

## Response to Questions on the FY 2005 Advertised Budget Plan

**Request By:** Supervisor Gross

**Question:** Provide an assessment of the impact of federal cuts to the County.

**Response:** President Bush's proposed budget for FY 2005 limits overall discretionary spending increases to less than 4 percent. To achieve this goal, FY 2005 increases in non-defense and non-homeland security discretionary spending are capped at just 0.5 percent in FY 2005. The President's budget proposes to increase defense spending, which represents more than half of all discretionary spending, by 7 percent and homeland security by 10 percent; however, funding for local governments and first responders would suffer a net loss. Because of the differences in fiscal years between the federal government and the County, some of the federal budget cuts may not impact the County until FY 2006. While specific federal funding cuts to Fairfax County are not currently available, the following briefly summarizes some areas of interest.

### **Homeland Security**

A ten percent increase in homeland security funding is included in the President's budget; however, only 5 percent applies to the Department of Homeland Security (DHS) programs such as strengthening border and port security and bio-terrorism preparedness. The remainder would go to other federal departments responsible for homeland security operations such as the Departments of Justice and Health and Human Services

Reduces the First Responder Initiative by \$809 million and includes a \$950 million cut in State Formula Grants. Eliminates the Urban Search and Rescue program. The projected \$2.7 million that the County expects to receive in FY 2005 from the federal government from this program could be in jeopardy.

### **Public Safety**

Local Law Enforcement Block Grant (LLEBG) would be eliminated under the President's proposed budget. Fairfax County is expected to receive approximately \$95,000 from this grant in FY 2004.

COPS grant funding is reduced nearly 95 percent. The County's current funding of \$2.1 million in COPS grants would not be at risk, but new funding for hiring additional police officers would not be available.

### **Community Development**

The Community Development Block Grant program (CDBG) would be reduced approximately 6.4 percent in FY 2005 under the President's proposed budget. Fairfax County is anticipated to receive \$7.4 million from CDBG funding in FY 2005.

## **Transportation**

The Senate passed a \$318 billion highway and transit bill that includes \$60 billion more than the amount included in the FY 2005 Bush Administration budget. Debate over the level of funding now moves into the House, where House leaders have agreed on a \$275 billion reauthorization transportation bill, a hundred billion less than what they proposed in November. Details of the new \$275 billion proposal are currently being finalized and a markup is tentatively set for the week of March 22nd.

Some of the highlights from the Senate bill are:

- Total six-year funding for the Surface Transportation Program is increased from \$33.3 billion to \$49.7 billion;
- Total six-year funding for the Congestion Mitigation and Air Quality (CMAQ) Improvement Program is increased from \$8.1 billion to \$13.4 billion; and
- Transit funding goes up every year for six years from \$7.2 billion for FY 2004 to \$11.4 billion in FY 2009.

## **Housing**

The Administration's proposed budget makes major changes to the Section 8 Housing program. While providing Public Housing Authorities more flexibility, funding will be significantly reduced. See the attached document for more information on the impact of the Flexible Voucher program.

## Impact of the proposed “Flexible Voucher” program on Fairfax County:

The Fairfax County Redevelopment and Housing Authority Section 8/Housing Choice Voucher program currently serves 3,146 households and has a budget of more than \$33 million.

The proposed Flexible Voucher program would transform the Section 8/Housing Choice Voucher program into a block grant program -- dollar-based, not unit-based. The proposed program emphasizes flexibility, but, as HUD readily acknowledges, is intended to produce immediate and significant reductions in funding.

### POTENTIAL REDUCTIONS

**Reduction in Housing Assistance Payments (HAP):** An estimated 12 % reduction in HAP funding would require the FCRHA to:

- terminate assistance to **375 families**
- increase rent burdens on poor households at a time when County rents have reached historic highs; and
- serve fewer very low income families (serve more moderate income families who could pay more rent, require less subsidy).

**Reduction in Administrative Fees Earned:** A reduction of up to **30%** in Administrative fees (which pay for operation of the program) would mean that the County would have to assume the cost for such vital activities as: fraud and abuse investigations, compliance activities, property inspections, and annual certifications of eligibility.

**Reduction in Discretionary Spending:** The Flexibly Subsidy Program, which is not an entitlement program, could be reduced up to **30%** by 2009.

### What is being offered in terms of “flexibility”?

- HUD would reduce administrative requirements by allowing housing authorities to inspect just 25% of units each year, rather than the 100% of units as are inspected by the FCRHA.
  - *This is not really an option in Fairfax County where community acceptance is based on a commitment to inspect units and hold landlords and tenants accountable for the upkeep of their properties.*
- HUD would ease recertification requirements, with families being recertified as eligible and rents recalculated every other year and elderly once every 3 years. Currently families are recertified annually and rents are recalculated at least annually and more often when significant changes in income occur.
  - *This could have a negative impact on the program budget and the ability to serve more families in situations where family income rises but subsidies are not adjusted in a timely basis to reflect the household’s ability to pay more of the rent.*

### BOTTOM LINE

The Flexible Voucher, as currently structured, would (1) adversely impact the quality and community acceptance of this program; (2) significantly reduce the County’s ability to serve the neediest clients – seniors, homeless and persons with disabilities, and (3) require an increase in direct County support to maintain several key components of the program – including program compliance/investigation activities and unit inspections.