



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
**THE SECRETARY**  
WASHINGTON, DC 20410-0001

March 17, 2023

The Honorable Rosa L. DeLauro  
Ranking Member  
Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20515

Dear Ranking Member DeLauro:

Thank you for your letter requesting the impact of the proposed House Republican Leadership 2024 budget cuts on Department of Housing and Urban Development (HUD) programs and assisted families. In short, the reduced funding scenarios would represent the most devastating impacts in HUD's history.

On March 9<sup>th</sup>, President Biden released his Budget showing his plans to invest in America, continue to lower costs for families, protect and strengthen Social Security and Medicare, and reduce the deficit. Congressional Republicans are reportedly planning unprecedented cuts in 2024 funding for key services, programs, and protections such as education, public safety, research, nutrition and more. While Congressional Republicans have not released one specific plan, cuts on this scale would have very real and damaging impacts on our families, our communities, our economy, and our competitiveness—undermining a broad range of critical services the American people rely on in their everyday lives. This letter will consider two scenarios, a reduction to 2022 enacted levels and a 22 percent reduction to 2023 enacted levels.

Most HUD programs received modest increases in 2023. Increases in the 2023 enacted budget levels relative to 2022 primarily serve to maintain existing programs, not to permit program expansions. Except for targeted funding increases for homeless assistance and tenant-based Housing Choice Vouchers (HCV), almost all of HUD's programs remained at or near level funding with zero or minimal increases. Consequently, any cuts to the 2023 level do not eliminate "extra" funding added in 2023 but translate to direct cuts to the 2022 baseline. These cuts, in turn, would reduce existing services that families and communities rely on, including programs housing low-income families.

Today's HUD rental housing programs' funding levels are necessary to maintain existing rental assistance to keep currently assisted families in their homes. Under the 22 percent potential funding cut scenario, it would be impossible to stave off mass evictions.

## **If These Draconian Cuts Were Made:**

### **Thousands Would Lose Housing Choice Vouchers**

Nearly the entire increase in voucher funding between 2022 and 2023 (aside from small amounts for homeless veterans and at-risk youth) supported renewal of existing assistance to families in their current units. The dollar increase relative to 2022 was necessary to match major cost increases in the housing market. For example, between 2022 and 2023 the national population-weighted average Fair Market Rent (FMR) increased by nearly 10 percent, with 16 HUD Metro FMR Areas increasing by 20 percent or more. Rents are expected to stay high in 2024, even as growth slows down. Any cut to the 2023 funding level will not simply revert to the same number of families that could be supported in 2022, but will put large numbers of the most vulnerable and lowest income American families at risk of losing their rental assistance entirely. HUD rental assistance serves the most vulnerable low-income families, with an average income of only \$15,000 per year, and includes older adults, persons with disabilities, and families with children. The Housing Choice Voucher program currently assists approximately 2.3 million families.

- 2022 flat → eliminates funding for 350,000 families.
- 22 percent cut to 2023 funding → eliminates funding for 640,000 families.

### **Families Living in Public Housing Would be Exposed to Unsafe Living Conditions**

The needs of public housing portfolio continue to grow, so major cuts to this program threaten to remove important affordable housing assets from the inventory. If there is a 22 percent cut, HUD calculates an expected 78% proration for the Operating Fund. At this level, there would be significant impacts to PHA operations. All PHAs would need to drastically cut operations, including regular property maintenance, services to families, and likely staff layoffs to right-size operations to expected revenues. Deferred maintenance would decrease housing quality, potentially exposing families to unsafe living conditions such as mold and lead-based paint. Finally, there would be the likelihood of PHA insolvency or other program failures. The projected \$700 million cut from the capital grants would leave no funding to address backlog needs and \$2 billion in unfunded accrual needs. Unmet capital needs mean the further deterioration of the inventory and contribute to lower occupancy rates, higher costs for utilities, less resilience to climate change, and increased health and safety risks for residents.

### **There Would be an Unprecedented Loss of Existing Affordable Housing, Leading to Mass Evictions**

HUD's Project-Based Rental Assistance (PBRA) program, which serves approximately 1.3 million families, needed almost \$1 billion above 2022 levels to just renew the existing owner contracts for 2023. These increases are statutory and reflect increased costs, and HUD cannot avoid them within the contracts. As a result, any cuts to the 2023 level would force HUD to short fund or cancel existing contracts between the federal government and private property owners. The termination of contracts with rental owners will likely lead the owners to convert their housing to market-rate, leaving currently supported tenants in units that are now unaffordable to them, likely resulting in evictions. This would represent an historically unprecedented loss of existing affordable housing, a breach of federal contracts, and a repudiation of decades of long-term bipartisan federal investment.

- 2022 flat → eliminates funding for approximately 87,000 families
- 22 percent cut to 2023 funding → eliminates funding for approximately 286,000 families

## **States and Localities Would Be Prevented from Making Basic Infrastructure Improvements**

In addition to rental assistance, HUD's programs also include the most popular and effective funding programs for states, cities, counties, and towns: Community Development Block Grants (CDBG) and HOME Investment Partnerships. CDBG and HOME provide flexible block grant assistance whereby funding decisions are locally controlled.

*CDBG:* The median CDBG annual grant is \$1 million provided through a block grant allocation formula. Urban and rural municipalities and counties rely on the funding for basic housing-related infrastructure such as rehabilitation of existing affordable housing, water and sewer connections, sidewalks, as well as direct assistance for small businesses, economic development, and essential services. The estimated impact of the funding cut of 22 percent will reduce the average grant by approximately \$440,000.

*HOME:* As with CDBG, the vital HOME Program received zero increase in 2023. Funding cuts to HOME would result in fewer new affordable rental and homeownership opportunities for low-income families, fewer grants for repair and rehabilitation of existing affordable housing, and less tenant-based rental assistance available, resulting in increased risk of homelessness. This will directly exacerbate the existing national affordable housing crisis. The estimated impact of the funding cut of 22 percent from 2023 to the average HOME formula grant of \$1.5 million will reduce the average grant by \$330,000 and will result in more than 6,700 fewer units of affordable housing produced.

## **Thousands More Americans Would be Sleeping on the Streets**

HUD received a targeted increase in funding for Homeless Assistance Grants in 2023, which would sustain existing resources for emergency shelter, increase availability of permanent supportive housing, and continue to provide other homeless assistance to the most vulnerable Americans. Undoing this increase will severely curtail the services that communities across the country would be able to provide to those experiencing homelessness. Cuts to the Emergency Solutions Grants (ESG) program from the 2023 baseline would result in less emergency shelter, homelessness prevention, and rapid rehousing. A funding cut of 22 percent would result in over 24,000 fewer people receiving assistance, likely leading to large increases in the number of people sleeping on the streets.

In the Continuum of Care and Youth Homelessness Demonstration Program, funding provides permanent supportive housing for people with severe disabilities and illnesses, and rapid rehousing and transitional housing for youth and adults to help them achieve housing stability and self-sufficiency. In recent years, HUD has significantly expanded assistance to people fleeing domestic violence. Providing funding at the 2022 level for CoC renewals would result in at least 54,000 fewer homeless people and domestic violence survivors receiving assistance than in 2023, and a 22 percent cut from 2023 levels would result in nearly 95,000 fewer people receiving assistance. These cuts would eliminate new funding for the Youth Homelessness Demonstration Program, an effort that has helped reduce the number of homeless unaccompanied youth by more than 25 percent since 2017.

## **Dire Housing Conditions in Indian Country Would be Exacerbated**

Housing conditions in Indian Country are among the most dire in the United States. Thus, any cuts to the 2023 formula funding level would have a significant impact on the program, which is the single largest source of funding for Indian housing assistance. It would make it almost impossible for

most Tribal grantees to construct new affordable housing units and a challenge to meet the basic operations and maintenance needs of their existing housing. It would also make it extremely difficult to leverage other non-Federal resources to develop affordable housing. Funding for the formula block grant component would be reduced by \$173 million with a 22-percent cut, which would reduce funding for Native American Housing Block Grants to its lowest level since it was implemented in 1996 (adjusting for inflation).

### **Efforts to Abate Lead Hazards Would be Slowed**

HUD's Lead Hazard Control and Healthy Homes programs to reduce lead poisoning hazards for children in lower income families, together with a variety of programs aimed at reducing indoor home health hazards. Home health hazards are scientifically proven to cause lifelong damage when ongoing exposure occurs during childhood. For example, even low levels of lead exposure during childhood have been linked with lifelong impacts on intelligence, attention, and academic achievement. Further cuts below the previous 2022 level would substantially slow and adversely affect the Federal government's planned efforts to abate lead hazards and prevent home health hazards from negatively affecting child development.

### **Critical Research Would be Jeopardized**

The Office of Policy Development and Research (PD&R) enables the Congress, the Secretary, and other HUD principal staff to make evidence-informed decisions on budget and legislative proposals and strengthens housing and community development policy. The total investment for research, evaluation, and technical assistance was essentially level between 2022 and 2023. Thus, any cuts would substantially reduce HUD's ability to conduct research, program evaluations, and provide critical technical assistance (TA) and capacity building support, including, for example, through the Distressed Cities TA program that supports small, rural and underserved localities. A 22 percent cut to PD&R's 2023 funding would result in a \$32 million cut to existing activities and investments, placing major PD&R-funded survey efforts at risk, such as the American Housing Survey, jeopardizing critical research providing the next generation of evidence on how HUD can most effectively support affordable homeownership and quality rental housing.

### **Efforts to Combat Housing Discrimination Would be Severely Impacted**

A 22 percent cut to Fair Housing Programs would severely impact the ability of the Fair Housing Assistance Program (FHAP) to support state and local agency enforcement of the Fair Housing Act nationwide. FHAP agencies currently investigate about 75 percent of all fair housing complaints filed under the Fair Housing Act, and this level of funding would jeopardize the FHAP agencies' ability to conduct investigations, litigate complaints, retain staff, and keep up with inflation. This level of funding would also hinder the Department's ability to admit new FHAP agencies into the program.

A 22 percent cut to the Fair Housing Initiatives Program (FHIP) would significantly impact the geographical representation of and activities performed by fair housing organizations nationally. Last year, as usual, HUD was unable to fund all Education and Outreach Initiative (EOI) qualified applicants. A reduction would further limit HUD's ability to fund organizations in underserved and unserved communities. This also could prevent HUD from maintaining the current maximum level of funding under the Private Enforcement Initiative (PEI), which funds fair housing organizations to conduct testing,

investigations, and public education and outreach on the rights and responsibilities under the Fair Housing Act. Lastly, the Fair Housing Accessibility FIRST program would be severely limited in maintaining a broad scope of services, especially focused on addressing accessibility compliance in federally-assisted affordable housing programs.

### **Highlighted Impacts on HUD Operations**

#### **Salaries and Expenses (S&E)**

If HUD's 2024 appropriation were equal to the 2022 appropriation, that would result in a reduction of \$152 million from our current 2023 enacted level and require HUD to absorb a staffing reduction of over 650 full time equivalents (FTE), which would have devastating impacts on HUD services in all Program Offices. A reduction of this size would require an immediate hiring freeze and the potential for at least some furlough days, which would cause HUD services to the public to be suspended or delayed, including providing assistance to existing FHA homeowners, increasing homeownership opportunities for potential homebuyers, processing fair housing complaints and conducting complex closings of multifamily properties.

A 22 percent reduction from the 2023 enacted level would reduce S&E by \$390 million and require a staffing reduction of more than 1,700 FTE. Given HUD is unable to attrit that amount of FTE during a fiscal year, it would require either implementing a Reduction in Force (RIF), incurring up to 60 furlough days, or a combination of the two, which would cause HUD services to the public to be delayed or suspended. Additionally, it would result in dramatic reductions in contractor support services to include areas such as federal protection services for building security and financial oversight and audit support services.

#### **Information Technology (IT)**

Reducing the Department's IT resources to the 2022 level represents a significant operational vulnerability. Such a reduction will have agency-wide implications on HUD operations and program administration. At this reduced funding level, the current operations and maintenance contracts will be scaled back resulting in a diminished service level for software and systems across the Department. While HUD will make every effort to keep public facing systems operational and available for external partners and the public, HUD cannot guarantee full functionality of these systems with budget reductions of this magnitude.

A 22 percent reduction in IT resources creates an extremely high level of risk to the Department's core technology infrastructure and services. At this level, a portion of HUD's existing operations and maintenance contracts will stop work due to insufficient funds. The likely impacts include prioritization of contractor support for existing major systems and cancelation of support for systems within the non-major portfolio. This diminished support will lead to grantee and stakeholder interruptions due to inability to access HUD grant systems and financial interfaces. Such challenges may delay state, local, and non-profit partners access to formula grant funding and rental assistance due to service disruption in relevant IT systems and contractor support. Local governments would face delays in implementing the plans that they put in place to, for example, construct affordable housing or provide support to Meals on Wheels, as they waited for HUD's systems. New homebuyers and affordable housing developers could

experience delays in FHA and multifamily loan processing to service disruptions to associated systems. All IT development will stop and existing contract support for these and any new efforts will terminate.

As you can see, the proposed funding cuts would have a catastrophic impact on the ability of HUD to provide quality, affordable homes for all and to develop equitable, inclusive communities. Please do not hesitate to reach out for any additional assistance.

Sincerely



Marcia L. Fudge

Attachment

## Appendix

### Impacts for Potential HUD Funding Cuts Scenarios

<b>Programs</b>	<b>2022 Enacted (\$ millions)</b>	<b>FY2023 Enacted (\$ millions)</b>	<b>Scenario (1): Effect of funding at 2022 level (\$ millions)</b>	<b>Scenario (2): Effect of 22 percent cut to 2023 level (\$ millions)</b>
<b>Housing Choice Vouchers*</b>	\$27,370	\$30,253	-\$2,883 (vs 2023)	-\$3,773 (vs 2022) -\$6,656 (vs 2023)
<b>Homeless Assistance Grants (including CoC, ESG, Youth, and DV)</b>	\$3,213	\$3,633	-\$420 (vs 2023)	-\$379 (vs 2022) -\$799 (vs 2023)
<b>Public Housing</b>	\$8,452	\$8,514	-\$62 (vs 2023)	-\$1,811 (vs 2022) -\$1,873 (vs 2023)
<b>Project-Based Rental Assistance *</b>	\$13,940	\$14,907	-\$967 (vs 2023)	-\$2,313 (vs 2022) -\$3,280 (vs 2023)
<b>HOME Program</b>	\$1,500	\$1,500	\$0 (vs 2023)	-\$330 (vs 2022) -\$330 (vs 2023)
<b>Community Development Block Grant (CDBG)</b>	\$3,300	\$3,300	\$0 (vs 2023)	-\$726 (vs 2022) -\$726 (vs 2023)
<b>Native American Housing Block Grants Formula</b>	\$772	\$787	-\$15 (vs 2023)	-\$158 (vs 2022) -\$173 (vs 2023)
<b>Lead Hazard Control and Healthy Homes</b>	\$410	\$415	-\$5 (vs 2023)	-\$86 (vs 2022) -\$91 (vs 2023)
<b>Policy Development and Research</b>	\$145.4	\$145.4	\$0 (vs 2023)	-\$32 (vs 2022) -\$32 (vs 2023)
<b>Fair Housing Programs</b>	\$85	\$86.4	-\$1.3 (vs 2023)	-\$18.7 (vs 2022) -\$19.85 (vs 2023)

\*includes emergency designated funding