

Domestic Housing Programs May Suffer Under President's 2011 Budget

Speaking to a crowd in 1968, Dr. Martin Luther King said that a nation that continues year after year to spend more money on military defense than on programs of "social uplift" is approaching "spiritual death."

"When a nation becomes obsessed with the guns of war, social programs inevitably suffer," King warned.

America already spends considerably more on "the guns of war" than it does on social programs; and under President Obama's budget proposal for next year, that rift will grow even wider.

On February 1 – two weeks after the annual federal holiday celebrating Dr. King's legacy – the president delivered to Congress his 2011 budget, which if approved, will lock spending on most domestic programs at 2010 levels while pushing the defense budget to its highest level in 60 years.

The proposed 2011 budget – which totals \$3.8 trillion and projects a deficit of \$1.6 trillion – calls for a three-year freeze on all domestic discretionary spending, as well as the elimination and/or reduction of more than 120 programs to save a total of approximately \$23 billion.

Among the programs that will face funding reductions or be terminated are at least six initiatives of the Department of Housing and Urban Development (HUD), which will see a five percent reduction in its overall funding.

Programs slated for cuts include the Public Housing Capital Fund, the Fair Housing Activities Program, HOME Investment Partnerships, and Native American Housing Block Grants. The two hardest hit programs, the Section 202 Supportive Housing Program for the Elderly and the Section 811 Supportive Housing Program for Persons with Disabilities, will together lose more than \$750 million in combined funding.

Exempted from the president's proposed spending freeze are non-discretionary entitlement programs like Medicare and Social Security, and discretionary defense and security-related spending.

Under the president's proposal, the Defense Department's base budget jumps 3.4 percent next year to \$548.9 billion. In addition, the administration has requested \$159.3 billion for "Overseas Contingency Operations," to fight the wars in Afghanistan and Iraq, which brings the 2011 defense budget request to a total of \$708.3 billion. At its current rate, the Pentagon budget is

projected to grow 25% over the next decade, according to Jo Comerford, executive director of Massachusetts-based National Priorities Project (NPP), a nonprofit taxpayer advocacy group.

“The Obama administration has handed us the largest Pentagon budget since World War II,” Comerford notes. “The president has called for ‘hard choices’ in federal spending, but the Pentagon hasn’t been asked to make any.”

Ryan Alexander, president of the group Taxpayers for Common Sense, equates the president’s exclusion of defense and entitlement programs from the proposed spending freeze to “fighting the deficit with both arms tied behind his back.”

What’s more, critics of the budget say a spending freeze represents a 180-degree shift from candidate Obama, who famously equated his then-opponent John McCain’s spending freeze proposal to a “hatchet” job.

“The problem with a spending freeze is you’re using a hatchet when you need a scalpel,” Obama said in 2008, going on to repeat the comparison in at least two more debates with McCain in the months leading up to the election.

Defending the president’s budget, Peter Orszag, director of the Office of Management and Budget told reporters that freezing spending on certain programs will reduce the deficit by \$250 billion over the next ten years.

“Now, let me be very clear about this freeze. First, it is not across the board. Some agencies and programs are going up, and other agencies and programs are going down,” Orszag said. On the Defense Department exemption he added: “We need to remember, defense is not off the table in terms of fiscal constraint, but in terms of inclusion in the freeze; we’re at war and we need to make sure that we adequately fund our troops while we are at war.”

According to NPP, the Pentagon’s annual budget is now 28% higher than during the Cold War average for a military force that is significantly smaller.

“In the Nineties we used to talk about the ‘peace dividend,’ which was this idea that with the fall of the Soviet Union there’d be a downsizing of the U.S. military and all this money would be freed up,” said Christopher Hellman, director of research at NPP. “Well, that never materialized.”

In fact, two decades after the fall of the Berlin Wall, the U.S. spends more on defense than any other nation, accounting for 41.5 percent of the world total, according to the Stockholm International Peace Research Institute’s (SIPRI) 2009 Year Book on Armaments, Disarmament and International Security. The closest second, China, accounts for just 5.8 percent.

This leaves U.S. taxpayers to subsidize nearly half of the world’s total spending on weapons of war. And it’s not cheap.

Taxpayers here in Philadelphia will shell out \$2.5 billion for total defense spending in 2010, enough to hire more than 55,000 public safety officers or 40,000 elementary school teachers. Since 2001, taxpayers in Philadelphia have contributed \$3.8 billion to the wars in Iraq and Afghanistan, or enough to provide healthcare to more than half of the city's roughly 1.5 million residents, NPP reports.

"How did we get to this place in time? Well we're the only country in the world that considers the entire globe to be our sphere of influence," said Hellman. "When you approach the world in that way you're going to end up with a huge defense budget. If you really want to see a substantial reduction in what we spend on defense you have to get into a broader discussion of what is the military's role in promoting U.S. interests."

Local Housing Projects to Suffer

Local housing advocates say funding grants from the two HUD programs that will suffer the biggest cuts -- the Section 202 and 811 programs for the elderly and disabled -- are a vital tool in helping America's aging population.

Thanks largely to new advances in medical technology, senior citizens are the fastest growing population in the U.S. by age, and one-in-nine Americans are now considered "old." According to HUD, senior households with very low incomes are the likeliest to pay more than they can afford for their housing.

"The senior population is expected to double to 70 million by 2030 with the most growth among those over 85," Nancy Libson, the director of housing policy at the American Association of Homes and Services for the Aging, wrote in a 2009 policy paper.

Libson says current funding levels have failed to adequately address the growing need for affordable senior housing. A 2006 AARP study estimates there are 10 residents for every one unit that becomes available.

Launched in 1959, the Section 202 Housing for the Elderly program is one of HUD's oldest programs, and has helped create more than 8,000 housing developments nationwide, or almost 400,000 units of affordable housing for senior citizens. The Section 811 Housing for Persons with Disabilities program, established in 1990 and modeled on Section 202, has produced 30,000 units for the disabled.

The president's budget proposes \$274 million for Section 202, \$551 million less than it received in 2010, while Section 811 will get \$90 million, or \$210 million less than in 2010. Gone from both is the Capital Grants Program, provided by HUD to finance the construction, rehabilitation, or acquisition of affordable housing. Instead, the funding that is being distributed will be

earmarked for the renewal and amendment of existing project rental assistance contracts (PRAC).

Since the 1960s, there have been nearly 100 Section 202-funded senior housing projects in the City of Philadelphia accounting for more than 7,000 individual units. At the end of December, residents began moving into the newest of these, Haven Peniel Senior Housing, a 54-unit complex at 23rd and Oxford Streets in North Philadelphia, reserved for low-income seniors over the age of 62.

The project was the brainchild of Faye Wilson, who, along with friend and colleague Lillian Dixon, was inspired to help fellow congregants at their Haven Peniel United Methodist Church, in the Sharswood section of North Philadelphia.

“We saw the need in the community for housing for seniors – quality, low-income housing for seniors, and we realized that we had a wealth of experience within our congregation to get it done,” said Wilson, who has a background in finance and accounting.

Wilson, who currently works as the controller at Manayunk Development Corporation and has experience writing grants, decided to pool together the talent at the church and appeal to the federal government for help. In 2006 her hard work paid off, and the project was awarded \$8 million from HUD under the Section 202 program.

“Without the [Section 202] funding, there would have been no project,” she said. “There was no way in the world we would have been able to raise the \$9 million that the project cost. We now are pretty much fully occupied and we expect that we’ll soon have a waiting list for other seniors that are looking for quality housing.”

Wilson says she’d like to begin planning for a “Phase Two” on available property adjacent to the complex, but that if approved, the Section 202 funding cuts will put that project in jeopardy.

“If the funding is not available we will not be able to do it,” said Wilson. “If this money is cut back, then our dreams of providing housing for many, many more seniors cannot be realized.”

In supporting the cuts HUD said the Section 202 program is in need of modernization, noting, among other things, that “project sponsors no longer receive enough funding per grant for the programs to be a ‘one-stop shop’ to capitalize and sustain a project.”

The administration cites studies that found construction of Section 202 and Section 811 units is prone to delays, cost overruns, and lengthy development times. HUD pledges a redesign.

But Ted Robb, a former regional administrator of HUD who now runs the nonprofit North County Conservancy -- a developer of affordable housing units -- says he has closed at least 40 Section 202-funded projects and takes issue with that characterization.

“I’ve never done one where I haven’t had to get a grant from some other organization to make it work – that’s a minor issue,” he said. “As for the delays, that’s related to the fact that we have to meet environmental clearances and such; these are delays that will happen regardless of where the funding comes from. Delays come with the territory.

“There are some programs that deserve to be cut, this is not one of them,” Robb added. “I just hope that Congress rises to the occasion; maybe if there is enough of a yell from the nonprofits we can hold this up.”