



## Federal Budget Outlook What to Watch in 2012 – 2013

Over the next several weeks and possibly months, the federal budget picture and how to reduce the federal deficit will dominate Congress and the Administration. The decisions they make could result in significant federal cuts to the housing and health programs necessary to create and sustain supportive housing programs.

The federal budget conversation is complex and will largely be decided through three separate but connected policy discussions. Each has its own process and content but the potential cuts build upon each other and taken in total could significantly reduce resources for supportive housing. Therefore, understanding these three conversations is important in order to protect the programs vital to the most vulnerable Americans.

The three biggest challenges come from sequestration, Congressional budget action which could include entitlement cuts and cuts through the regular appropriations process. In this document, we will lay out in detail the three funding challenges.

### Potential Threat #1 Sequestration

**Background:** In the summer of 2011, Congress had difficulty reaching agreement on how to raise the nation's debt ceiling to avoid defaulting on financial obligations. This usually routine task became contentious due to several Republican members wanting any agreement to raise the debt ceiling to also include cuts to federal programs. The Administration and Congress could not agree on budget reductions so to pass the debt ceiling increase they created the Budget Control Act (BCA) of 2011. The BCA formed a super-committee made up of members of Congress who would work together and create a consensus budget agreement. It was stated that if the super-committee could not reach an agreement by the fall of 2011 there would be across the board cuts, through a process called – sequestration, starting in 2013. The super-committee did indeed fail to come to an agreement, which has left us with Sequestration which has the potential to do tremendous harm to a wide variety of federal programs (including in the defense department but exempting some entitlement programs) starting next year, but extending for the foreseeable future.

**Who is impacted by sequestration?** As it stands now, most federal programs are vulnerable to cuts. There is concern that Congress will find a way to protect defense spending which would shift more cuts to what are known in Congress as Non-Defense Discretionary programs. These are regular activities that Congress appropriates funds for each year such as McKinney/Vento Homeless Assistance Grants, SAMHSA homeless services programs, the Community Development Block Grant (CDBG), the Runaway and Homeless Youth Act programs and Community Health Centers/FQHC programs.

Here are some of the programs that are close to us and are at risk of being severely cut:

- HUD McKinney-Vento grants - possible cut of \$1.57.7 million resulting in 145,906 people not served because of the cuts
- HUD Section 8 Tenant-Based Rental Assistance - possible \$1,588.8 million dollar cut resulting in 186,915 fewer vouchers
- Runaway and Homeless Youth Act (RHYA) Basic Center and Transitional Living Programs - possible \$8.2 million dollar cut resulting in 3,678 young people not able to receive services
- SAMHSA's Projects for Assistance in Transition from Homelessness (PATH) - possible \$5.5 million dollar cut leaving out 17,247 people from getting services under the program
- Health Care for the Homeless (HCH) Program – possible \$2.7 million dollar cut leaving out 11,587 people from the program.

There are a number of programs, mostly entitlements that help low income Americans that are exempt from cuts under sequestration. These include: Medicaid, Medicare, Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), SNAP (formerly Food Stamps), and programs that are administered by the Veterans Administration (VA).

**This leads us to the next potential threat – Congressional action to reduce entitlements.**

**Potential Threat #2: Federal Budget Cuts and Entitlement Reform**

The way to stop sequestration, which both parties agree should not move forward, is to reach a compromise on revenue/tax increases, overall budget cuts and entitlement reforms. As there is little debate on whether some entitlement spending reductions are needed; the debate is about which programs should be cut and by how much.

It is unclear now what will be proposed or how it will move forward but past proposals could give us some ideas.

1. An updated version of the Bowles/Simpson report and recommendations, which were developed as part of a request from the Administration can be found [here](#), could guide Congressional action. Budget cut target amounts would be created by House and Senate leadership and the committees of jurisdiction would develop legislative changes to meet the predetermined budget levels. The original Bowles/Simpson plan also proposed tax increases on people who earn more than \$250,000 annually.

2. Another option would be to use the FY 2013 budget developed by the House budget committee and lead by Congressman Paul Ryan. In the spring of 2012, Paul Ryan, in his role as Chairman of the House Budget Committee, created a federal budget proposal that calls for severe cuts in entitlement programs as well as discretionary spending such as McKinney-Vento funding. According to a respected analysis of the budget plan, the following could be the result:
  - Of the proposed \$5.3 trillion in nondefense budget cuts over ten years, **\$3.3 trillion** would be in programs that benefit primarily low income people. This includes:
    - **\$2.4 trillion** in cuts from Medicaid;
    - \$143 billion in cuts to SNAP(Food Stamp Program);
    - Approximately \$291 billion in cuts for discretionary programs that serve low-income people.
  
3. A final option is to develop a proposal with a mix of the above options and new revenue generators and budget cuts developed either through negotiation between President Obama and House Speaker John Boehner or by Congressional committees during 2013. If the process is delegated to Congressional committees, each committee will be given a target cut amount and a deadline for action. They will meet and develop legislation with specific programmatic cuts and it will need to be passed by both the House and Senate and signed by the President. One important note, budget legislation that moves in this fashion, which is called Budget Reconciliation, Senators cannot filibuster the legislation; therefore, it only needs a simple majority (51 votes) to pass.

**However we have yet another issue, we are faced with an appropriations process that has not increased many of our programs in relation to inflation in a number of years.**

### **Potential Threat #3 - Appropriations Process**

This year, Congress was not able to pass legislation to fund the federal government. To avoid shutting down the government, they passed a continuing resolution to keep funding federal programs mostly at FY 2012 levels. This continuing resolution will fund the government until March 2013. Therefore, not only are the budget discussions outline above on Congress' plate but also the normal appropriations process is still open. The levels finalized through the appropriations process will determine the baseline for any discretionary budget cuts.

## Current Status of Several Key Programs

Please find below the funding amounts that were enacted in FY 2012 and proposed for FY 2013 (in millions).

	Enacted FY 2012	Proposed FY 2013	Senate FY 2013	House FY 2013
Homeless Assistance Grants	1,901	2,231	2,146	2,005
Tenant-Based Rental Assistance	18,914	19,074	19,396	19,134
HUD-VA Supportive Housing Program	75	75	75	75
Project-Based Rental Assistance	9,340	8,700	9,876	8,700
Community Development Block Grant	2,948	2,948	3,100	3,344
SAHSA Homeless Programs	75	75	75	N/A

Sequestration and/or overall budget cuts will happen on top of these flat or slightly increased funding proposals. Therefore, gains through the appropriations process would be lost in the other budget negotiations which make it more important to not only protect against cuts but seek higher funding levels from Congress.

[Please visit](#) to see what you can do to fight budget cuts to essential programs.