

The Impacts of Federal Budget Cuts

Testimony of
The NYU Furman Center

Before
New York City Council

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Chairs Restler, Ayala, and Narcisse, and members of the City Council, thank you for the opportunity to submit testimony on the impacts of federal budget cuts. The [NYU Furman Center](#) is a joint center of the NYU School of Law and the Robert F. Wagner Graduate School of Public Service. Since 1995, the Furman Center has advanced research and debate on housing, neighborhoods, and urban policy.

As a research center focused on housing policy, our testimony examines the potential impact of federal cuts on a number of the City's housing and homelessness programs that are central to the well-being of New Yorkers.

Congress will need to pass the Fiscal Year 2026 budget or another continuing resolution by September 30 to fund the federal government for the next fiscal year. As Congress considers appropriations for Fiscal Year 2026, it is weighing a number of proposed reductions. While the current appropriations bills do not go as far as the President's "skinny" budget (which outlined a 42 percent cut to rental assistance and public housing programs), they do include substantial cuts to key housing programs.¹ The recently passed One Big Beautiful Bill Act (OBBBA) will not offset these cuts, although it expands the Low-Income Housing Tax Credit (LIHTC) program, which helps fund affordable housing development.²

A recently released Furman Center report, [Federal Housing Programs in New York City](#), provides a detailed look at the central role of federal funding in supporting local housing and homelessness efforts. In the report, we find the following:

¹ Executive Office of the President, Office of Management and Budget. *Fiscal Year 2026 Discretionary Budget Request*. 2 May 2025.
<https://www.whitehouse.gov/wp-content/uploads/2025/05/Fiscal-Year-2026-Discretionary-Budget-Request.pdf>; Klurfield, Kristen, and Graham DiLorenzo. "FY2026 Appropriations Process: House and Senate THUD Bills." *Bipartisan Policy Center*. 8 Aug. 2025.
bipartisanpolicy.org/blog/fy2026-appropriations-process-house-and-senate-thud-bills/

² "H.R. 1, One Big Beautiful Bill Act." *Congress.gov*. 2025.
<https://www.congress.gov/bills/119th-congress/house-bill/1/text>

- The City relies heavily on federal funding to help achieve its goals around housing and homelessness, totaling \$7.2 billion in 2024 (including \$833 million in investment via LIHTC).³
- Federal funds account for large shares of the operating budgets of New York City's housing agencies; for example, three-quarters of the New York City Housing Authority's (NYCHA) operating budget (more than \$3.7 billion) comes from the federal government.
- These federal funds are targeted to low-income households and impact a large number of New Yorkers. Federally supported rental assistance programs alone serve more than 350,000 households across New York City.

New York City's federally funded housing and homelessness programs create a network of support for low-income households, funding the development and operations of affordable apartments, rental assistance, homeless shelters, supportive housing, and emergency repairs, among other uses. This testimony draws on findings from our report to outline the scale of federal funds that the City typically receives, the role of the supported programs, and the neighborhoods most impacted. If not backstopped by state and local resources, a reduction in federal funding for key housing programs would have serious implications for the households and neighborhoods served by those programs.

Federal appropriations bills for FY 2026 include cuts to housing funding.

Several recent changes and current proposals have implications for federal housing programs. The Senate and House Appropriations Committees have approved their Transportation, Housing and Urban Development, and Related Agencies (THUD) bills, but neither bill has been passed yet.⁴ Both the Senate and the House THUD bills call for notable cuts to federal housing programs that New Yorkers rely on. Between the Senate and House bills, Congress proposes to either cut or maintain the current funding level (an effective cut) for public housing maintenance and operations, the HOME Investment Partnerships (HOME) program, tenant-based rental assistance, the Community Development Block Grant (CDBG) program, the Housing Opportunities for Persons With AIDS (HOPWA) program, and the Emergency Solutions Grant (ESG) program.⁵

The THUD bills outline cuts that are not as extreme as those proposed in the President's "skinny" budget request. Under that proposal, the President called for combining rental assistance and public housing programs and cutting the total funding for those programs by 42

³ This estimate covers major HUD-funded programs and federal tax expenditures that fund affordable rental housing and homelessness programs. It does not represent a comprehensive estimate of all federal housing programs that fund programs in New York City. For example, our report does not include Fannie Mae and Freddie Mac's credit enhancement for tax-exempt bonds or their multifamily lending platforms, nor does it mention other federal loan programs including FHA-HFA risk-sharing and direct lending initiatives. Additionally, significant federal subsidies for homeownership, including the mortgage interest deduction and the State and Local Tax Deduction (SALT), fall outside the scope of our analysis.

⁴ "Appropriations Status Table: FY2026." *Congress.gov*. 2025.

www.congress.gov/crs-appropriations-status-table.

⁵ Klurfield and DiLorenzo.

percent. The White House also proposed eliminating HOME and CDBG, consolidating the ESG, HOPWA, and the Continuum of Care (CoC) programs, and cutting the consolidated programs' total funding by 12 percent.⁶

This summer, the OBBBA expanded and made permanent the Opportunity Zone program, which incentivizes investment—including housing development—in distressed neighborhoods. It also expanded LIHTC, which is the nation's largest program focused on developing and preserving affordable housing.⁷ Both the LIHTC and Opportunity Zones programs serve different purposes than the funding at risk in the current THUD bills, and their expansion will not offset the potential gaps.

Without clarity on the final 2026 budget, it is difficult to estimate the actual risk of deep cuts to the city's federally funded housing programs. However, the programs slated for reductions under the current bills are central to the City's housing and homelessness efforts.

New York City's housing and homelessness programs rely heavily on federal funding.

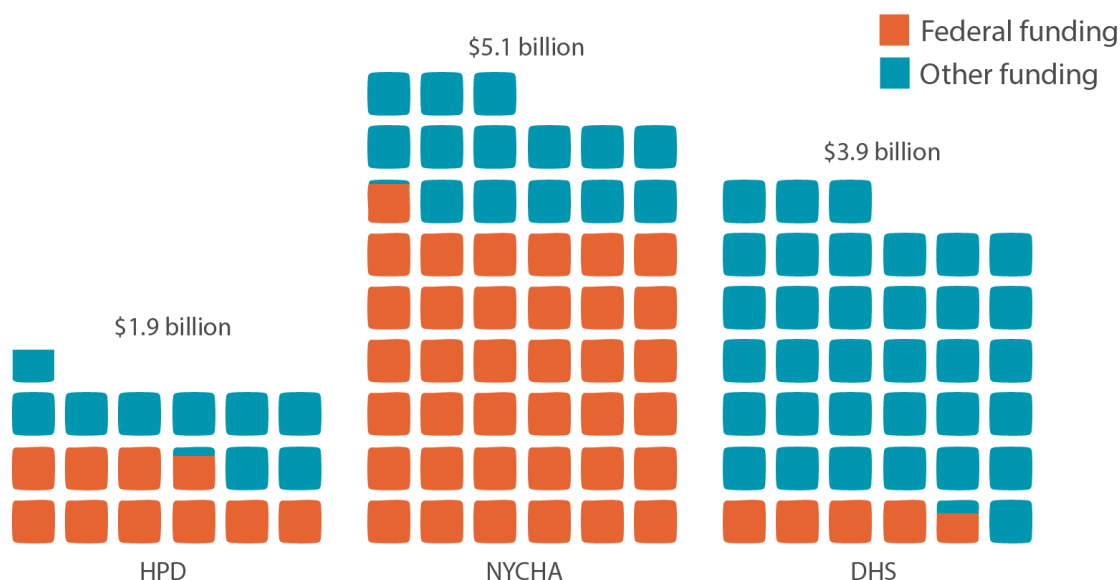
As we note in our report, federal funding is a central source of support for the city's major housing agencies. In 2024, federal funding accounted for 54 percent of the New York City Department of Housing Preservation and Development's (HPD) operating budget (over \$972 million), and 12 percent of the Department of Homeless Services' (DHS) operating budget (over \$465 million) (Figure 1). While both HPD and DHS receive significant federal support, NYCHA is especially vulnerable to cuts in federal funding, which constitutes 75 percent of the agency's operating budget, totaling more than \$3.7 billion. The extent to which DHS, HPD, and particularly NYCHA depend on federal support is concerning in the face of the reductions proposed in the current appropriations bills. Unless backfilled, cuts to federal funding could have substantial effects on the ability of New York City housing and homelessness agencies to implement key programs.

⁶ Executive Office of the President, Office of Management and Budget. *Fiscal Year 2026 Discretionary Budget Request*. 2 May 2025.
<https://www.whitehouse.gov/wp-content/uploads/2025/05/Fiscal-Year-2026-Discretionary-Budget-Request.pdf>

⁷ "H.R. 1, One Big Beautiful Bill Act." *Congress.gov*. 2025.
<https://www.congress.gov/bill/119th-congress/house-bill/1/text>

Figure 1

Operating Funds for NYCHA, DHS, and HPD by Source, 2024



Source: NYCHA Board Meeting Minutes (11/21/2024), NYC Council's Reports on the Fiscal 2026 Preliminary Plans for NYC DHS and NYC HPD

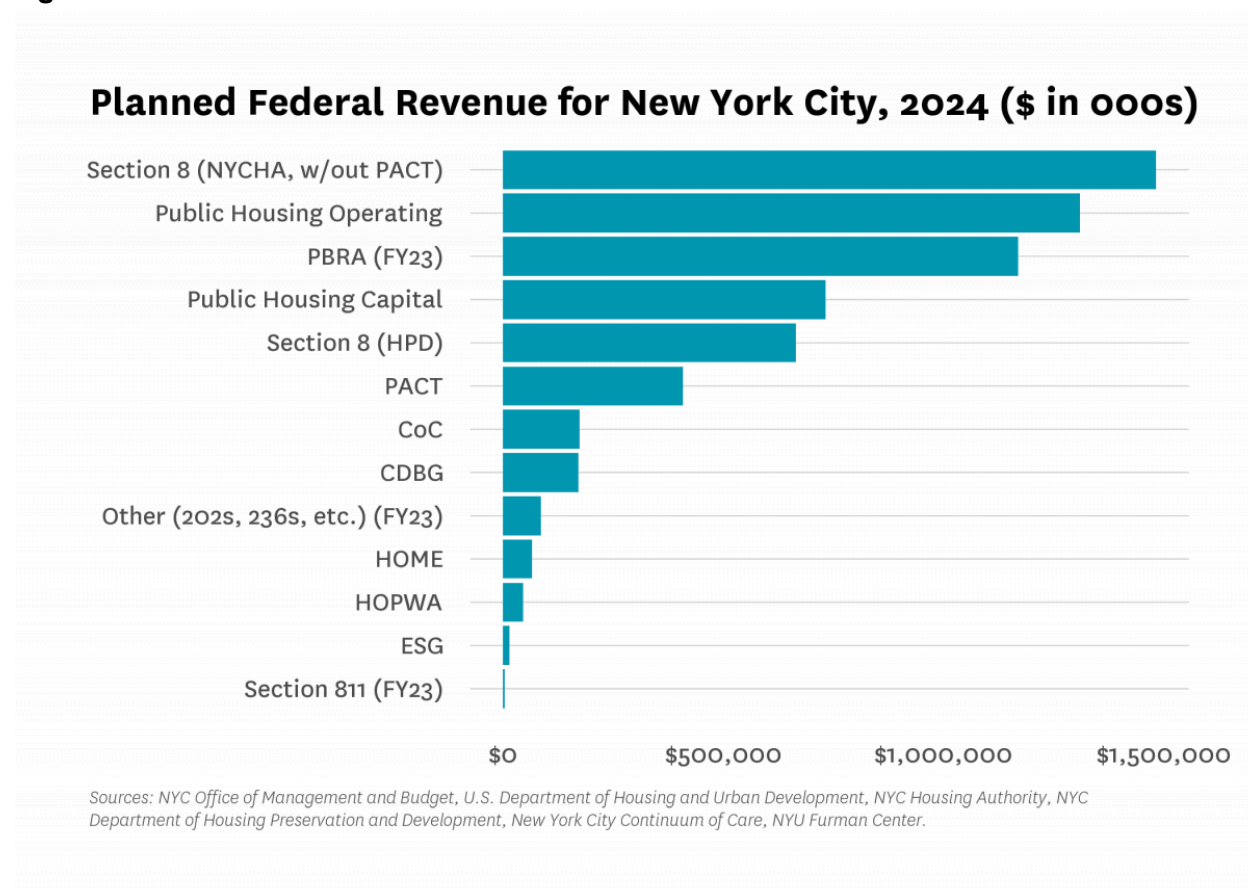
New York City receives \$7.2 billion annually from the federal government's major housing and homelessness programs (including LIHTC).

In total, New York City relies upon more than \$7.2 billion each year from the federal government's major housing and homelessness programs, including \$6.33 billion from the U.S. Department of Housing and Urban Development (HUD) across the programs shown in Figure 2. It also includes the U.S. Department of the Treasury's Low-Income Housing Tax Credit (LIHTC) program, which generates more than \$833 million in upfront investment in affordable housing development (not included in Figure 2).⁸ As Figure 2 shows, the most significant support goes to Section 8 Housing Choice Vouchers, public housing, and project based rental assistance (PBRA). After adjusting for inflation, annual funding for some of the larger programs (like the Housing Choice Voucher program) saw increases in funding over the last seven years. However, four programs that address homelessness, promote housing stability, and support improvements to housing quality saw decreases in funding in real terms over the same period.⁹

⁸ The amount of investment generated by the Opportunity Zone (OZ) program is unknown and is not included in this estimate.

⁹ Annual federal funding for each of the Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Housing Opportunities for Persons With AIDS (HOPWA), and Emergency Solutions Grants (ESG) programs has declined in real terms since 2018.

Figure 2



Federal funding for housing and homelessness programs targets low-income households and is at risk of cuts under the current appropriations bills.

The city's federally funded housing programs that provide a range of services, from rental assistance to emergency repairs, are concentrated in neighborhoods with high numbers of low-income families and properties in physical distress. The proposed THUD bills include cuts to a number of federally funded programs, including public housing, HOME, and tenant-based rental assistance.

Programs at Risk of Cuts

Public Housing: The largest proposed reductions to national funding in the Congressional THUD bills are to public housing: the Senate bill cuts \$602 million from public housing operating funds, and the House bill cuts \$1.4 billion from the total program (both operating and capital funds). New York City's Public Housing Authority, NYCHA, provides deeply affordable housing to very low-income households and, as previously noted, relies heavily on federal funding. Last year, NYCHA expected to receive \$1.3 billion in federal operating funds and \$732 million for capital repairs from the federal government, against an estimated capital need of \$78 billion.

HOME: The House bill also eliminates funding for the \$1.3 billion HOME program. The Senate bill would maintain current funding levels for HOME, which represents a reduction in real terms after accounting for inflation. Last year, New York City expected to receive \$66 million in federal funding for the HOME program, which supports the development of affordable housing, supportive housing, senior housing, and rental assistance, all serving low-income households. Eliminating federal funding for the HOME program would represent a significant cut to the City's budget for those vital initiatives and investments.

Tenant-Based Rental Assistance: The House bill would also cut tenant-based rental assistance programs by \$773 million (including level funding for voucher contract renewals, which amounts to an effective cut given increasing rent levels), while the Senate bill calls for a \$1.3 billion funding increase. The Section 8 Housing Choice Voucher program—the country's largest rental assistance program—includes both tenant-based and project-based vouchers and serves very low-income households. In New York City, almost 123,000 households rely on Section 8 Vouchers, about 80 percent of which are tenant-based. The city's Housing Choice Vouchers are supported by \$2.1 billion in federal funding, and funding cuts to the tenant-based vouchers could ultimately result in households losing access to the program. In 2022, the neighborhoods with the highest number of Housing Choice Voucher holders were Kingsbridge Heights/Bedford, Fordham/University Heights, and Highbridge/Concourse, all located in the Bronx, followed by East New York/Starrett City in Brooklyn. Those neighborhoods would likely experience the greatest impacts if funding were cut.

CDBG: CDBG faces a reduction of \$200 million under the Senate bill, while the House bill would cut the program in real terms by maintaining funding levels. New York City relies on federal funding from the CDBG program to support housing quality through code enforcement, lead abatement, and emergency relocations and repairs. In 2024, the City planned to spend \$276 million in federal funding for CDBG, 94 percent of which went toward housing-related uses. The community districts with the highest level of investment in emergency repairs as a result of HPD's code enforcement program—and therefore most at risk from potential cuts—were Fordham/University Heights (\$4.3 million), Bedford-Stuyvesant (\$3.7 million), and East New York/Starrett City (\$2.9 million).

HOPWA: The House also proposes an effective cut to HOPWA by keeping funding nominally level, while the Senate bill increases HOPWA funding by \$24 million.¹⁰ In 2024, the City planned to spend \$34 million in HOPWA funds, which went toward housing services including permanent and supportive housing, rental assistance, and homelessness prevention for people living with HIV/AIDS.

ESG: The House and Senate appropriations bills both propose level funding for the ESG program, which represents a cut in real terms.¹¹ New York City relied on almost \$15 million in

¹⁰ Klurfield and DiLorenzo.

¹¹ *Departments of Transportation, Housing and Urban Development, and Related Agencies Appropriations Bill, 2026: Report of the Committee on Appropriations, House of Representatives, 119th Congress, 1st Session, Report 119-212.* U.S. Government Publishing Office, 21 July 2025.

federal ESG funds in 2024. The program supports emergency shelters, street outreach, housing placement, and homelessness prevention.

Other Programs

Other key federally funded housing and homelessness programs do not face significant risks to funding levels under the House and Senate Appropriations bills.¹² Project-based rental assistance programs fall into this category. Across the city, roughly 24,000 households live in units subsidized by **project-based Section 8 vouchers**. **Project-Based Rental Assistance (PBRA)**, a subset of the Section 8 program, also subsidizes specific units. In New York City, PBRA, along with programs targeted to elderly and disabled tenants—including **Section 202** and **Section 811**—draws on nearly \$1.3 billion in federal funds to provide support for more than 59,000 units. NYCHA also uses the **Permanent Affordability Commitment Together (PACT)** program to convert units to project-based vouchers or PBRA. The conversion unlocks additional funds for capital improvements and operating expenses, and NYCHA retains ownership and oversight while leasing buildings to partners. We estimate that the PACT program was supported by \$408 million in federal funds last year. Finally, the **CoC program** also faces fewer risks under the THUD bills. The CoC programs fund a range of homeless services, including shelters, rapid rehousing programs, rental assistance, and supportive housing. The City planned to receive almost \$174 million in federal funding for the CoC program in 2024.

Tracking federal funding and considering tradeoffs will be vital as the City continues to work towards its housing goals.

A decline in federal funding to key programs would have damaging effects on the City's housing goals. It will be critical for state, city, and local policymakers to track changes in funding over the next few years. Without backfilling funding, cuts to federal housing programs could widen affordability gaps and put the stability of low-income New Yorkers at risk. Cuts to other programs that support the City's social safety net (such as Medicaid and SNAP) will also have broader impacts on the City's other priorities as it looks to fill those gaps. The City will likely face challenging choices as it grapples with looming funding cuts. The Furman Center will continue to monitor the City's resources and provide analysis to support the City in navigating tradeoffs as they arise.

<https://www.congress.gov/119/crpt/hrpt212/CRPT-119hrpt212.pdf>; *Transportation, Housing and Urban Development, and Related Agencies Appropriations Bill, 2026: Report of the Committee on Appropriations, Senate, 119th Congress, 1st Session, Report 119-47*. U.S. Government Publishing Office, 24 July 2025. <https://www.congress.gov/119/crpt/srpt47/CRPT-119srpt47.pdf>; Steve Berg, "FY26 Appropriations: Update on Homelessness and Housing Funds," *National Alliance to End Homelessness*, 17 July 2025.

<https://endhomelessness.org/blog/fy26-appropriations-update-on-homelessness-and-housing-funds>.

¹² These programs may not be facing proposed cuts in nominal terms, but it is important to note that even a small increase in a program's annual budget may not keep up with inflation.