MINNEAPOLIS PUBLIC HOUSING AUTHORITY
- IMPACT OF SEQUESTRATION -

Background:

Over the past two years, the Minneapolis Public Housing Authority (MPHA) has experienced significant losses in revenue from both the United States Department of Housing and Urban Development (HUD) and the City of Minneapolis. In response to these shortfalls, totaling $6.2 million in the last 18 months, MPHA has 1) eliminated a number of its housing programs, 2) significantly cut its security guard budget, 3) utilized reserves to help fund its operations, 4) reduced staffing by 24 FTEs, and 5) frozen the salaries of all remaining employees. In addition, MPHA has frozen the Section 8 Housing Choice Voucher tenant based waiting list and will be unable to house any of the over 10,000 eligible families on that waiting list through at least the end of 2013.

These losses have been compounded by the sequestration requirements of the Budget Control Act (BCA) of 2011 which became effective when Congress passed a Full Year Continuing Resolution (CR) on March 29, 2013. On top of the cuts already anticipated and included in MPHA’s 2013 approved budget, the MPHA will experience an additional $3.9 million shortfall in funding due to sequestration.

What is Sequestration?

‘Sequestration’ is an action that is part of the Budget Control Act (BCA) of 2011, approved by Congress and signed by President Obama that creates automatic across the board cuts to Defense and most discretionary funded programs, including HUD. It was intended to create a situation that would force both Congress and the President to come to an agreement on a budget because if they didn’t, it would cut areas where no one wanted to see cuts. Despite this strategy, Congress and the President were unable to agree on a budget for Fiscal Year (FY) 2013 and instead passed a ‘Continuing Resolution’ that included the Sequestration cuts.

How does Sequestration Impact MPHA?

MPHA will experience a $3.9 million shortfall in the funds it budgeted for 2013 and $7.9 million less than the agency should receive based upon HUD’s funding formula. These cuts are on top of cuts already anticipated and included in MPHA’s 2013 approved budget.

How Will MPHA Absorb These Cuts?

With the goal of limiting disruption to the lives of residents and program participants, staff, the agency’s operations and allowing for a planning process that provides time to implement permanent changes that allow the agency to operate at a reduced funding level; the MPHA Board took the following actions to address the $3.9 million in cuts related to Sequestration:
Adopted a revised 2013 budget that combines expense reductions of $2.1 million in all program areas and authorizes the Agency to use $1.8 million in reserves to balance its 2013 budget.

Revised the Agency's 2013 Section 8 Housing Assistance Payment (HAP) budget to account for lower HAP costs per voucher leased than planned. MPHA estimates up to $750K in budget savings.

Targeted operational cuts that reduce non-routine (capital equipment purchases, office building improvements, extraordinary maintenance activities); eliminates or postpones staff training and travel, and imposes a hiring freeze. MPHA estimates that these cuts will result in an estimated $612K in budget savings.

Deferred and/or reduced 2013 capital improvements activities that are not “life safety” or major building infrastructure projects which have not already started construction. MPHA estimates that these cuts will result in $750K in budget savings.

These Capital improvement cuts are equivalent to the amount that MPHA’s Capital Grant funding has been reduced as the result of Sequestration.

Authorized the use of $1.8 million in additional Reserves to make up for the remaining revenue shortfall related to Sequestration.

The Board action accounts for the 3.9 million in cuts required by Sequestration by funding approximately half of the deficit from cost cutting (54%) measures and half from utilizing reserves (46%).

What About the Future?

The Budget Control Act imposes cuts of 5% per year through 2012 unless Congress and the President approve budgets that meet federally targeted deficit reduction goals. Given the political realities where Congress and the President have been unable to reach budget compromises in the past, MPHA has to plan for the worst and hope for the best.

The actions taken by the MPHA Board to balance Agency’s 2013 Budget cannot be sustained indefinitely. Every voucher that is not reissued results in a net loss of affordable housing for our community. If MPHA does not take actions to effectively maintain its housing portfolio, the property becomes at risk and the City cannot afford to put its most comprehensive affordable housing program at risk of not being available for future generations.

MPHA will utilize its Moving To Work Authority and various planning efforts to establish new frameworks for how the Agency will deliver its programs and services and how it will fund its operations for 2014 and beyond. MPHA will work with its residents and program participants, partners and key stakeholders as it engages in its planning processes with the goal of continuing to meet its mission and respond to the critical housing need in its community.