

President's Budget Proposal Provides 1.8 Percent Decrease in HUD Budget

By Michael J. Novogradac, CPA

President George W. Bush on February 6 proposed a budget for fiscal year 2007 that increased defense and homeland security spending, and provided for the ever increasing costs of entitlement programs. Given the President's desire to not raise taxes, and his desire to limit how large the budget deficit gets, many discretionary spending programs saw spending decreases. Specifically, the President's budget proposal provides \$33.6 billion in discretionary spending for the U.S. Department of Housing and Urban Development (HUD) — a decrease of 1.8 percent, or \$622 million, from the total appropriations approved by Congress for HUD in 2006 (\$34.3 billion). The proposed \$2.77 trillion budget also includes \$11.6 billion in discretionary spending for the Treasury Department — a 0.5 percent increase from the total appropriations approved by Congress for Treasury in 2006 (\$11.5 billion).

The 2007 budget proposal once again recommends no funding for several economic and community development programs, and would consolidate a number HUD programs with the Community Development Block Grant (CDBG) under a revised version of last year's failed Strengthening America's Communities Initiative. The budget proposes that HUD administer the new consolidated community development program under rules it and the U.S. Department of Commerce (Commerce) would develop together. Under the proposal, the Community Development Financial Institutions (CDFI) Fund would be appropriated \$8 million for general administrative expenses and would continue to be responsible for administering the New Markets Tax Credit (NMTC) program and for managing the existing loan portfolio of awards.

More money was provided for Section 8 (the increase would not offset cuts made in previous years), HOME, Housing Opportunities for Persons with AIDS and homeless assistance, while cutting public housing, community development and housing for the elderly and disabled. Section 8 tenant based assistance would receive \$15.920 billion, up from \$15.418 this year, and project-based assistance would be raised from \$5.037 billion to \$5.676 billion. HOME funds would increase from \$1.757 billion to \$1.917 billion while homeless assistance would jump from \$1.327 billion to \$1.536 bil-

lion. On the downside, public housing capital fund would see a cut from \$2.439 billion to \$2.178 billion while HOPE VI would receive no funds and \$99 million in unobligated prior year funds would be rescinded. Housing for the elderly (Section 202) would be reduced by \$190 million and Section 811 housing for the disabled would fall by \$118 million.

The budget for HUD would eliminate the Rural Housing and Economic Development program. The rural housing budget leaves Section 515 rental housing with no money while the Section 538 guaranteed multifamily loan funding would double to \$198 million. Additionally, the budget includes \$74 million for multifamily housing revitalization and \$486 million for rural rental assistance; this is down from \$647 million in 2006 with contract terms reduced from four to two years. "USDA's 2007 budget is generally consistent with those of the last few years, but proposes more drastic changes for rental housing," says Leslie Strauss, communications director for the Housing Assistance Council in an email.

"The President's budget proposal leaves many of the nation's most critical housing and community development programs severely under-funded, undermining the ability of states and localities to meet community needs and reducing the number of families able to access stable, affordable housing, said Conrad Egan, president and CEO of the National Housing Conference, in a prepared statement. "Specifically, the Community Development Block Grant program, a proven tool for developing affordable housing, has been cut by more than \$1.1 billion leaving funding at its lowest level since 1990. This is despite CDBG's clear effectiveness, which is best demonstrated by the Administration's own substantial reliance on the program to help families in the hurricane-devastated Gulf Region."

Rep. Barney Frank, D-Mass, the senior Democrat on the House Financial Services Committee, pledged to fight against the proposed budget, noting HUD's study that found that 11.4 million Americans do not have housing assistance and have a severe housing problem. "President Bush's response to this crisis, embodied in the 2007 budget proposal he has put for-

(continued on page 16)

President's Budget Proposal

(continued from page one)

ward, is to make the 'worst' even worse.... he is ... proposing that we cut back on virtually every federal program that helps low- and moderate-income people, particularly those who live in cities...."

The National Low Income Housing Coalition (NLIHC) objected strenuously to the Administration's proposal, noting that "once again," it failed to make affordable housing a priority. "Further cuts to low-income housing programs are inexplicably shortsighted at a time when a significant portion of the nation's low income housing stock was destroyed as a result of the Gulf Coast hurricanes and communities across the country are struggling to house hundreds of thousands of evacuees," the NLIHC said in a February 6 press release.

"It is a shame that the President keeps recycling the same old ideas that Congress and the entire affordable housing community have already rejected," said Sheila Crowley, NLIHC President. "The Administration's housing agenda has one objective: to shrink the federal investment in solving critical housing problems."

Noticeably absent from this year's budget proposal is the recommendation for a single-family homeownership tax credit. Bush's 2006 proposed budget had marked the fifth consecutive year that the Administration had called for such a credit. However, homeownership continues to be addressed in the 2007 budget with proposals to provide \$100 million to help first-time homebuyers through the American Dream Down-payment Initiative; \$40 million for the Self-Help Homeownership Opportunity Program; and \$45 million for housing counseling.

Hurricane Recovery

The proposed budget does not request funding to restore damaged or destroyed federally assisted housing in the Gulf except for making a \$20 million public housing reserve funding pot potentially available to cover the effects of disasters in 2005. That amount, say representatives of the Center on Budget and Policy Priorities, is only a "small fraction of what would be needed to repair or replace public housing damaged by the 2005 storms, and in any event is also meant to serve as a contingency fund for disasters in 2007."

Housing Budget Cuts at a Glance

\$118 million cut (50 percent) for Section 811 disabled housing, including a proposal Congress rejected last year to eliminate funding for construction of affordable rental units for disabled persons.

- ◆ \$190 million cut (26 percent) for Section 202 elderly housing.
- ◆ \$736 million cut (20 percent) for Community Development Block Grants (CDBG), which are used for community development and housing for our nation's cities and counties.
- ◆ \$459 million cut (8 percent) for public housing, including the elimination of the very important HOPE VI program to revitalize obsolete public housing projects.
- ◆ \$35 million cut (23 percent) for lead paint prevention and remediation.
- ◆ Elimination of all funding for the construction or preservation of affordable housing units in rural areas.
- ◆ Zero funding for a range of economic and community development programs, including Brownfields Redevelopment Grants, Urban Empowerment Zones, the National Community Development Initiative, and CDBG Section 108 loans.

The 2007 proposed budget fails to request money to ensure that local housing agencies in the disaster area are able to use all of their housing vouchers. "The ability of Gulf Coast agencies to use their vouchers is in jeopardy because of rent increases that are pushing up costs ...," the Center observes in its analysis of the proposal. The Center also notes that the proposed cutting of existing programs like CDBG and HOPE VI, which could be used to support the restoration of affordable housing, removes funding that HUD could have chosen to target on hurricane-damaged areas.

In an era of increased government spending on national defense and homeland security, rising costs of entitlement programs, and large budget deficits, spending on housing and community development programs will be subject to increasing scrutiny and attempts to limit such spending. It is incumbent on those concerned about housing the nation's needy to speak up and on behalf of those housing and community development programs that are working well. ❖