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Fiscal Austerity and Rental Housing Policy in the US and UK: 2010-2016

Objective: The purpose of this paper is to compare the dynamics and initial impacts of austerity in the US and the UK (notably England) on affordable rental housing programs and housing support for low income tenants. The focus is upon budget retrenchment decisions made in the US and the UK from 2010 to 2016. The manner in which these cuts occurred, their volatility, and their effects are what drives this analysis. We seek to learn whether there have been fiscally comparable adjustments and volatility in budget decisions in the quite different contexts of the two countries and if so whether this can help us better understand the drivers and effects of change.

We examine how the US and UK elected to impose and then partially withdraw fiscal retrenchment - or austerity - upon specific housing programs. Understanding the politics and policy choices within the framework of “austerity” or budget retrenchment helps identify the differences, weaknesses and potential for remaining rental housing programs.

Our focus is upon rental housing supports partly because of their complexity and cost, leaving to others an assessment of other forms of housing assistance, such as in homeownership (Conley and Gifford, 2006; Blanchflower & Oswald, 2013). Rental housing assistance is also crucial in any analysis of the effectiveness and equity of welfare state supports for the poor because of the role rental housing costs play in the daily lives and budgets of most lower-income residents in both countries (Edin & Schaefer, 2015; Desmond, 2016; Stephens and Whitehead, 2014). We make use of official budget reports, evaluations of the effects of budget cut-backs, interviews, and the strategic comparison of the two countries to help appreciate the influence of austerity-based reductions upon affordable rental programs.

The overall purpose is to learn from each other’s experience by comparing the nature of this retrenchment and the reasons why housing for low income households was targeted; the similarities and differences in how it was implemented; and its initial impacts on households affected.

Background Research

This analysis takes as its starting point the Great Recession of 2008 which was the most severe economic dislocation to affect countries since the Depression of the 1930s (Grusky, Western, & Wimer, 2011; Eichengreen, 2015). The sudden, sharp declines in revenues emanating from the 2008 Recession added momentum in the two countries for reduced budget support for rental housing (McKee, Karanikolos, Belcher, & Stucker, 2012; Newman, 2012; Mann & Ornstein, 2012; Magalhaes, 2014; Eichengreen, 2015; Tunstall, 2016; Hills et

al, 2016). Politically and procedurally analogous budget decisions were initially made in the US and the UK that suggested that the two countries could experience similar trajectories towards budget balance - if the budget reductions were severe, focused, and persistent enough. It turns out that in both countries they were not.

Some analysts have viewed such government funding reductions in welfare and investment programs as illustrations of neo-liberal policies in which nation states facing high levels of deficits and debt impose short or longer-term budget reductions rather than seeking alternatives (Crotty, 2011; Callinicos, 2012). In this model, it is argued that a condition of permanent or institutionalized austerity will exist in advanced democracies which face rising rental housing needs and chronically inadequate resources (Schafer and Streeck, 2013; Brooks & Manza, 2007; Pierson, 2002; Blyth, 2013; Piketty, 2013, p. 540). Because of the very significant costs of housing assistance, its funding appears an unavoidable target of such austerity politics.

In practice the process of reducing budgets since the Great Recession has not been linear nor fully predictable, given the unevenness of budget shortfalls, surpluses, and the political choices made by each government. Examining fiscal variability offers insights into what fiscal choices are mutable, which are comparatively divergent, and which appear to create the largest negative impacts upon assisted rental housing.¹

To appreciate the vulnerability and variability in government supports for rental housing - and the differences between rhetoric and actuality, it is useful to recall that the most recent episode of budget reductions has not been the only one of its kind (Center for Budget and Policy Priorities 2007; Schwartz, 2014; Housing Europe, 2015). Earlier cutbacks were generated by both then-President Reagan and UK Prime Minister Thatcher (Palmer & Sawhill, 1984; Pierson, 1994; Goetz, 1995; Jones, Baumgartner, & True, 1998; Orlebeke, 2000; Korpi & Palme, 2003;ⁱⁱ and in the UKⁱⁱⁱ (Gibb and Whitehead, 2007; Stephens & Whitehead, 2014; Bochel & Powell, 2016; Prasad, 2012). In the US, Reagan era cutbacks significantly reduced the authorized level of funding for housing programs, although the funds actually obligated in multi-year contracts did not drop as sharply (Palmer & Sawhill, 1984; Sinclair, 1985; Schwartz, 2014). Subsequent attempts in the US to close the federal housing agency in the 1990s led to budget retrenchment and pressures to privatize housing programs (Whitehead, 1993; Goetz, 1995).

In the UK there is also evidence of continuity in the shift from entitlement towards conditional funding and individual responsibility since the 1970s (Edmiston, 2017; Wright, 2016). Even so, the Conservative government expanded support for social housing investment in the 1990s while the Labour Government which succeeded Thatcher, while further restricting income related housing benefits developed policies aimed at significantly reducing child housing poverty and to improving the physical condition of the public and social rental stock (Waldfoegel, 2010; Ridge, 2013; Lupton, Burchardt, Hills & Vizard, 2016).

In making this comparison, analysts have pointed out for decades that the US has contributed notably less over the last half century to the reduction in poverty than the UK (Skocpol & Ikenberry, 1983; Esping-Andersen, 1996; Smeeding, 2006. Smeeding (2006: 82), for example, notes that the US “devotes by far the smallest share of its resources to antipoverty income transfer programs ... In 2000, the United States spent less than 3 percent of GDP on cash and near-cash assistance for the nonelderly (families with children and the disabled). This amount is less than half the share of GDP spent for this purpose by Canada, Ireland or the United Kingdom...”

To conduct a sensible analysis of current budget reductions of housing programs therefore mandates an appreciation of the differing levels and patterns of welfare and housing support traditionally offered in the UK and US. Compared with the United States, for example, much larger proportions of the population of the UK benefit from forms of welfare and housing assistance than in the US (Alesina & Glaeser, 2004; Schwartz, 2014; Hills, 2014). The UK has had more ample funding for housing programs with significant growth in the early 1990s under a conservative administration and again after 2008 under Labour. As a result of this higher level of financial support, in England over 17% of households live in some form of social housing receiving subsidies through below market rents. In addition over 60% of all social tenants and 26% plus of private tenants receive income related housing assistance (called “Housing Benefit”) which is available to all eligible tenant households.^{iv} Thus in 2014/15 over five million (22.5%) households in England received help through income related or rental support - or both.

In the US by contrast only roughly 4% of the total population, 12% of all renters, and 24% of all income eligible households, receive some form of housing allowance from federal, state or local government (Harvard Joint Center, 2013, p. 7; Irving & Loveless, 2015, p. 22). By one estimate, the US serves roughly 5 million housing units (a similar number to England but with over five times the number of units). It is also estimated that this leaves an unmet need in the US for an additional 15 million units of rental assistance - a figure proportionately comparable to the numbers assisted in England (Center for Budget and Policy Priorities, 2007, table 1).

While there may be some degree of unpredictability in the delivery of housing programs within the two countries over the next decade or more, the basic political-institutional patterns and momentum for fiscal restraint appear well-organized and embedded in both countries. ^vThere is however difficulty in assessing policy and budgetary processes that are officially incomplete and opaque. As legislated, budget reductions will not be concluded for many years, it is possible that we may miss vital analytic issues and trends.

In the next section, we briefly identify the trajectory of budget deficits and debt levels including estimates into the next decade allied with decisions made in the US and UK from

2010 to 2016 that shaped their budget reductions. This leads next to an assessment of the effects of these budget choices upon the rental housing sector in each country. We conclude by briefly assessing comparative similarities and differences, possible future trajectories as well as gaps in our understanding of the design and implementation of austerity upon social housing.

Deficits, Debt and Policy Choices affecting rental housing programs in the US and UK

Central to the policy and political motivation for austerity politics in the US and the UK was the level of deficit and debt each country faced in 2010 (Mann & Ornstein, 2012; Krugman, 2015).^{vi} Table (1) shows US and UK on-budget deficits and total debt levels from the year 2000 to estimates for 2026 and 2020/21 respectively in constant dollars/pounds sterling. These deficit and debt levels reflect the impact of the Great Recession, the use of stimulus funding, and then the policy decisions made to reduce the size of the deficit. (We synoptically describe these decisions in chart 1, below.)

Deficits at the peak of the post financial crisis were broadly similar. Debts in the UK have risen more rapidly than in the US as a proportion of GDP but are projected to decline in the UK over the next five years while they continue to rise in the US.

Table 1 about here

The on-budget deficits for the US fluctuated from a deficit of \$119 billion in 2000 to a deficit of \$1.7 trillion in 2009 as the Great Recession began. The deficit rose so substantially in large part because in a single year, 2009, Congress allocated roughly \$700 billion for stimulus through the American Recovery and Reinvestment Act (ARRA), before the initiation of Budget and Control Act (BCA of 2011; see more below) led to budget cuts. In that year, the deficit constituted over nearly 11% of GDP.

Following the enactment of the BCA, deficit reduction measures coupled with improved tax revenues and lower debt costs, caused deficits to decline to \$466 billion by 2015. As a percent of GDP, deficits dropped to 2.6 % of GDP for a reduction of roughly 70% below the peak. This represented a percent of GDP that was “below the average deficit...over the past 50 years.” (Congressional Budget Office 2015a&b; Committee for a Responsible Federal Budget (2015). Debt levels in the US are expected to level off and then increase steadily from 34% of GDP in 2000 to an estimated 86% in 2026, and then up to 141% of GDP by 2045 (Committee for a Responsible Federal Budget, (2016, p. 3).

This is mainly due to Social Security, the major health care programs, and net interest costs which were projected by the US Congressional Budget Office in 2016 to rise from 11.8% of GDP in 2016 to 15.4% in 2026. Thus, mandatory funding in the US will become an ever larger share of GDP up through 2025/26, while funding for on-budget discretionary programs (including low-income housing) will decline from 6.5% of GDP to 5.1% or potentially lower by 2025 (Congressional Budget Office, 2015a, p. 4-5; Timiraos, 2015; Trust Fund, 2015).^{vii}

Turning to the public spending in the UK (defined as total managed expenditure - which includes all government spending whether national or local) reached a peak of 46% of national income in 2009/2010 (Institute for Fiscal Studies - IFS - , 2015 a and b), as in the US significantly as a result of stimulus funding. The Coalition and then the Conservative governments were expected to reduce this to below 40% by 2016 and to just over 36% (1% above the USA) by 2020. ^{viii} Thereafter the assumption was that public expenditure would rise in line with national income (IFS, 2015b).

As Table 1 (above) shows this pattern of expenditure generated a spike in the UK deficit by 2009-10 reaching a high of 10.3% of GDP. The deficit then dropped to 3.8% of GDP by 2015, and, at that time unlike the US, had been projected to decline further to a surplus in 2021. Debts in the UK however were set to increase from 65% of GDP in 2009 to 84 % of GDP in 2015, before declining to 75% of GDP by 2021. Thus in the years after 2015, debt levels in the US are projected to rise into the next decade while those in the UK are not^{ix}.

Deciding to Cut Budgets: Reflected in the deficit and debt numbers shown above in table (1), are the policy and political decisions made as to how much to cut budgets, what to target, and for how long to impose the reductions.

In the US, budget reductions were most recently legislatively expressed in the Budget and Control Act of 2011 (BCA). This Act which was not the outcome of a popular vote but rather emerged after Congressional and Executive Branch agents failed in negotiations to agree on alternatives to cutting roughly \$1 trillion equally from both the domestic and military discretionary accounts (Mann & Ornstein, 2012; Eichengreen, 2015, p.333; Krugman, 2013; Kogan, 2012; Edelberg, 2013; CBO, 2013a; GAO, 2014; Steinhauer, 2016; Bochel & Powell, 2016). The government's political fractures meant it was unable to find alternatives to the BCA's rigid, mandatory cuts so that^x the first phase of budget sequestration cuts took effect in 2013.^{xi} For one political analyst, Congress unlocked "...mindless, across-the-board budget cuts in domestic and defense discretionary spending that were openly and deliberately designed *not* to occur" (Ornstein, 2013). The mandatory reduction of the discretionary budget began on March 1, 2013 with reductions of roughly \$110 billion set to occur each year until (initially) 2021 (Kogan, 2013, p. 1-2).

Support for the BCA cuts lapsed in Congress for both the 2014 and 2015 budget cycles, and again with the budgets for years 2016 and 2017 (Krugman, 2015). Congress added funding in the Bipartisan Budget Act of 2015 and the Consolidated Appropriations Act of 2016, adding a further \$80 billion over two years thus eliminating roughly 90% of sequestration's cuts for non-defense discretionary programs in 2016 and roughly 60% in 2017. Without this agreement, \$37 billion would have been cut from domestic programs in 2016, including HUD (Herszenhorn, 2015; Greenstein, 2015). ^{xii} The US Congressional Budget Office estimated in 2016 that deficits would be \$130 billion higher than if the full effect of the 2011 BCA had been allowed to occur (CBO, 2016a.) Congress extended budget caps and potential

sequestrations cuts from 2021 until 2025. Thus for four of the last five fiscal years additional funding has been found to satisfy differing fiscal constituencies.

The position in the UK was very different in that policy choices were explicitly expressed in the UK where welfare reform and deficit reduction were seen by 2010 as central to the Conservative party manifesto (Lister and Bennett, 2010) . In 2015, the electorate again chose to continue budget retrenchment by reelecting the Conservative government on a manifesto which included continued austerity. Both elections, the government argued, provided them with a mandate to make significant cutbacks in public expenditure including major structural reforms of the welfare system (Taylor-Gooby, 2013; Hamnett, 2010; 2013; Hills, 2015). Included within these reforms were alterations to the system for supporting affordable rental housing

The UK government initially planned nine years of reductions but as in the USA they soon slowed their imposition. By 2015 they expected to see a surplus by 2019-20 (HM Treasury, 2015a and b; Tetlow, 2015). The UK Office of Budget Responsibility (OBR, 2015 a & b) noted in July 2015 , ‘the new Government has used its first Budget to loosen significantly the impending squeeze on public services spending that had been penciled in by the Coalition in March’. The Government slowed the level of cuts and thus delayed the expected return to a budget surplus by a year to 2019-20 (HM Treasury, 2015b; OBR 2015a, Douglas & Winning, 2015; Emmerson and Tetlow, 2015). However the Government also announced a number of additional restrictions on welfare payments as well as reductions in social sector rents (Bochel & Powell, 2016).

In spring 2016, the new Conservative government once again slowed the rate of budget reductions so that a surplus would not be achieved until 2020 -21 (HM Treasury, 2016a; Keep, 2016 a & b). As a result of the Brexit decision and its potential impact on the economy and tax revenues, the government now under Theresa May further extended this period at least to the next Parliament but without a defined end date (HM Treasury, 2016b).^{xiii}

How were budget cuts allocated? Central to the political choices made in 2011 in the US, and in 2010 in the UK, was the partial or total exemption of major sources of funding and deficits. In the US , mandatory or entitlement program benefits which go to everyone who meets eligibility requirements, such as aid to pensioners, the unemployed, the elderly or sick and disabled, are not subject to annual congressional/parliamentary actions were exempted .^{xiv} Thus politicians necessarily had disproportionately to reduce funds to the smaller discretionary programs, including housing and community development.

Social Security, the major health care programs, and net interest are projected by the US Congressional Budget Office in 2016 to rise from 11.8% of GDP in 2016 to 15.4% in 2026. Thus, mandatory funding in the US will become an ever larger share of GDP up through 2025/26, while funding for on-budget discretionary programs (including low-income

housing) will decline from 6.5% of GDP to 5.1% by 2025 (Congressional Budget Office 2015a, p. 4-5; Timiraos, 2015); Trust Fund, 2015).^{xv}

As in the US, parts of UK public spending have been protected either formally or implicitly, including a provision that military expenditures should be no lower than 2% of total expenditures and that the overseas aid budget should be protected. Another deficit reduction protected provision is that the National Health Service (NHS) budget should rise in real terms throughout the period to 2020. As a result health expenditures are set to increase as a proportion of government spending from 17% in 2010 to 19% in 2020.

State pension benefits have also been protected by a so called “triple lock” in which increases must be higher than inflation or match average wage increases or 2.5% whichever is the highest. It has been estimated that this will cost some £6bn a year on a budget of £70bn for state pensions, resulting in 21% of government spending being committed to state pensions by 2020. Senior British commentators argue that this puts deficit reduction at risk, with other budgets relatively unprotected, notably welfare related funding (Hills, 2015).

The outcome of these exclusions was similar to the USA. While overall public expenditure allocated by spending departments fell by over 10%, the budgets for Communities and Local Government and the Department of Work and Pensions fell by 51% and 36% respectively (IFS, 2015a).

During the 2015 election campaign a commitment was made to cut a further £12bn from the welfare budget by 2017/18 to support the austerity objective. The difficulty for the government was that almost half of the £220bn welfare budget was protected, so the cutback needed to be of the order of 10% of the remaining budget.

The cutbacks that were actually implemented were concentrated on reducing maximum welfare payments per household (technically by limiting Housing Benefit), a four year freeze on benefit rates and on maximum rents allowable for Housing Benefit, increasing rents for higher income social tenants, and limiting access to housing support for younger people (HM Treasury 2015a). Controlling expenditures on the large proportion of welfare spending arising from as-of-right benefits was to some extent achieved by changing the eligibility rules. So far the main shift has been through raising the retirement age quite rapidly over the next few years.

The UK Office of Budget Responsibility (2015b) estimated that welfare payments would decline as a percent of GDP from 11.8% to 9.8% from 2014-15 to 2020-21. This decline to below 10% of GDP, if it occurs, would be the first time in thirty years that this has happened. The relative scale of these reductions is analogous to the scale of US cuts. Even so, in absolute value, total public sector current expenditures on all welfare costs will increase slightly over this time period from £214 bn to £227 bn by 2020-21 while the elements subject to cutbacks will decline from £119 bn to £112 bn in 2021, a reduction of roughly 5%.

Chart 1, below, profiles our comparison of the budget revision processes and decisions made in the two countries following the Recession. The chart synoptically portrays what occurred from 2010 to 2016, offering an abridged comparison of the central choices made. Each country found itself with much larger deficits and debts than expected after the Recession and consequent stimulus programs and was driven by these large deficits and debts to cut public expenditures. Each country, for apparently different reasons found itself in a position where much of their expenditure could not be restrained. Each government made apparently clear decisions covering the duration, scale of cuts, and their targets, with both planning for fairly lengthy reductions concentrated on a small part of the expenditure program which particularly hit lower income households. While each backed-off after a while the perceived need for additional cutbacks has remained in place. What at the time of writing is less clear is whether the political will in both countries has changed shifting towards greater investment in infrastructure and higher debt levels while maintaining the downward pressure on welfare.

Chart 1 about here

Assessing Housing Outputs and Outcomes:

The specific focus of this inquiry is on housing budgets and in this section we discuss how the roughly parallel choices made in the US and UK around public expenditures and debt impacted public and social housing as well as income related rental housing benefits. Despite the scale of the deficit reductions, there has been relatively little systematic research attention to the effects or outcomes of the fiscal choices described above with somewhat more analysis conducted in the UK. Here we make a first attempt to describe the effects of the “austerity” budget cuts in each country as they impacted rental housing programs seeking to answer the questions: what do we know about the impacts or outcomes of fiscal austerity upon assisted housing programs? What do we know about the consequences of budget cuts for the welfare of families, seniors, and the homeless?

A core part of the difficulty of assessing the impacts of budget reductions is that the effects can be hard to distinguish from other macro-economic, financial, and policy changes that occurred concurrently. Identifying the direct outcomes, for example, of the BCA in isolation or indeed welfare changes in the UK from other pushes and pulls on the level of poverty, homelessness, and public housing agency performance is complicated; many factors influence levels of homelessness, family poverty, and poor building maintenance in public projects.

Reducing support for US rental housing programs: While US budget cuts were supposed to be applied equally and evenly across all discretionary programs, budget data released in

2016 reveal that the budget increases authorized in the Bipartisan Budget Act of 2015 were not equally distributed among all Congressional Budget Subcommittees. While the Subcommittee addressing HUD's budget received an increase of 3.6%, the committees setting budgets for Energy and Water were raised by 12% and Veterans Affairs increased by nearly 10% (Kogan & Shapiro, 2016; Reich & Rice, 2016). (see Figure 1)^{xvi}

Figure 1 about here

In percentage terms the BCA resulted in inflation-adjusted reductions of 4% to appropriated budget authority for on-budget housing programs in 2011, another 10.5% cut in 2012, 13.2% the next year, and cuts of 7 to 8% in the years 2014 and 2015. The roughly \$19 billion in funding that HUD had prior to the BCA for use in issuing vouchers to families was cut by \$938 million. This did not necessarily mean that families lost their funding for their apartments, but rather that local agencies administering vouchers did not issue all of the vouchers they had originally been told they could award to needy families. US Government Accountability Office research (GAO, 2014a) on the initial results of the BCA, found that 67,000 fewer poor households were being helped by HUD in 2014 compared with 2012 (not counting vouchers for homeless veterans). Funds used to help cover operating costs of public housing agencies were also reduced.^{xvii}

In table (2) below we outline effects of the budget cuts emerging after the BCA. These effects apply only to those agencies examined and do not necessarily refer to country-wide patterns.

Table 2 about here

Of long-term significance, a number of agencies administering HUD's major rental assistance programs have withdrawn from the program. Local agencies administering HUD's funding felt that they would have stop issuing vouchers and cut staffing; half of 300 surveyed agencies said they had stopped issuing new vouchers and one-quarter had cut staff as a result of the actual or pending budget cuts. Roughly 270 public housing agencies stated their intent to terminate their administration of the Section 8 or Housing Choice voucher program ((Harvard Joint Center, 2013, p. 36; Housing Affairs Letter, April 2014). Between 2010 and 2014, "120 Public Housing Agencies (PHAs) transferred their HCV programs to other entities" (Abt Associates, 2015, p. 7) and 139 voucher programs shut down between 2010 and 2013.^{xviii} Part of their unwillingness to administer the program is the cut in the administrative fees paid to them by HUD.^{xix} (Abt, 2015, p. 44).

HUD's annual funding for the capital or physical repair and improvement of the low income housing stock managed by public housing agencies is among the critical program supports

that HUD has been cutting for years. Funding for capital repairs to public housing projects had, for example, declined by 18% from 2008 to 2012 (Harvard Joint Center, 2013), reducing repairs resulting in “deteriorating living conditions and increased utility costs for the 1.1 million low-income households living in public housing” (GAO, 2014, p. 117). Even following a modest increase funded through the American Recovery & Reinvestment Act in 2009, HUD reported in 2013 that they already had lost 6,000 units from the livable public housing stock due to the “general deterioration of units due to funding in recent years being lower than needed to repair and maintain all units, which was deepened by the effects of sequestration” (GAO, 2014a, p. 78; NYCHA, 2013). The government expects to lose 10,000 units a year in the future due to the on-going reductions in funding for capital repairs.

Congress also cut state and local government funding under the community development block grant program (CDBG); see figure 1 above. Such funds were used by local governments for decades for a diverse range of neighborhood renewal, housing and development needs. CDBG funds were reduced by 49% from 2000 to 2016.^{xx} HUD’s HOME program was also cut heavily, by 55%, after 2000; from 2010 to 2015 alone funding was halved from \$1.8 billion to \$900 million.^{xxi}

The imposition of minimum rents is another means some PHAs must use to address the reduced funding from Congress. Such minimum rents are only allowed for a small number of agencies through regulatory flexibility granted by Congress in the Moving to Work (MTW) program. In one MTW authority, for example, minimum rents have been set at \$150, while others have elected lower thresholds.^{xxii} It remains unclear whether and when minimum rents will become more widely adopted (Schwartz, 2016).

Lastly, the funding for the development of new units for low-income elderly and disabled persons has been eliminated after the BCA (GAO, 2016, p. 5). Funding for elderly housing (Section 202) dropped from \$549 million in 2008 to \$8 million in 2012 and then currently to zero. The executive director of Seattle’s Low Income Housing Institute commented that “The [202] program’s been decimated... and we have a huge increase in the number of homeless seniors.” Funding for new units for the disabled (Section 811) also dropped from \$136 million in 2008 to zero by 2012. The funding from these programs was apparently switched to a new HUD Rental Assistance Demonstration (Hoag, 2015; Housing Affairs Letter, 2016).

^{xxiii}

There is also on-going research in which HUD is experimenting with removing other rules and restrictions, imposing time limits on assistance for the first time, experimenting with raising rents and moving families out of projects whose physical conditions have become uninhabitable (Abt, 2015; Econometrica, 2016; Khadduri & Culhane, 2015; Moving to Work Expansion, 2016.)^{xxiv} The results of this research on housing authorities and the lives of households will not be known for years.

The absence of any research causally linking human effects to austerity is an important shortcoming in the US, although there remain severe rental housing need, high levels of homelessness, and substantial waiting lists for assisted housing which are long standing features of the US rental market for lower income households. It is unclear if these are worse now as a result of the BCA.

While these reductions in Congressional funding for lower income rental assistance have occurred, some forms of financial support for lower income families have continued through off-budget tax credit programs, including the Earned Income Tax Credit, child care tax credit, and less directly through the low income housing tax credit (LIHTC). Funding for other lower income welfare support programs such as Medicaid and food stamps were exempted for now from BCA cuts. Most of these forms of support do not however address the needs of the very lowest income persons and families where the loss of HUD funding seems potentially most impactful (Moffitt, 2013; 2015). There has been a modest level of state and city substitution of funding for housing assistance in states like New York and California, with no systematic evidence to date on unfunded gaps.

Reductions to UK Housing Assistance Programs: Two major distinctions between the UK and the US experience lie in the fact first that in the UK central government has control of both housing and welfare policy so can implement change by a thousand cuts in particular programs and second, that Housing Benefit (the as-of-right income related housing allowance available to all types of tenants) is a significant element in the welfare budget. In the US not only do housing specific subsidies make up a smaller part of total welfare subsidies with other support in the form of off-budget tax credits, but also there are fewer ready political levers available to directly introduce change.

Table 3 sets out the most important reductions in housing support that have been introduced in the UK since the introduction of austerity. They come under two main headings: reductions in capital grants to support investment in social housing (both rented and increasingly for subsidized owner-occupation), and restrictions on income related housing support.

Capital support for social housing has always been an area where cutbacks have been relatively easy to achieve by direct reductions, the privatization of the housing stock, and increases in rents offset by increases in income related benefits (Stephens & Whitehead, 2014). Since the financial crisis there have been three government programs to support investment in new social housing in England, with other UK countries having their own programs. From 2008 to 2011, £8.4 bn was provided to enable stalled development to get back underway as part of the overall stimulus package. When the Coalition government's austerity program was introduced housing suffered particular cutbacks so that from 2011 - 2015 funding was halved to £4.5 bn. However the government expected social landlords to produce rather more affordable homes by increasing both debt and rents for new tenants.

From 2016 the same approach of less money for more homes was applied with a reduction in subsidy of over 60% (House of Lords, 2016).

With respect to income related benefits the Coalition and then the Conservative government budget cuts addressed specific features of long existing housing supports affecting both those in the private rented sector (where around one in four households receive Housing Benefit), and the social rented sector where traditionally those with the lowest incomes pay less and sometimes no rent because of their eligibility for Housing Benefit (HB).

The UK Housing Benefit program has experienced a range of different types of cutbacks. The minimum age for full eligibility was raised to 34, limiting assistance for younger tenants to rooms in a shared dwelling. The local housing allowance (LHA) which determines the maximum rent eligible for Housing Benefit was lowered to cover only the bottom 30% of the local market rent instead of 50%; local at the same time rent maxima were introduced; and social tenants “with more bedrooms than they are deemed to need” (DPW 2014) were required to pay additional rent for these rooms (named the bedroom tax); and finally the maximum overall cap on welfare payments per household for working aged welfare claimants not in work was introduced at a figure roughly equal to the median household income for a family households and lower for single people.

When the Conservative-only government came to power in May 2015, they continued the process of reducing the welfare cap: abolishing Housing Benefit for those under 21; and introduced a four year freeze on both working aged benefits and the local housing allowance limit.

Most of these cutbacks were rationalized by the government as increasing the efficient use of scarce housing, putting downward pressure on market rents, and incentivizing work (by removing the cap if an individual works at least 16 hours per week). In practice they impacted mostly on lower income households with few choices and on those living in high-rent areas (Joyce, 2014; Whitehead & Sagor, 2015); for instance 45% of those capped have lived in London.

Looking at the initial impacts it should be noted that unlike in the US, the British government elected to mitigate in the short term the immediate effects of the bedroom tax and the welfare cap through the introduction of new short-term “discretionary housing payments” (DHP) funded by the central government and allocated by local authorities. Particular groups, such as those in receipt of certain disability allowances, were also exempted. Local government also sometimes provided similar funding, although the scale of this local substitution has not been fully documented.

The immediate effects of the welfare cap were also small, with numbers in the low thousands and declining. However the later changes will impact on most social tenants with three or more children and is thus beginning to hit mainstream working age households.

The impact on lower income households living in the private rented sector in higher demand areas has been far more immediate and implies that those unable to find accommodation within the local housing allowance maxima will have less income than the minimum assumed necessary to purchase other necessities of life. Importantly the size of the private rented sector has doubled over the past ten years to around 19% of all households with a resulting rapid increase in the HB bill for private tenants to over £9bn in 2014 (House of Lord, 2016). Finally, only pensioners were exempted from the freeze on welfare benefits which impacts all working age households.

What has to be stressed is that the cutbacks have not so far actually reduced the total of income support in money terms. In 2011 housing benefit accounted for around 10% of the welfare bill which including state pensions, at 44%, accounted for 24% of public spending. By 2016 housing benefit accounted for 11.5% of the £211 bn welfare bill which had risen to 28.5% of public spending (HM Treasury, 2016b). So while there had been heavy cuts for individuals they had not been enough to offset underlying upward trends in either income related housing support or more general assistance. However the structural changes put in place will have increasing impacts as will the four year freeze on benefits especially as inflation likely increases after Brexit.

Evidence on the impact of changes: An important difference between the US and the UK is that the recent fiscal reductions in the UK have been the subject of more research than has been undertaken in the US partly because the objective of reframing the entire welfare state has been both more transparent and more sweeping. Government funded and independently conducted research projects have assessed the impacts that have occurred, for whom, and where within the country the effects may be clearest.

Expectations about outcomes of the announced British program of welfare and housing reforms were initially fairly negative. Hamnett (2010), for example argued that: "The UK Coalition government's proposals for welfare reform...represent perhaps the most radical reshaping of the British welfare system since its introduction post-1945..." Taylor-Gooby (2012, p: 63, 67) argued that the government's intent was a "fundamental restructuring of the whole state sector to embed change and underpin a permanent shift to a smaller state.". Hills (2014: chap 8, p. 6) argued:" it is virtually unavoidable that austerity will hit the poor much harder than those with higher incomes..." In actuality, while research in the UK has shown a range of initial negative outcomes, it also shows that some of the worst fears about welfare reform have to date not occurred.

The negatives: In one of the earliest studies, researchers at the London School of Economics reported that the British social benefits system was "becoming tougher and tighter, with more

sanctions, reclassifications, exclusions and suspensions of payments.” Many social tenants in their survey faced higher costs and cuts to their income which resulted in “tenants experiencing poverty, anxiety, debt and health problems. Food banks they said were now becoming essential for some families and they, as well as their landlords expected more evictions to occur (Power, Provan, Herden, & Serle, 2014a & b). Private tenants reported in 2014 that they were worse off than they were two years before, and were coping by cutting back on food, electricity, their heat, or simply by borrowing from friends or going into debt (Beatty, Cole, Foden, & Kemp, 2014; JRF, 2014a and b).

Another research project used surveys of tenants affected by the bedroom tax and compared the effects upon them with a control sample. Two-thirds of those affected by the tax, but only 31% of a control group, said they were finding it hard to pay their rent. They reportedly managed by borrowing from others but even with that help over forty % (42%) said they were already late in paying their rents or in arrears. The tenants said they were also more likely to be afraid of being evicted and having to move away from their local communities. Again, they found that those affected by the new policy were also cutting down on the funds they allocate for food and for energy costs (Ipsos MORI, 2014a).

In research which focused on local housing associations and their tenants, early impact results suggested that the cuts imposed led to delays in rent payments, as tenant’s shares of rent rose, with a consequent increase in rent arrears losses. In a survey of tenants roughly half (49%) said they were in arrears with over three-quarters (79%) stating they were having difficulty paying their rent. Over a third, or 35%, of agencies in the survey reported that their rental income had declined with 39% reporting increases in arrears (Ipsos MORI, 2014b).

The accounts of housing associations do not however fully bear this out. Detailed case studies with associations found that more efficient rent collection and more relational management together with the availability of discretionary housing payments meant that rent arrears in the social sector had not increased to a significant extent; and declined in some associations. Very few evictions specific to the welfare cuts had taken place fifteen months later although proceedings were beginning to be put in place (DWP, 2014a; NHF, 2014).

A core area of retrenchment has been with respect to cuts to the Local Housing Allowance for private tenants. The Institute for Fiscal Studies (IFS) published two reports that described the initial effects of the cuts to tenants’ housing benefit (Brewer, Emmerson, Hood & Joyce, 2014; Joyce, 2014; Hood, 2015). The first report by IFS showed that at the date the law took effect for tenants that allowance support dropped noticeably.

Many landlords did not respond to the reforms by reducing rents but rather the impact was experienced by tenants who lost roughly 7 pound a week or nearly \$650 US a year in benefits (much higher in London) The burden was felt by poorer tenants, not landlords (Joyce, 2014). Many landlords said they would be less prepared to rent/let to households on

benefits - although the numbers actually doing so have increased (House of Commons, Work and Pensions Select Committee, 2014).

Research for the National Housing Federation found evidence of deep concerns among social rental sector landlords about the future. They believed their budget situation would only worsen with fears that tenants will be unable to cope. They foresaw that larger families with children would be those most likely to suffer. It is those fears which would be most probably comparable to housing authority executives in the US; the absence of hope for better funding for the foreseeable future. However a further round of research found that these fears had not yet been realized for at least most tenants (NHF, 2014a and b & 2015).

The most important area where there is evidence of increasing stress is in the context of homelessness and "rooflessness". In 2015 Government statistics showed that 3,369 people slept rough on any one night across England - this is over double the numbers counted in 2010. The figures are said to be very much higher in 2016 (McVeigh,2016). In terms of statutory homeless, the figures in England show that almost 115,000 applied to their local authority for homelessness assistance in 2015/16, a 12 per cent rise since 2010/11. The numbers accepted rose from around 44,000 in 2010/11 to nearly 58,000 in 2015/16 – an increase of 32% (DCLG Live Tables, accessed January 2017). The most usual reason given is eviction from a private tenancy at the end of the lease. ^{xv}

Positives: The UK's welfare reforms were framed with some explicit fiscal tradeoffs which have also led to a modest number of positive impacts. One area where the welfare cuts seem to have had some positive effects is the numbers getting into work in order to avoid the welfare cap. This is reflected in the official figures which show that 83,700 have been affected since the introduction of the cap but some 40% are thought to have found work and only 20,000 are currently affected (DWP Live Tables, November 2016). A small interview survey undertaken by CCHPR found many of those interviewed valued the employment related mentoring that had led them into work (DWP 2014b).

The further reductions in the cap introduced from 2016 will however begin to hurt mainstream family households in the rental sector with greater impacts on future incomes. In addition, innovative funding arrangements have maintained social sector investment though at the cost of higher rents and a larger Housing Benefit bill. These higher rents have for now been offset by discretionary payments and the government has ruled out reductions in tax credits and disability payments. Also, the physical investment in the existing social rental stock has been a positive for twenty years although funds for wider regeneration have become increasingly limited.

A recent report by the Institute of Fiscal Studies (2016) also identifies some positive findings including that pensioner's incomes have continued to grow and, after housing costs, they are now the least likely major demographic group to be in income poverty. They too noted that more people are in work than before. The proportion of children living in a household

where no-one works has fallen from nearly one in four in 1994–95 to less than one in six in 2014–15. Only a third of children below the government’s absolute poverty line now live in a workless household – two thirds of those classified as poor are poor despite the fact that at least one of their parents is in work. In general, poorer families have become less reliant on benefits as employment has risen and middle- income households with children now get 30% of their income from benefits and tax credits, up from 22% 20 years ago. Other research however points to particular groups who are suffering differentially (Barnard, 2014; Bushe et al, 2014)

Thus, welfare and housing policy changes in the UK have improved the conditions of older households (mainly because the ‘triple lock excludes them from welfare cutbacks) and have made a contribution to bringing more people into work. On the other hand they have reduced support for younger households and increased income insecurity, especially for those in the private rented sector. Most importantly the use of CPI for upgrading benefits and now the four year freeze on such benefits reduce benefits to all working age households receiving support.

Despite the modest good news, Tunstall’s (2016, p. 143) conclusion that the Conservative government’s additional budget cuts will most probably reduce “social and affordable housing development as well as (increase) tenant hardship and increase homelessness” appears to be correct. It also seems quite likely that because of the scale of the changes and deficit cuts that child poverty will increase (Browne & Hood 2016; Hills, Lupton, Burchardt, Stewart & Vizard, 2016).^{xxvi}

Discussion and Conclusions:

In making this comparison between the USA and the UK it is important to start with stating the obvious: the US has far smaller programs of housing support than the UK where throughout the last fifty years housing has been a significant part of the welfare state. Equally the governance structures are very different with US seeing housing as a state and local issue to a far greater extent than the UK where local authorities act more as agents for the national government. Yet we observe considerable similarities particularly in how austerity programs have been implemented but also in the disproportionate emphasis on assisted housing cutbacks – even when the policy mechanisms chosen are different.

Implementing austerity: The starting point and initial aspirations in both countries were extraordinarily similar – with massive deficits increased by stimulus packages (which in the UK included housing investment) and a similar time-line to balancing budgets. Analogous constraints on what could be cut and what exempted were established based both on political pressures and longer-term policy objectives. The austerity decisions made in 2010 through 2016 analogously created segmented forms of austerity in which only certain government agencies and programs were cut.

In both countries these budget cuts have proven to be malleable, subject to political trade-offs; neither fixed nor immutable. A significant reason why the worst effects of austerity cuts have been lessened was not political decisions but rather a recovering economic base which created higher tax revenues and lowered debt costs; there were also lower interest charges on most global government debt. In some years tax revenues rose faster than expected. Later in 2015, the UK OBR pointed out that ‘growth across all the main taxes saw a £1.8 billion increase in receipts in September’, compared to a year ago, contributing to £1.6 billion less borrowing. Borrowing is now £7.5 billion lower than a year earlier over the first half of 2015-16’ (OBR, 2015c). In the following year though receipts were lower than expected but expenditures were also lower – so borrowing was again lower than projected.

Reductions in budget cuts also came about in the US because the BCA’s foundational statute inextricably linked cuts to domestic programs to those for the military and there was increased pressure to increase defense funding (Greenberg, 2013; Heo & Bohte, 2012). The second part of the reasons for the variability or mutability of budget cuts was analogous to those in the UK: revenues increased and mandatory debt payments declined.

It would appear then logical and predictable that further housing cuts from discretionary budget accounts will inevitably reappear once revenues falter, debts rise, or pressures for increased, asymmetrical funding for the military rises. Indeed both governments have expressed some intention to continue with their budget retrenchment for years to come, despite reductions in deficits and despite the fact that it is the costs of entitlement programs which heavily influence deficit and debt levels and not funding for discretionary programs (Streck, 2013; Congressional Budget Office, 2016d).

Housing specific issues: The political systems in each country have then used the facts and logic of austerity - of intrusively high deficits and debt – to target housing related programs for reductions. Both countries experienced modest reductions in the levels of funding to social rental and public housing programs, with the prospect that there will likely be further attrition of funding over the next decade (Skocpol & Jacobs, 2010; Lubell, 2015; Collinson, Ellen & Ludwig, 2015; Stephens and Stephenson, 2016).

Despite these political similarities in the logic and momentum of budget retrenchment, the two countries differ in crucial ways. In the US reductions have been achieved without any explicit electoral decision that the US should consciously reduce its support for housing for the poor. Rather the populist rhetoric of “starving the beast” of government has appeared as the principle rationale for budget cuts to anti-poverty and housing programs. The UK on the other hand made a long-term policy commitment to reshaping the welfare state including bringing considerably greater market pressures into the provision of social housing and integrating housing support more into the overall welfare system.

Yet in crucial ways the UK is only following where the US led many years ago. In particular, the UK’s reductions in welfare support which includes explicit incentives to work as well as

more positively through the minimum wage are seen as explicitly following what has been seen as a modestly successful US example (Ellwood, 2000; Danziger, Heflin, Corcoran, Oltmans & Wang, 2002; Moffitt, 2015).

The close alignment of public views with the logic of austerity in the US suggests the paramountcy of the view that high deficits and debt levels must be cured, leaving little room for new, emergent, or critical needs of the poor (Congressional Budget Office 2016c). The chronically polarized state of US popular and political opinion suggest the complexity, and potential futility, of efforts to mobilize interest groups to reverse the budget cuts affecting affordable rental housing (Gilens, 1999; Garfinkel, Rainwater & Smeeding, 2010; Brooks and Manza, 2013; Pew Center 2012 & 2013). The threat or probability of further deficit reductions will also likely cause housing delivery agencies to hesitate or withdraw from new commitments and plans.

Attitudes in the UK remain more generous and possibly more sustainable because of past investment decisions and because a unitary state can more easily enable nationwide policy formulations and impacts (NHF, 2007 and 2014; British Social Attitudes, 2013). Even so, the impact of freezing support for working age households and reducing the maximum support payable under both over all welfare and rents, which leave many households with incomes that are inadequate to pay for other necessities, appears to have generated very little public concern.

We therefore reach two allied major conclusions. First, that while there are notable surface similarities – mostly in timing and exemptions - outcomes will remain dissimilar because of the different, divergent histories of support. There is potentially more to cut in the UK but so far the cuts have been limited. Importantly there have been opportunities based on earlier investment to shift from grant to debt finance enabling affordable housing investment programs to be continued as well as some greater freedom for local authorities to deliver additional housing. For the US, there is a political probability that federal funding for housing assistance will be transferred into state administered block grants, with the additional probability of steadily reduced national support.

The second central finding is that while each country modified initially planned reductions in funding for welfare and housing programs, modest negative impacts have already appeared for many housing agencies, and for lower income working age tenants in both the US and UK, with the prospect for larger on-going negative effects.

A third issue that is implied from both the difficulties in implementing austerity in both countries and the extent upward trends in expenditures have continued to increase despite cutbacks is that underlying demographic and economic change will continue to put upward pressure on expenditures for decades to come. Austerity provided the opportunity for restricting eligibilities and limiting payments but the pressures for further restrictions are likely to continue unless economic growth and productivity can be consistently improved.

A necessary implication, as we conclude this analysis, is that for both the US and the UK it is hard to detect outcomes and impacts of changed funding and policies clearly; complex to separate out the impact of specific changes from fundamental economic pressures (Hills, Lupton, Burghardt, Stewart & Vizard, 2016, p. 337). Because little is known about the causes, momentum, comparative differences, and impacts of austerity choices we cannot with any confidence predict the trajectory or targeting of additional fiscal change. This uncertainty leads to a call for further research in both countries better to understand the persistence and full extent of harmful, or positive, impacts that will occur as a result of the drive towards substantial budgets cuts begun in 2010. Austerity-cased fiscal reductions need further comparative examination since the timing, logic, and consequences of cutting funding to affordable rental programs can be so profound.

Because some degree of budget reduction for housing appears likely to continue in both countries as high debt levels persist, further research on fiscal austerity's impacts upon affordable housing appears an important on-going part of welfare policy analytics. Research is needed to clarify whether policy convergence towards reduced support for housing the poor, or continued uncertainty and volatility, will apply for the coming decade. We need a better understanding of the logic, momentum, tradeoffs and harms imposed by the decisions that have been made in both countries in the name of debt reduction and housing reform.

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ENDNOTES:

ⁱ There is limited evidence that international institutional pressures directly solidified austerity pressures (Schafer & Streeck 2013; Krugman 2015). We do not address the role of public opinion as we cannot, with current evidence, resolve questions about whether "the preferences of the average American appear to have only a miniscule, near-zero, statistically non-significant impact upon" policy choices (Gilens & Page 2014: 21).

ⁱⁱ In the case of US housing programs, it is important to recall there are distinctions between reductions in the numbers of units of assistance and reductions in the rate of growth of numbers, i.e., incremental assistance – further complicated of course by the duration of budget authority which can entail many years of assistance provided in a single year's appropriation whether new or renewal. It is also necessary to point out that while we focus upon the US federal deficit and debts, there are also state and city level debts that are not included in this analysis. See: CBO 2015b.

ⁱⁱⁱ Housing Benefit is an as of right subsidy towards rental payments in both the social and private rented sectors. Conditions vary between the two sectors being less generous in the market sector. Some two thirds of all social tenants and around 25% of private tenants are in receipt of Housing Benefit.

^{iv} Counting Housing Benefit as part of income, on average tenants in social housing pay more than 30% of their income in rent and private tenants over 40% (English Housing Survey, 2013/14).

^v There is an allied lack of transparency of detailed budget negotiations with few means to assess the motivations and tradeoffs for the budget decisions enacted. Cutting deficits and debts may for example mask partisan opposition to the national government, as in the US, to aiding the poor, or to particular housing support programs (Williamson, Skocpol, & Coggin, 2011; Mann & Ornstein, 2012).

^{vi} Note that the GDP for the UK, at roughly \$2.8 to \$2.9 trillion, is 15 to 17 % the size of US GDP at \$17-\$18 trillion. The UK population is also roughly 20% the size of the US population.

^{vii} The Committee for a Responsible Federal Budget in the US has campaigned for years to address the rising costs of entitlement program spending. <http://crfb.org/>

^{viii} IMF 2015, <http://www.imf.org/external/index.htm>.

^{ix} This position is almost certainly going to change as a result of modifications in Conservative policy post the Brexit referendum – both because austerity has been downgraded and because there is greater recognition of the need to help those who feel excluded.

^x “The joint committee shall provide recommendations and legislative language that will significantly improve the short-term and long-term fiscal imbalances of the Federal government.” Title IV, section 101, part b3a1 of the BCA of 2011 (Krugman 2013).

^{xi} This analysis does not attempt an in-depth examination of the ways in which the federal government calculates its baseline and alternative budget projections, nor does it directly address the issue of how much debt a society can or should manage. See Galston (2013a; 2013b) and CBO (2013a; b). The White House provides its own website portal on sequestration at: <http://www.whitehouse.gov/issues/sequester>

^{xii} The BCA was amended three times to raise the fiscal caps: the American Taxpayer Relief Act of 2012 raised the caps for 2013; the Bipartisan Budget Act of 2013 raised the caps for 2014 and 2015; and the Bipartisan Budget Act of 2015 raised the caps for 2016 and 2017.

^{xiii} Following the resignation of Prime Minister David Cameron in 2016, the new Chancellor of the Exchequer, Hammond, was quoted in the *Financial Times* (7/15/16; p. 3): “Of course we have to reduce the deficit further...but looking at how and when and at what pace we do that, and how we measure progress in doing that is something we now need to consider.”

^{xiv} The BCA initially also exempted funding for food stamps (SNAP), Veterans programs, Pell grants for education, welfare or temporary assistance to needy families, and Medicaid. These programs offer assistance to the large, increasing numbers of households harmed by the Great Recession, with increased caseloads and larger expenditures (Moffitt, 2013: 145; Edin & Shafer, 2015). The most significant anti-cyclical programs exempted were Unemployment Insurance, the EITC, and food stamps. Evidence suggests that this latter set of programs typically helps those marginally better off and do not offer comparable aid to the very poorest, most notably those out of the work force (Moffitt 2013: 161). The list of programs that have been exempted from the BCA cuts: “Exempt Programs and Activities” US Code 905, Cornell University Law School: <https://www.law.cornell.edu/uscode/text/2/905>

^{xv} The Committee for a Responsible Federal Budget in the US has campaigned for years to address the rising costs of entitlement program spending. <http://crfb.org/>

^{xvi} Also, initial BCA cuts from HUD’s major rental housing programs, public housing, amounted resulted in \$199 million in reductions in funding for both capital building repairs and for normal operating costs (Volsky, 2013; HR&A, 2013). Two of HUD’s other major programs, the Community Development Block Grant (CDBG) and HOME programs, were cut in half.^{xvii} Some forms of rental assistance and homeless aid, mostly for veterans, experienced modest increases.

^{xvii} https://projects.propublica.org/recovery/gov_entities/8600/list. Thus these programs experienced roughly \$1 billion in funding reductions in just the first year of sequestration (GAO, 2014a, p. 73).

^{xviii} http://www.phada.org/pdf/HCV_Admin_Fees_Issue_Brief.pdf

^{xix} Reserves held by PHAs were also drawn down, declining in a sample of PHAs from \$80,064 in 2010 to \$55,556 by 2013 (Abt, 2015: 5).

^{xx} These reductions are not solely attributable to the BCA as there has been a longer term trend, since 2000, of cutting discretionary funding to this program (Shapiro, DeSilva, Reich, & Kogan, 2016).

^{xxi} Estimates are from the Congressional Joint Committee on Taxation: Note that the JCT estimates report the cost of all the credits used in a particular year. Since LIHTCs are claimed over ten years, the 2015 number will reflect not just new 2015 credits claimed in that year, but also credits that were first allocated between 2006 and 2014, but claimed in 2015. <https://www.jct.gov/publications.html?func=startdown&id=4857>

^{xxii} See the minimum monthly rent of \$150 for the Lexington Kentucky authority at:

<http://www.lexha.org/housing-choice-voucher/rent-reform-study>

^{xxiii} The US Congress instructed the General Accountability Office (GAO, 2014; 2015) to conduct small-scale assessments of the early impacts of sequestration, with the focus mainly upon how federal agencies themselves were impacted. Agencies transferred funds they controlled between accounts, including using unspent or unobligated funds (GAO, 2014). No further research has been planned by the GAO on the effects of the BCA. HUD is funding alternative, less costly methods for managing their assistance programs (GAO 2014a: 76), using innovations to learn how innovative rent setting, new minimum income requirements, changed eligibility rules, or the encouragement of more business like methods may enlist the support of public housing agencies in managing with the reduced levels of support (Cadic & Nogie 2010; Jain, 2015; Schwartz, 2016).

^{xxiv} One potential measure of housing need in the US that should reflect the impact of budget austerity is the level of severe housing cost burden since such estimates of need partly reflect the fact that housing subsidies are not an entitlement. They also reflect the fact that measures of housing need are enumerated differently by two major data collection systems, the American Housing Survey and the American Community Survey. The

Joint Center for Housing Studies at Harvard for example uses the latter data source which shows higher levels of need. While sampling and measurement issues may account for some of the increases, there is no means to know how much of the increase in need is due to reductions in federal housing support or to increases in market rents tied to limited supply. The trajectory of increased need however seems far more plausible than any flattening or reduction (Leopold 2012). On MTW see:

https://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw

^{xxxv} Interestingly in Wales and Scotland these figures actually declined, perhaps reflecting more generous policies but also less pressure on rents.

^{xxxvi} Even so, recent Joseph Rowntree Foundation research on poverty suggests there have been no real increases to date in the costs of child poverty since 2008 (JRF, 2016).

Table 1: Comparison of US and UK Deficit and Debt Levels, as % of GDP: 2000 – 2021/26 (est.)

<i>US Deficits and Debts (in billions 2016 dollars)</i>					<i>UK Deficits and Debts (in billions 2014-15 £ sterling)</i>			
<i>Year</i>	<i>Deficit</i>	<i>% GDP</i>	<i>Debts</i>	<i>% GDP</i>	<i>Deficit</i>	<i>%GDP</i>	<i>Debts</i>	<i>%GDP</i>
2000;1	118.9	0.9	4693.3	33.6	-23.8	-1.6	440.3	29.9
2009;10	1712.1	10.8	8335.3	52.3	170.9	10.3	1108.9	65.2
2015;16	465.7	2.6	13117.0	73.6	72.0	3.8	1587.5	83.7
2026;21	1009.6	3.7	23662.6	85.6	-10.1	- 0.5	1584.7	74.7

Sources: US data are from CBO Annual budget reviews as of March 2016; constant 2016 dollars; “Budget & Economic Outlook: 2016-2026”

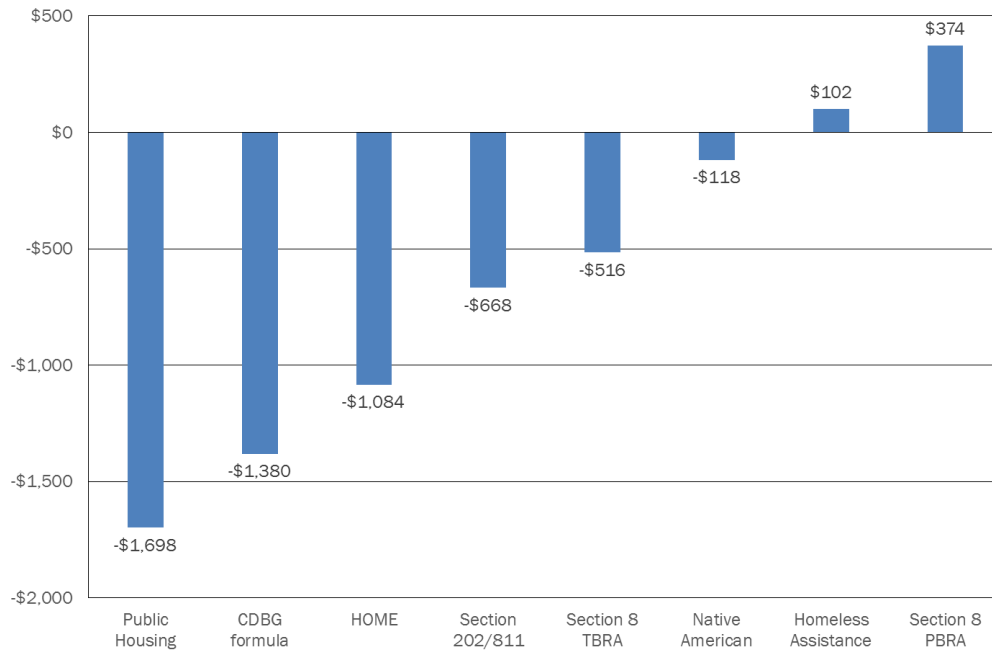
https://www.cbo.gov/about/products/budget_economic_data

UK Office of Budget Responsibility data at: <http://budgetresponsibility.org.uk/data/> up to 2021.

Chart 1: Characteristics of Budget Cuts Affecting Affordable Rental Housing in the US and UK: 2010-2016

Characteristic	US	UK
Prompted by Fiscal Crisis deficit & debts	Yes	Yes
Electoral campaigns focused on deficits & debt	No	Yes: in both 2010 & 2015
Intended duration	Long-term: until 2025 or debt levels decline	Long-term: at least to 2019 –to be extended in modified form into 2020s
Structure of cuts	Segmented: discretionary funding targeted: exemptions for social security, health care, tax credits	Segmented: exceptions for pensions, health care and education as well as overseas aid and later military expenditure
Variations	Variations in the initial legislative reductions of 2011 in 2013-14 & 2015-16	Variations through reductions in planned cuts in 2011; additional cuts put in place in 2015 but some reversed in 2016
Equal reductions to each discretionary program?	Specific housing programs cut more heavily than average	Reductions applied particularly to the capital program but also to future increases in person specific assistance

Figure 1: BCA funding reductions for specific HUD programs: 2010-2015



Source: OMB data from Douglas Rice, Center for Budget and Policy Priorities, October 2015

Table 2: Initial Effects of 2011-2016 budget reductions upon US rental housing assistance

- | |
|--|
| 1. Staff reductions |
| 2. Freeze on raises, bonuses, training, travel |
| 3. Freeze in issuing new vouchers/reduce voucher issuance |
| 4. PHAs stop administering rental vouchers |
| 5. Administrative streamlining based on HUD instructions |
| 6. Rising concern over staff turnover, program quality, fraud |
| 7. Inability to manage emergency housing repairs & long-term capital repairs/ sustainability needs |
| 8. For select agencies, authority/pressure to establish or raise minimum rents |
| 9. Termination of funding for developing rental housing for elderly/disabled |

Sources; Abt 2015; exhibit 3-7; GAO 2016: 5; agency interviews; agency websites.

Table 3: Main policy Instruments to restrict spending England/UK

Years	<i>Capital Grants Reduced for</i> affordable housing	<i>Housing Benefit (HB) Cuts</i> income related benefits for private & social tenants)
Baseline : 2008 - 2011	£8.4 bn: produced 155,000 units	
2012- 2015	Grants cut to £4.5bn to produce 175,000 units but implies higher borrowing & higher rents for new tenants	Restrictions on maximum eligible rents; support for younger single people; Reduced size of social unit eligible for HB. Introduction of maximum welfare payments for working age households implemented through HB
2016 - 2020	Cut to £1.7bn to produce 165,000 units – implies further borrowing & possible rent increases	Further restrictions on eligibility for young people Rent cap and welfare cap frozen for 4 years
Autumn Statement 2016	Added £1.4bn in funding for 40,000 units	