

Sequestration/CR and the HUD Budget

Congress is making some momentous funding decisions about the Public Housing and the Housing Choice Voucher programs in FY2013. These decisions will likely have both immediate and far-ranging impacts on your ability to effectively operate your agency, maintain important physical assets for your community and provide a decent quality of life for your residents.

It is extremely important for you to communicate your funding concerns to your House member and your two Senators now.



Approaching deadlines require Congress to take action on two major funding triggers

On March 1 -- Sequestration (automatic, across-the-board cuts) begins for discretionary programs like HUD. Sequestration is now expected to cut funding by roughly 5% for both public housing and housing voucher budgets.

The White House, House and Senate presented remarkably similar FY2013 THUD spending plans but they were unable to reach agreement on spending levels for the entire federal budget that would have avoided sequestration. Originally scheduled to begin January 3, deeply damaging sequestration cuts are now scheduled to begin March 1. **PHADA encourages members to ask their elected officials to come together to pass any of the proposed FY2013 THUD budgets (W.H., House or Senate) so that housing agencies have adequate operating funds for the current year.**

Congress will also need to find ways to eliminate or amend the funding caps that loom over the next nine fiscal years so that the federal obligation to public housing can be met.

On March 27 – the 6-month CR that keeps current year spending at low-FY2012 levels expires. Congress must decide to either pass a FY2013 Appropriations (omnibus) bill or to extend the CR for a full year. A full-year CR that does not account for the public housing funding anomaly (\$750 million lost to the FY2012 operating reserves offset) would leave agencies with additional losses and deepen the Operating Fund proration significantly.

HUD, realizing the potential financial damage to housing authorities from a 6-month CR that did not fill the \$750 million gap in the operating fund, decided to front-load FY2013 payments to agencies. These front-loaded payments, pegged to a 92% proration, will also expire at the end of March.

Without an appropriation bill, the combined result of a full-year CR, sequestration and the end of frontloading could be fiscal chaos.

Passage of an FY2013 Appropriations bill would be a far better solution for housing agencies than a full-year CR. The CR is particularly harmful because it may not include the funding anomaly created by the FY2012 operating fund offset -- and it contains woefully inadequate funding for the voucher program administrative fee. **Again, PHADA encourages members to ask their elected officials to pass any of the proposed FY2013 THUD budgets (W.H., House or Senate) so that housing agencies have adequate operating funds. If instead, the CR is extended for a full-year, it must include the reserves offset funding anomaly and adequate voucher administrative fees.**

Passage of an adequate FY2013 budget will also provide a reliable baseline for the FY2014 budget that is delayed because of the current uncertainty around FY2013.

CR vs. FY2013 Budget Proposals				
	2012 Enacted/ current CR	2013 White House proposal	2013 House passed bill	2013 Senate proposal
Operating Fund	\$3.96 B	\$4.52 B	\$4.52 B	\$4.59 B
Capital Fund	1.87 B	2.07 B	1.98 B	1.99 B
HCVouchers	17.24 B	17.24 B	17.24 B	17.50 B
Admin Fee	1.35 B	1.58 B	1.58 B	1.58 B
HOPE VI	-0-	-0-	-0-	-0-
CNI	120 M	150 M	-0-	120 M

If Congress fails to address these fiscal hurdles, funding levels for public housing and the voucher programs could reach dangerously low levels. The combination of funding losses that would result from:

1. The low funding provided by a full-year CR (that fails to include funding to account for the \$750 million reserves offset);
2. Sequestration cuts; and,
3. Recalibration of front-loaded payments if Congress delivers a deeply prorated operating fund could be a devastating blow to many agencies.



Please talk to your members of Congress. We encourage you to use CapWiz (<http://capwiz.com/phada/home/>) in your communications. Not only is it quick, reliable and simple to use – it allows PHADA to track communications to ensure every Hill office has been reached. You may also call the Capitol switchboard at 202-224-3121.