

# Cutbacks In Federal Housing Programs

by Priscilla Cobb

**T**alk to a state or local official working with any type of housing or community development program, and you will hear a common refrain: "We're adjusting our program to the federal cutbacks." Because the federal government has played the major role in financing housing programs for the last two generations, the current wave of federal budget cuts is having a dramatic impact on housing policy. The reduction trend begun in fiscal year (FY) 1982 appears to be accelerating for FY 1983. As the federal role in housing declines, the level of state activity in housing becomes much more important — and visible.

The accompanying chart shows the levels of funding for FY 81 and FY 82 for the major housing programs within the U.S. Department of Housing and Urban Development (HUD). The programs are divided into three categories: new construction, rehabilitation and maintenance, and planning/technical assistance.

**New Construction.** In FY 82, which began October 1, 1981, federal funding for new construction programs was severely curtailed. In FY 81, North Carolina received \$110.2 million through HUD's five major programs to subsidize the construction of low-income housing. In FY 82, the total for these programs dropped to \$40.6 million, a decline of 63 percent.

HUD's Public Housing program, the largest and oldest subsidized new construction program for low-rent housing, received a reduction in committed funds of more than 90 percent between FY 81 and FY 82. In North Carolina, this program has subsidized the construction of almost 40,000 low-rent housing units by local public housing authorities.

Section 8, HUD's other major low-income new construction effort, was allocated only \$4.1 million in FY 82, after a FY 81 commitment of \$12.5 million. Since it began in 1974, this Section 8 program has subsidized over 11,000 units in North Carolina by providing rental assistance.

The Section 8 assistance for these units was committed and budgeted for an average of 20 years; hence the current federal funding reductions do not affect them. The reductions only affect rental assistance available for new construction.

The Section 235 home ownership program, which has subsidized the purchase of more than 3,000 single-family homes since 1976, had its funding reduced almost 100 percent between FY 81 and FY 82.

**Rehabilitation and Maintenance.** In FY 82, most maintenance and rehabilitation programs were not reduced as severely as were new construction efforts, but they still felt the pinch. From FY 81 to FY 82, North Carolina expects to receive a slight increase in public housing operating subsidies (from \$21.2 to \$22.5 million) and has received an increase in public housing modernization funds (from \$16.0 to \$16.1 million). These small increases, however, do not keep pace with the operating and maintenance costs of the public housing projects for which the programs are designed.

From FY 81 to FY 82, the funds committed for the Community Development Block Grant (CDBG) program increased \$3.2 million. Funds committed for the Section 312 rehabilitation loan program decreased \$1 million. Neither of these funds residential rehabilitation programs exclusively. The CDBG program funds a wide range of projects from water and sewer improvements to economic development efforts. The Section 312 program provides loans for the rehabilitation of non-residential, as well as residential, buildings.

**Planning/Technical Assistance.** From FY 81 to FY 82, planning and technical assistance funds for the state and local governments were cut substantially. In 1982, North Carolina received no Section

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701 money; this program funded the North Carolina "housing elements" of 1972 and 1977 and most other housing studies conducted in the state. The Section 107 program is expected to be reduced by more than a third; this program allows the state's Division of Community Assistance to help the recipients of CDBG grants to make the best use of those funds.

**F**or FY 82, Congress authorized \$17 billion for all HUD housing assistance programs. Congress has not yet finalized FY 83 funding levels but has tentatively authorized only \$10 billion for all HUD housing programs (Senate Concurrent Resolution 92). If the \$10 billion is the final authorization, which appears likely, HUD will have

to spread 41 percent less funds among its programs, even after a year of severe cutbacks.

Other major reductions affecting housing also appear likely, particularly housing programs through the Farmers Home Administration and the Appalachian Regional Commission (ARC). Since 1974, the ARC has financed the construction or rehabilitation of 3,200 housing units in the state. Since 1968, the Farmers Home Administration has assisted some 75,000 North Carolina families in purchasing homes at below-market interest rates.

As North Carolina policymakers start to understand better the magnitude of the federal cutbacks in housing, they must begin to fill the voids left by the demise of the federal programs. □

## FEDERAL FUNDS COMMITTED FOR HUD PROGRAMS IN NORTH CAROLINA Fiscal Years 1981 and 1982

	Funds Committed (millions of dollars)		
	FY 1981	FY 1982	Percent Change <sup>2</sup>
<b><u>New Construction Programs</u><sup>1</sup></b>			
Public Housing	57.4	4.1	- 93
Section 8 New Construction/ Substantial Rehabilitation	12.5	4.1	- 67
Section 202	13.8	12.9	- 7
Government National Mortgage Association (GNMA)	8.4	19.0	+ 126 <sup>3</sup>
Section 235	18.1	.5	- 97
<b>Total New Construction</b>	<b>110.2</b>	<b>40.6</b>	<b>- 63</b>
<b><u>Rehabilitation/Maintenance Programs</u></b>			
Community Development Block Grant (CDBG)*	64.3	67.5	+ 5
Section 312	1.4	.4	- 75
Public Housing Modernization	16.0	16.1	+ 1
Public Housing Operating Subsidies	21.2	22.5**	+ 6
<b>Total Rehabilitation/Maintenance</b>	<b>102.9</b>	<b>106.5</b>	<b>+ 4</b>
<b><u>Planning/Technical Assistance Programs</u></b>			
Section 701	.6	0.0	- 100
Section 107	.4	.2*	- 36
<b>Total Planning/Technical Assistance</b>	<b>1.0</b>	<b>.2</b>	<b>- 76</b>

\*Includes "Entitlement" and "Small Cities" funds.

\*\*Funds anticipated but not yet committed in full.

Source: Greensboro Area Office of the U.S. Department of Housing and Urban Development (HUD).

### FOOTNOTES

<sup>1</sup>This listing includes rental assistance, mortgage purchase, and loans for new construction, but not loan insurance programs.

<sup>2</sup>The percent changes are calculated from whole numbers since using the rounded figures yields slightly different percentages.

<sup>3</sup>These funds are committed on a project-by-project (not state-by-state) basis through a lottery. Although funding for the program was reduced by 9 percent nationally between FY 81 and FY 82, through "the luck of the draw" North Carolina received a large increase.