

# CAPITAL FUNDING CUTS TO PUBLIC HOUSING



Econsult Solutions, Inc. ("ESI") was retained by The Public and Affordable Housing Research Corporation (PAHRC) of the Housing Authority Insurance Group to help estimate the distribution and scale of the negative impacts associated with cuts in capital funding to public housing authorities (PHAs) in the United States. This joint effort aimed to inform national policy discussions about whether and by how much the US Department of Housing and Urban Development (HUD) should cut federal funding to PHAs for capital expenditures. This study was national in scope, although localized effects and local examples were detailed.

To estimate the impact of budgetary cuts to the Public Housing Capital Fund, ESI and PAHRC used the results of a survey that was distributed to the executive directors of all 3,100 PHAs in the United States. Their responses to questions about how and by how much they would reduce capital expenditures in each capital expenditure category if faced with a budget cut, along with considerable data from HUD and several industry groups, were used to project the aggregate economic impact of a capital fund budget cut at different levels of magnitude.

Using quantitative and qualitative approaches, ESI and PAHRC examined the impacts of reduced spending in each capital expenditure category. ESI identified and measured the following impacts of reduced capital expenditures by PHAs:



- Increased cost of living;
- Decreased quality of life;
- Worsening of resident labor skills;
- Reduced supply to employers of low wage earners;
- Increased crime rate;
- Increased blight on the immediate neighborhood;
- Lower energy efficiency of buildings/higher costs;
- Higher maintenance costs in the long-run; and
- Increased resident property damage and personal injury claims.

## PRESS COVERAGE

"A recent study [...] estimates the net cost of negative impacts of a 20% cut in the annual capital grants that fund the maintenance and improvement of the public housing infrastructure. [...] A 20% long-term cut in the annual funds intended for capital projects erases every \$1 saved and incurs an extra \$0.30 in costs for each \$1 cut. At minimum, such a cut would erase \$0.75 for every \$1 saved. If the reductions were only to last one year, negative impacts would entirely erase a \$1 cut, using moderate estimates, and \$0.46 of a \$1 cut at a bare minimum.

Public housing provides affordable, quality homes for 2.2 million families and elderly or disabled individuals struggling to make ends meet or unable to keep up with the rising cost of housing and healthcare. Government funds for capital projects allow Public Housing Authorities (PHAs), which manage public housing developments, to maintain these properties and to update and improve buildings. [...]"

[Pahrc.org](http://Pahrc.org)

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