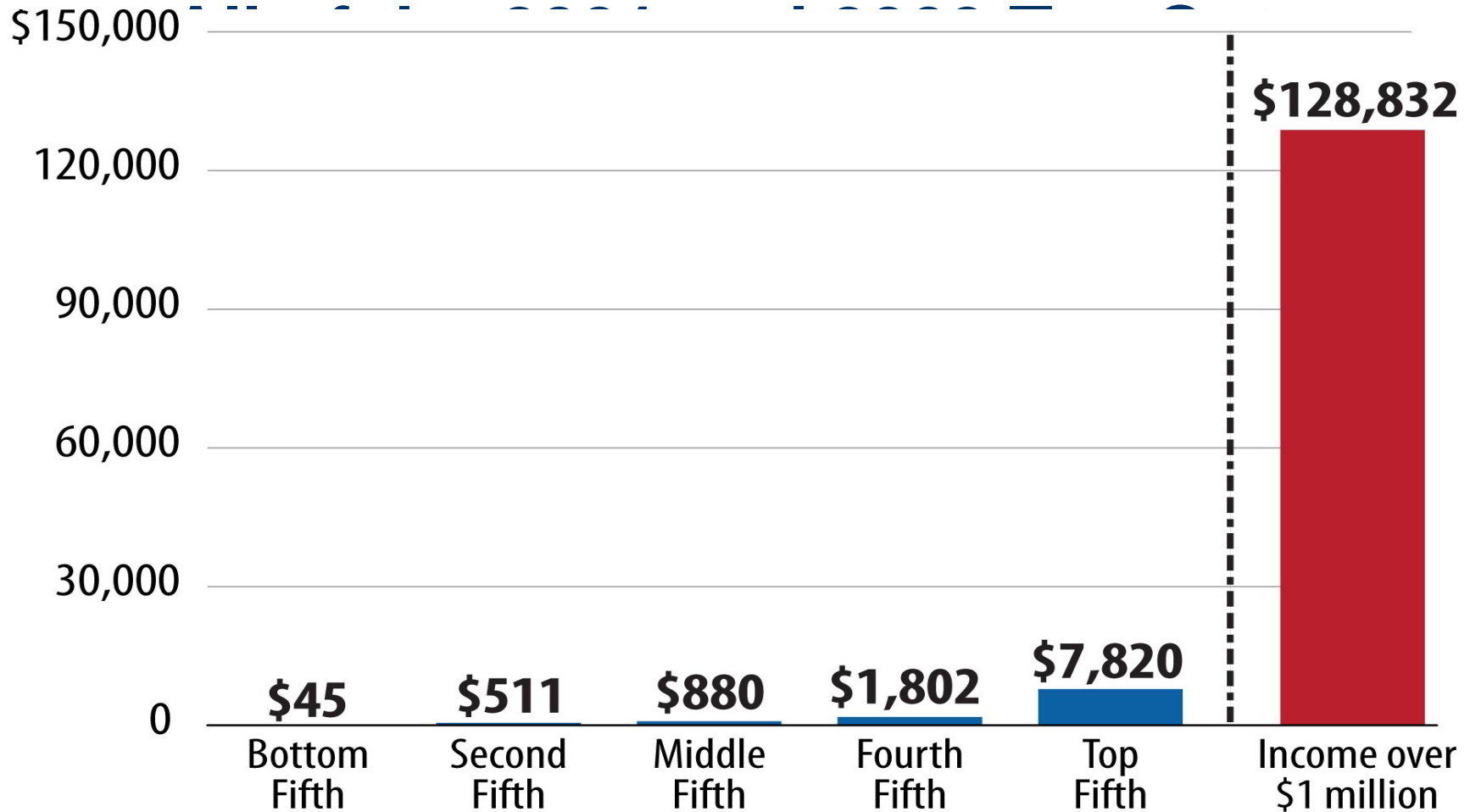


Source: Congressional Budget Office.

Center on Budget and Policy Priorities | cbpp.org



Average Annual Dollar Benefit From Extending



Source: Tax Policy Center



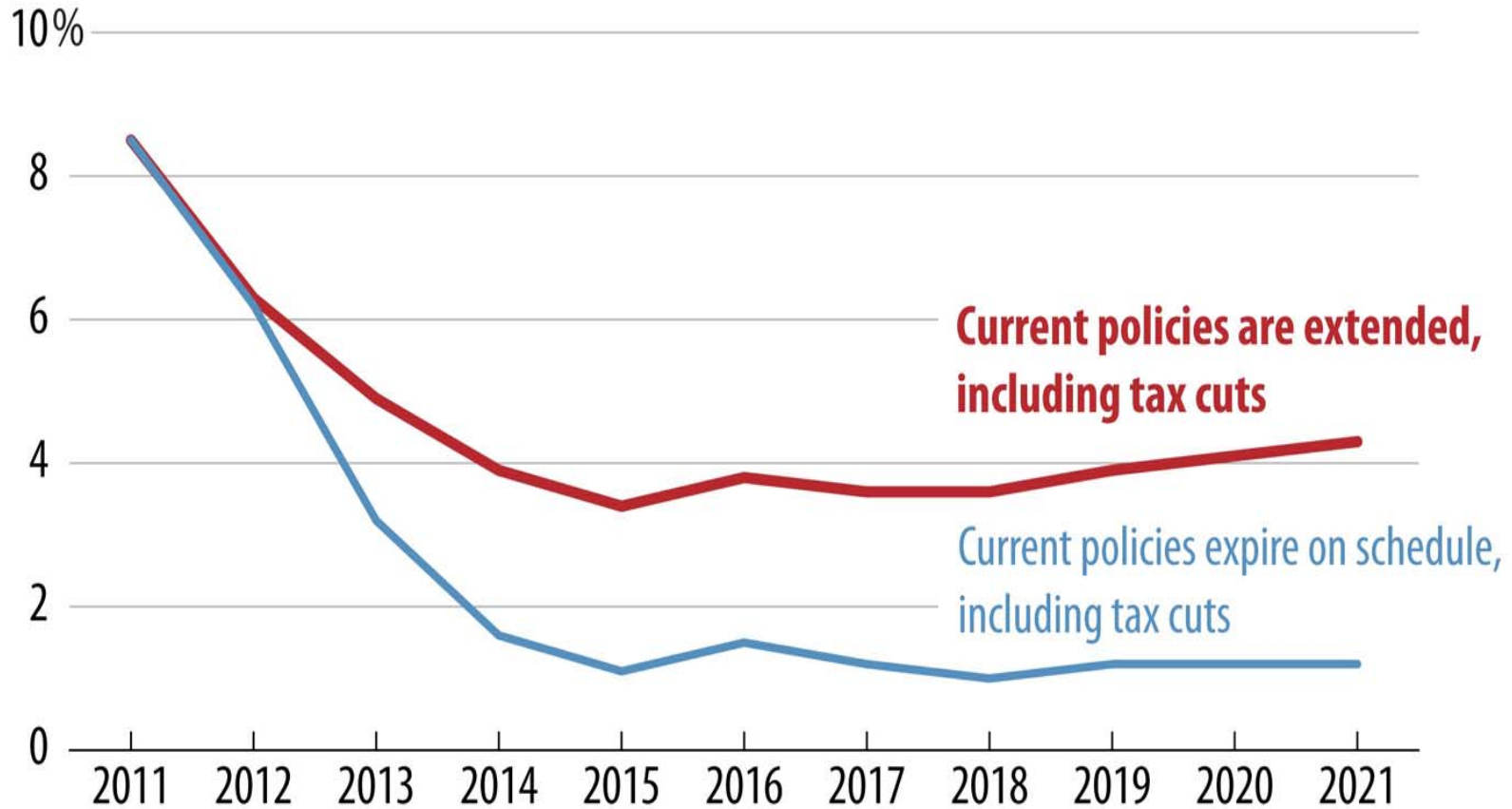
The Major Deficit Reduction Components of Budget Control Act

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.



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

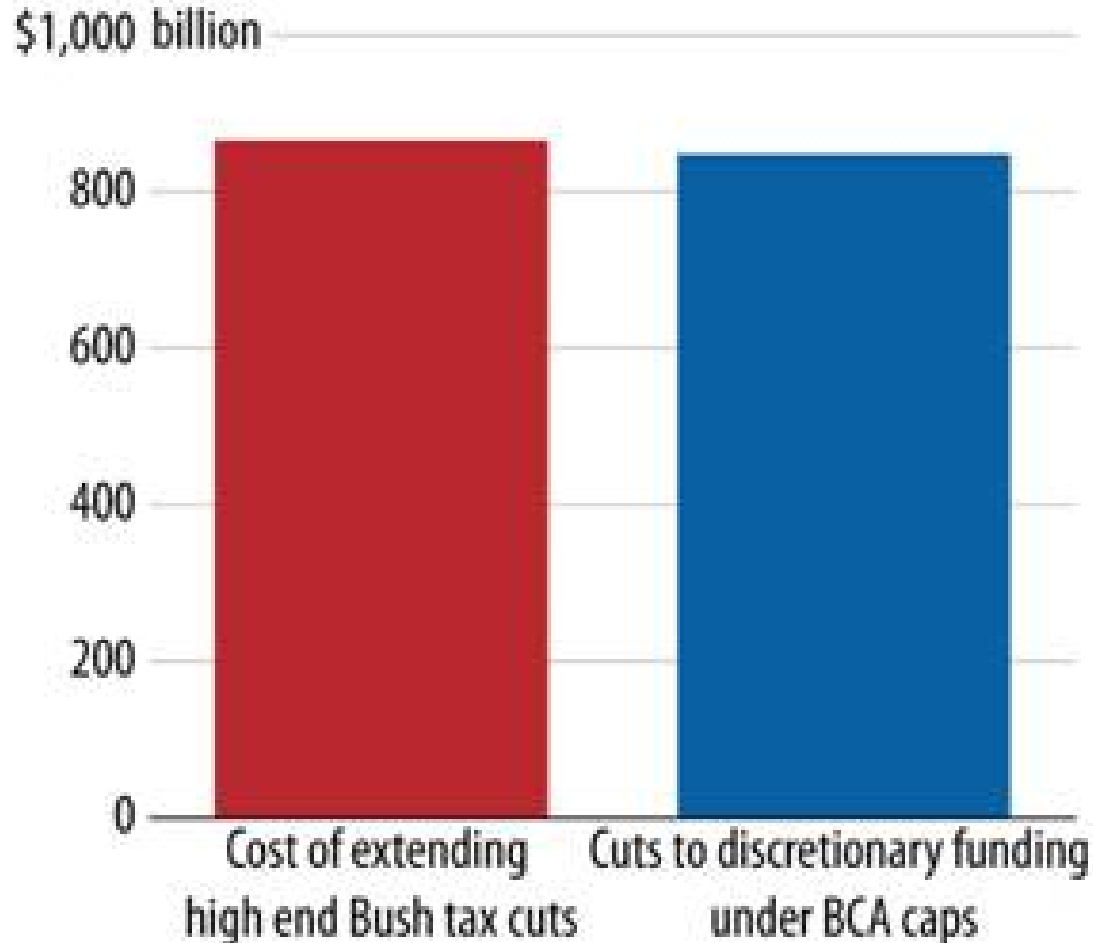
Deficit as a Share of GDP under different scenarios



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



10-Year Discretionary Cuts From BCA Caps Exceeded By Cost of High End Bush Tax Cuts

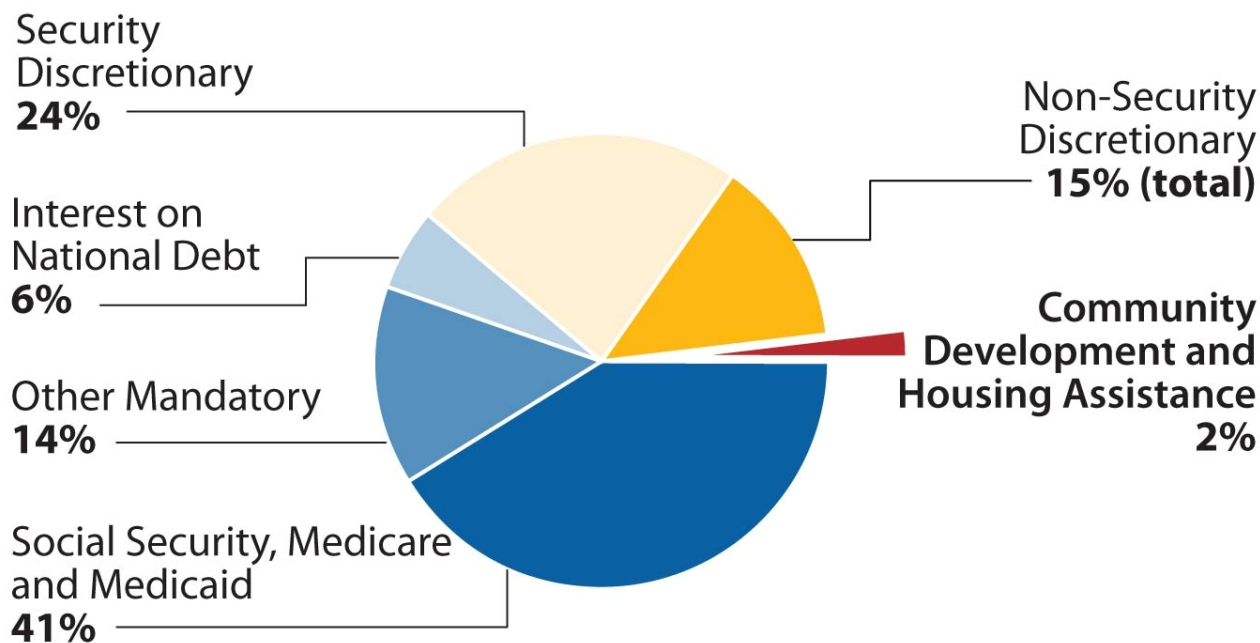


Source: Office of Management and Budget and Congressional Budget Office.



Discretionary Housing/CD Programs Are Less than 2% of Total Spending

Federal Spending, FY 2010

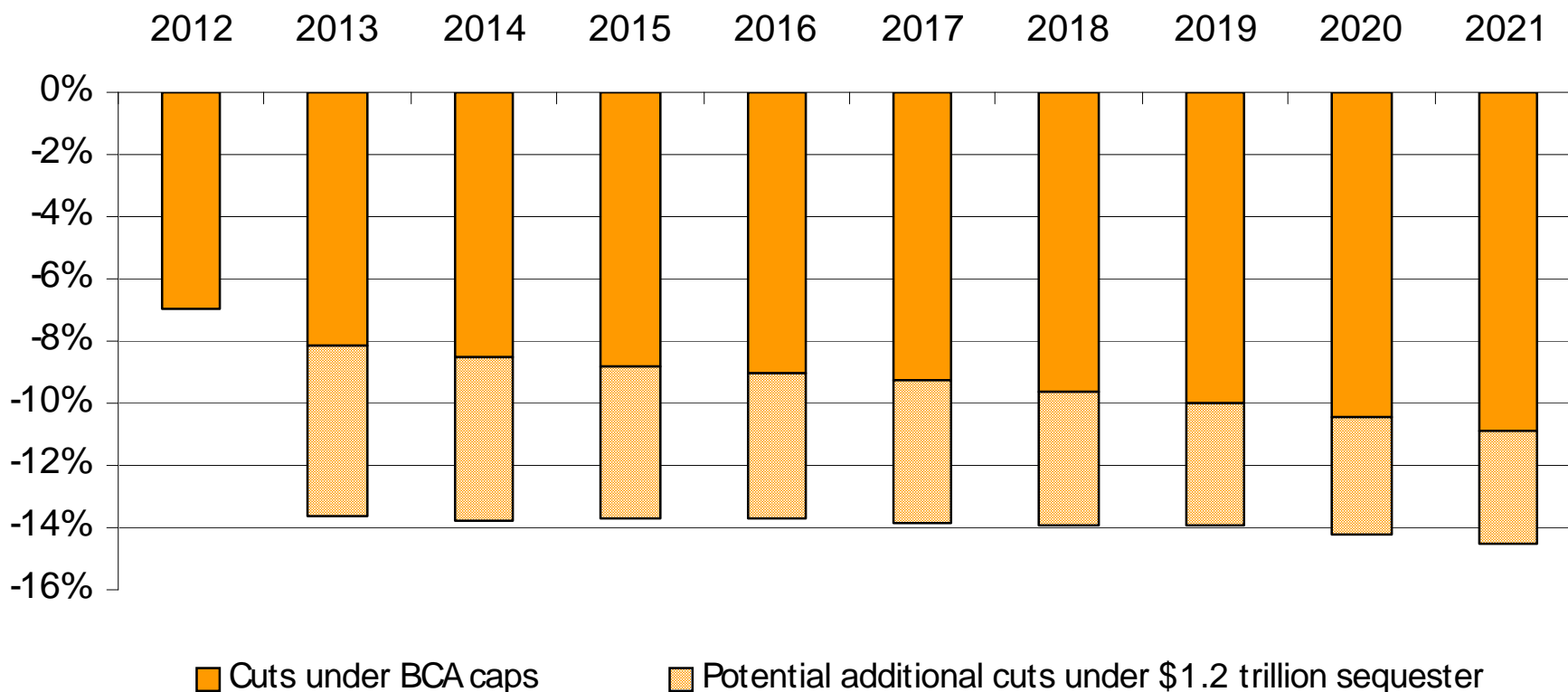


Source: OMB Historical Tables and Analytical Perspectives, FY 2012.

*Chart represents actual FY 2010 outlays



Potential Cuts in Funding for Non-Security Discretionary Programs Under Budget Control Act



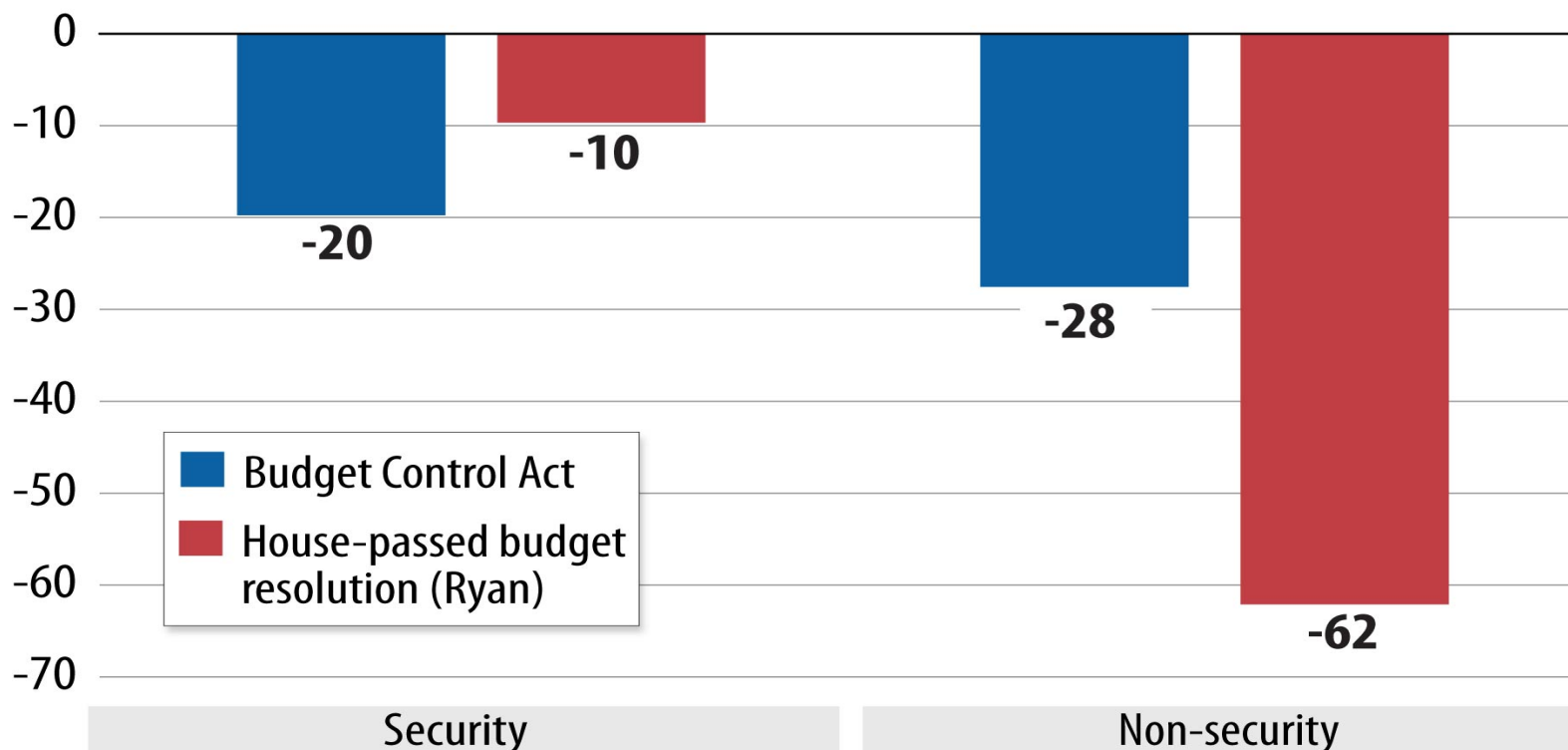
Source: Center on Budget and Policy Priorities estimates. Cuts in relation to 2011 level, adjusted for inflation.



BCA Discretionary Caps for FY12

Cuts to Discretionary Funding in 2012

Cuts below CBO Baseline, in billions

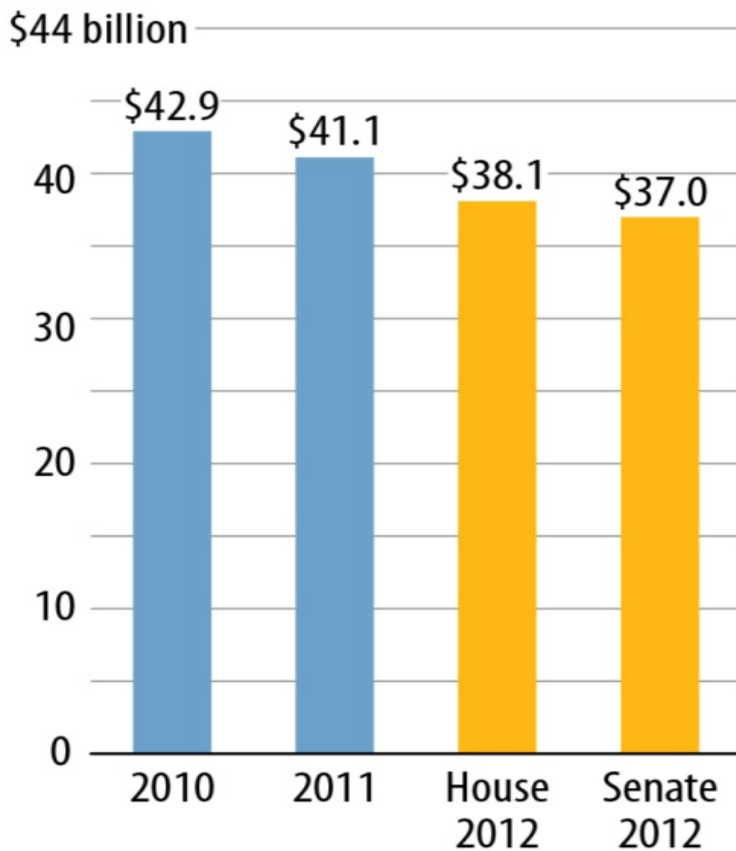


Source: CBPP based on Congressional Budget Office and H Con Res 34. Security discretionary is as defined in the Budget Control Act.



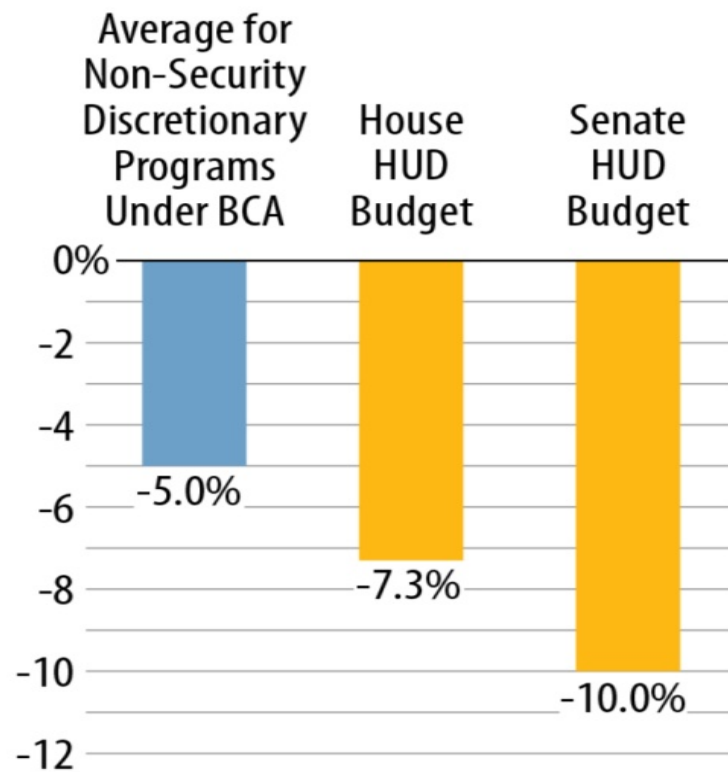
Cuts to HUD Budget Are Disproportionately Deep

HUD Funding for 2010, 2011, and Proposed for 2012



Source: HUD; Senate and House Appropriations Committees.

Percentage change in 2012, relative to nominal 2011 level



Source: CBPP estimates, House and Senate Appropriations Committees, OMB Public Budget Database



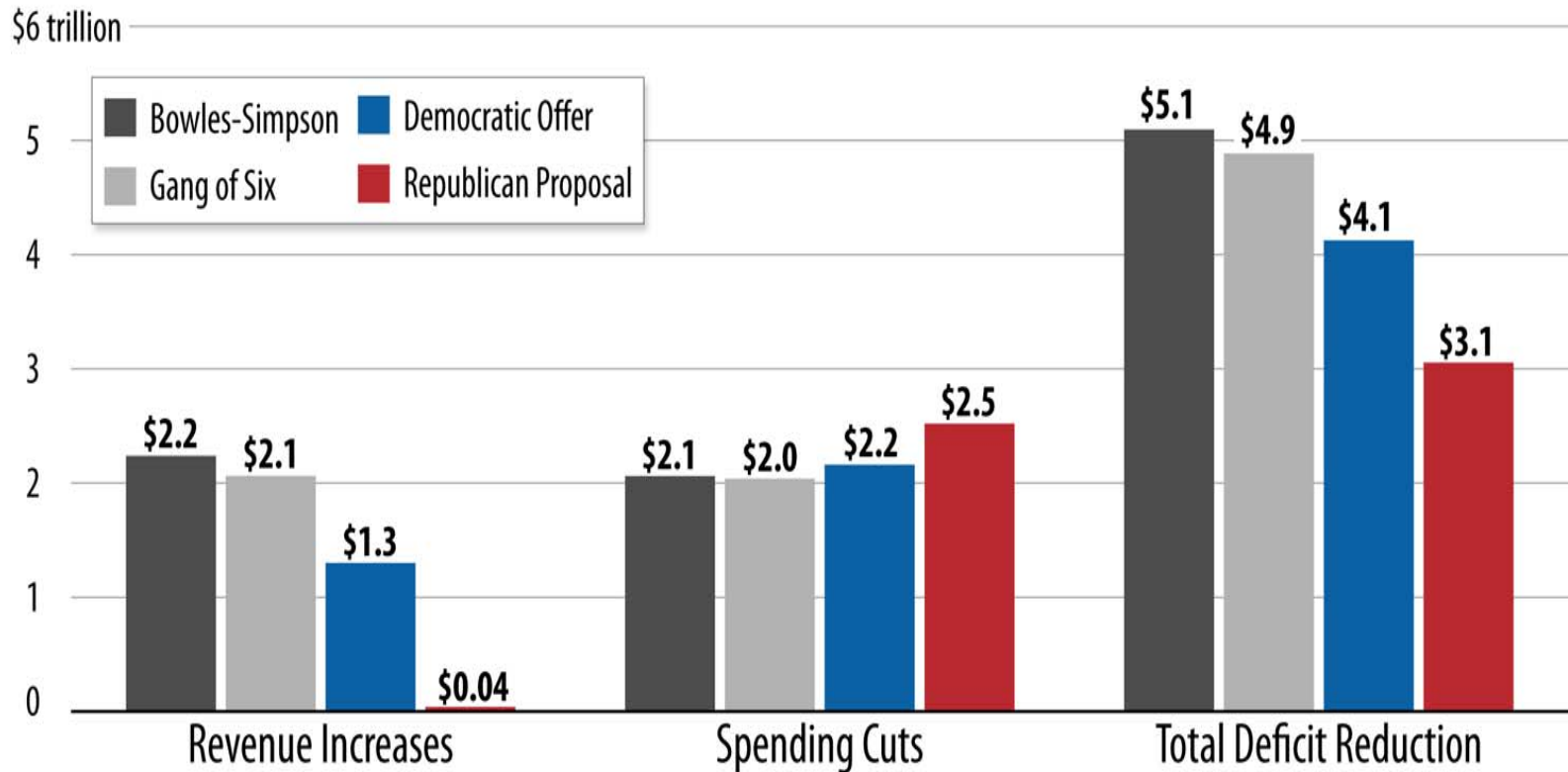
Overly Severe Multiyear Discretionary Caps Threaten Deep HUD Program Cuts

- 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.



Overview of Deficit-Reduction Proposals

Savings in Billions of Dollars, 2012-2021, Relative to Current-Policy Baseline



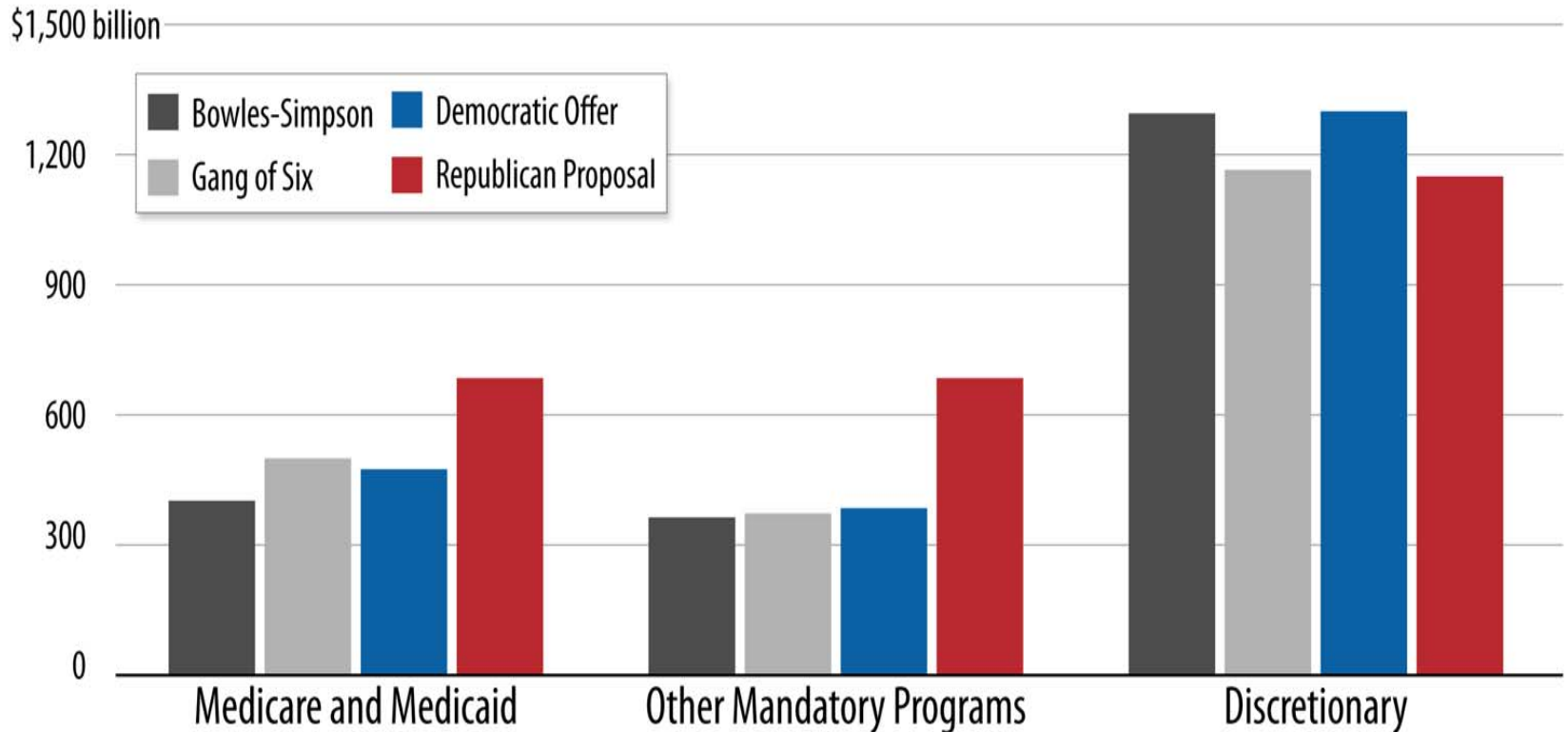
Note: Figures for the Democratic offer do not include currently unavailable economic stimulus proposals. The Gang of Six plan also showed an alternate \$383 billion Medicare and Medicaid cut. The Bowles-Simpson plan includes the cost of repealing CLASS. The Democratic offer and the Republican proposal are adjusted to include \$900 billion in discretionary savings enacted in the April continuing resolution and the Budget Control Act, for comparability with the other two plans. The Bowles-Simpson and the Gang of Six plans measure discretionary savings relative to CBO's March baseline.

Sources: Estimates for the Bowles-Simpson plan are from Moment of Truth Project, *Updated Estimates of the Fiscal Commission Proposal*, June 29, 2011. Estimates for the Gang of Six plan are from material provided by staff. Estimates for the Democratic offer and the Republican proposal are based on press accounts. Estimates have been adjusted by CBPP staff to put them on a comparable basis.



Comparison of Spending Cuts in Deficit-Reduction Proposals

Savings in Billions of Dollars, 2012-2021, Relative to Current-Policy Baseline



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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.



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



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.



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>