



Public Housing Takes Big Rescission Hit

As customary in recent years, HUD would take the brunt of budget cutbacks in the Trump administration's latest effort to slash federal spending. This time public housing bears the heavy load of cuts, and the administration makes clear its continuing effort to reduce federal spending and force the states to pick up a major portion of domestic government social program spending.

The Office of Management & Budget originally eyed \$11 billion for cuts. But late in the game, the administration discovered millions held in reserve by many public housing authorities as rainy day rescue funding to repair public housing units.

Heeding warnings from lawmakers, particularly Senate Majority Leader Mitch McConnell (R-KY) to keep hands off the FY 2018 Omnibus Appropriations law that he helped craft with Democrats, the administration focused instead on idle, unspent cash in the spending system, particularly more than \$7 billion administrators of the Children's Health Insurance Program (CHIP) couldn't find a way to spend.

But it's the nation's 1.1-million unit public housing portfolio that will take the biggest physical hit. The country's public housing authorities slammed by the Obama administration's claw-back of \$1 billion in FY 2012 to help finance another policy initiative have never recovered from the cut, reduced to \$750 million later by the courts.

With nearly 20% of the country's public housing units already converted to private ownership and management with HUD paying the financial costs through Section 8 contracts, and another 30% authorized to convert to private ownership, PHAs are reaching a crossroads in trying to maintain the housing safety net as federal bean counters chip away at public housing's financial underpinnings.

The public housing Capital Fund has been a political target since 2011 when the Obama administration, regarding it as a slush fund, ordered cuts at the same time HUD certified it needed at least \$25 billion just to bring the existing public housing portfolio up to par.

As the fix-up cost escalated in ensuing years, the repair fund dropped correspondingly as the Obama administration stealthily moved its public housing holdings into the new

but untried Rental Assistance Demonstration program. With Congress initially reluctant to buy into the RAD concept, the administration incorporated it into the annual appropriations request to get it into law via a legislative backdoor.

RAD only recently generated congressional attention when lawmakers were convinced the public/private conversion would provide an escape from the onerous financial burden of accumulated rehabilitation costs.

Now faced with a congressional warning to ease into federal budget cuts in mid-spending year, OMB Director Mick Mulvaney decided on the cautious approach of clawing back unspent appropriations piecemeal instead of heading pell-mell into a \$25 billion overall budget rescission, an approach McConnell says he could support.

While the new rescission heeds McConnell's warnings to avoid tampering with FY 2018 spending, it has a provision that troubles McConnell and infuriates Democrats. Rescission under the Congressional Budget Control & Impoundment Act of 1974 eliminated filibusters. Any House/Senate decision to reduce spending faces only a simple majority vote for approval. Normal procedure requires 60 votes to invoke cloture to shut off a filibuster by Democrats.

5/11/18 11:18 AM