



NHC's Analysis of HUD Budget Proposal for Fiscal Year 2012

The Administration released its fiscal year 2012 budget proposal on February 14, 2011, and included \$48 billion in gross budget authority for the Department of Housing and Urban Development (HUD), which is offset by \$5 billion in projected Federal Housing Administration (FHA) and Ginnie Mae receipts, leaving the net budget at \$43 billion, 1 percent less than the fiscal year 2010 enacted level of \$43.5 billion. Since the FY 2011 budget has not been enacted, most figures in this analysis are compared against FY 2010 enacted numbers.

In this tough economic climate, the need for rental and homeless assistance is critical, and this assistance constitutes the overwhelming majority of HUD's budget request. According to HUD, worst case housing needs increased 20 percent from 2007 to 2009, with some 7 million very low-income renters paying more than half of their income in rent in 2009, and over 650,000 people were homeless on a single night in January 2010. As proposed, some 80 percent of the HUD FY 2012 budget request would be used to renew existing rental assistance/operating subsidies, fund accrued public housing capital needs and renew existing homeless assistance grants.

The following is a breakdown of provisions in HUD's FY 2012 budget proposal falling within HUD's five main strategic goals:

1. Strengthening the Housing Market

The Administration is undertaking a number of efforts intended to strengthen the housing market. Over the past two years, HUD has been collaborating with the Department of Treasury and the Administration to develop a proposal for strengthening the housing finance system, which was released on February 11, 2011. In the meantime, FHA and Ginnie Mae have continued to play an important counter-cyclical role in helping to ensure the market has adequate liquidity until private capital returns to its normal levels. In 2007, FHA insured only 2 to 3 percent of loans in the housing market; however, FHA now insures 30 percent of home mortgage purchases and 20 percent of refinances. In addition, FHA financing was used by 60 percent of African American and Latino homebuyers in 2009. The budget proposal projects that FHA will insure \$218 billion in mortgage borrowing and Ginnie Mae will provide \$278 billion in new guarantees in 2012. HUD will also continue to restructure FHA premium levels implemented in October 2010, including another premium increase this year in order to boost capital reserves.

To continue to support affordable homeownership opportunities and to help households struggling with their mortgages, the budget proposal requests \$88 million for the Housing Counseling Assistance program, the same as requested in FY 2011. HUD is also requesting \$20 million for combating mortgage fraud to help continue to stabilize the housing market over the long-term.

2. Meeting the Need for Quality Affordable Rental Housing

As in previous years, the majority of HUD's budget is spent maintaining and improving the public housing stock and voucher programs. In FY 2012, HUD requests \$19.2 billion in Tenant Based Rental Assistance, up from \$18.2 billion in 2010. This total includes but is not limited to \$17.19 billion for Section 8 contract renewals, up from \$16.3 billion in 2010, \$114 million for Mainstream Section 811 vouchers and \$60 million for Family Self-Sufficiency Coordinators.

The HUD budget proposal also includes \$9.43 billion for the Project-Based Rental Assistance program, up from

\$8.6 billion in 2010. This includes \$9.13 billion for Section 8 contract renewals, up from \$8.3 billion in 2010. In addition, HUD requests \$4.96 billion for the Public Housing Operating Fund. However HUD expects \$1 billion of this funding will come from PHA operating reserves. Excluding the \$1 billion in operating reserves, this is about an \$820 million decrease from FY 2010. HUD also requested \$2.41 billion for the Public Housing Capital Fund, down from \$2.5 billion in 2010.

The proposed budget also includes \$200 million for a rental preservation demonstration project designed to preserve public and assisted housing by increasing access to private capital and management techniques. This initiative is a scaled-back version of the multi-year initiative called Transforming Rental Assistance, for which HUD requested \$350 million in the FY 2011 budget.

Outside of the public housing stock, HUD is requesting \$1.65 billion in HOME funds. This is a 9.5 percent reduction from FY 2010 levels of \$1.825 billion. HUD is also requesting \$1 billion to fund the National Housing Trust Fund, which would represent the first-ever funding for this new program.

The FY 2012 budget proposal also references changes to the Low Income Housing Tax Credit program, included in the Treasury budget, which give federally-assisted housing a 30 percent increase in eligible basis for bond-financed projects, in the context of preserving, recapitalizing, and rehabilitating existing affordable housing. Changes to the program would also facilitate the development of mixed-income housing by allowing LIHTC projects to serve households with incomes up to 80 percent of AMI so long as the average income of residents still fell below 60 percent of AMI.

3. Improving Quality of Life through Housing

As part of the FY 2012 budget proposal, HUD is requesting \$2.5 billion to fund initiatives focused on ending homelessness through the Federal Strategic Plan to End Homelessness. Specifically, HUD is requesting \$2.37 billion in Homeless Assistance Grants up from \$1.9 billion in FY 2010. HUD is also requesting \$75 million in Veterans Affairs Supportive Housing vouchers, which combine tenant-based voucher assistance with case management and clinical services tailored to homeless veterans and their families. This funding is expected to support 11,500 veterans nationwide. Finally HUD is requesting \$56.9 million for HUD-HHS vouchers that will fund tenant-based rental assistance targeted to assist homeless families and chronically homeless persons. This funding is expected to support 10,000 vouchers; 6,000 will be targeted towards chronically homeless and another 4,000 will assist families with school-aged children.

In addition, the budget proposal focuses on modernizing important programs, including the Housing for the Elderly (Section 202) and Housing for Persons with Disabilities (Section 811) programs. The budget states that HUD will propose legislation to modernize the 811 and 202 programs building on the legislation passed in the 111th Congress. In addition HUD is requesting \$757 million for the Section 202 program and \$196 million for the Section 811 program, a decrease from \$825 million and \$300 million respectively in 2010. However, this request is higher than HUD's FY 2011 request, when HUD requested a suspension of new projects under these programs.

HUD is also requesting \$140 million for the Office of Healthy Homes and Lead Hazard Control and \$335 million in funding for the Housing Opportunities for Persons with AIDS program, the same amount as in FY 2010.

4. Building Inclusive and Sustainable Communities

One of the largest proposed cuts in the FY 2012 budget is to the Community Development Block Grant (CDBG) program. For FY 2012, HUD is requesting \$3.69 billion in CDBG formula allocations, as compared with \$3.98 billion in FY 2010, a 7.5 percent decrease.

HUD is requesting \$250 million for the Choice Neighborhoods Initiative, up from \$65 million in 2010 and at the same level as the FY 2011 request. The Choice Neighborhood Initiative is designed to revitalize distressed neighborhoods and public housing developments through efforts to better connect housing and other services

including education, transportation and job development. HUD developed the Choice Neighborhoods Initiative to expand upon the lessons learned from the HOPE VI program and is expected to propose legislation to authorize this initiative. As in FY 2011, HUD has not requested any funding for HOPE VI.

HUD is also requesting \$150 million for the Sustainable Communities Initiative collaboration between HUD, the Department of Transportation (DOT), and the Environmental Protection Agency (EPA) as a separate line item. This request includes Sustainable Communities Planning Grants to develop integrated community plans, Sustainable Communities Challenge Grants to implement these plans and a collaborative HUD, DOT and EPA research effort.

HUD's FY 2012 budget proposal continues to provide funding for American Indian, Alaskan Native, Native Hawaiian and rural communities. HUD is requesting \$782 million to fund programs that will directly support housing and economic development for American Indian, Alaskan Native, Native Hawaiian communities nationwide. \$700 million will fund the Native American Housing Block Grant program – the same level as FY 2010 but \$120 million more than requested in FY 2011. HUD is also requesting \$25 million for the Rural Innovation Fund to fund innovative approaches to addressing rural housing problems.

HUD did not request any funding for the Catalytic Investment Competition program to provide economic development and gap financing to implement targeted economic investment for neighborhood and community revitalization, for which they requested \$150 million in FY 2011. This program has been replaced by a multi-agency successor initiative to Empowerment Zones called Growth Zones that will be funded through the Economic Development Administration (EDA). For FY 2012, the Administration has requested \$40 million for this initiative. It will build on Empowerment Zones, providing grants for planning, seed capital and technical assistance to distressed communities. Growth Zones will also be eligible for new tax incentives.

HUD is also requesting \$72 million for Fair Housing and Equal Opportunity activities, the same as in FY 2010.

5. Transforming the Way HUD Does Business

Through the FY 2012 budget proposal, HUD seeks authority to transfer up to \$120 million into its Transformation Initiative Fund which will fund research, demonstrations and technical assistance projects such as OneCPD, a Housing Discrimination study, and independent assessments and technical assistance for troubled PHAs. HUD's budget proposal also provides \$57 million for Policy Development and Research (PD&R), \$9 million more than FY 2010 funding levels. Specific initiatives will include continuation of the American Housing Survey, a Rental Housing Finance Survey, and a Native American Housing Needs Assessment.

The HUD's FY 2012 budget proposal also includes \$315 million for the Working Capital Fund as well as \$1.48 billion for salaries and expenses.

The following budget chart is adapted from HUD's FY 2012 budget book.

HUD's FY 2012 Budget Proposal

	FY 2010 Enacted	FY 2011 Request	FY 2012 Request
Strengthening the Housing Market			
Housing Counseling Assistance Program	\$87.5	\$88.0	\$88.0
Mortgage Fraud Initiative	\$37.0	\$20.0	\$20.0
Meeting the Need for Quality Affordable Housing			
Transforming Rental Assistance (TRA)	--	\$350	\$200
Tenant Based Rental Assistance	\$18,184.2	\$19,550.7	\$19,223.0
<i>Renewals</i>	<i>\$16,339.2</i>	<i>\$17,310.0</i>	<i>\$17,194.0</i>
HUD-HHS	--		\$56.9

HUD-VASH	\$75.0		\$75.0
Project Based Rental Assistance	\$8,557.9	\$9,376.0	\$9,429.0
<i>Renewals</i>	\$8,325.9	\$9,044.0	\$9,130.0
Public Housing Operating Fund	\$4,775.0	\$4,829.0	\$3,962.0
Public Housing Capital Fund	\$2,500	\$2,044	\$2,405.0
National Housing Trust Fund	--	\$1,000.0	\$1,000.0
HOME	\$1,825	\$1,650	\$1,650
Improving Quality of Life through Housing			
Homeless Assistance Grants	\$1,865.0	\$2,055.0	\$2,372.0
Section 202 - Elderly	\$825.0	\$273.7	\$757.0
Section 811 - Disabilities	\$300.0	\$90.0	\$196.0
Housing Opportunities for Persons with AIDS (HOPWA)	\$335.0	\$340.0	\$335.0
Building Inclusive and Sustainable Communities			
Choice Neighborhoods	\$65.0	\$250.0	\$250.0
CDBG	\$4,450.0	\$4,380.1	\$3,804.0
<i>Entitlement/Nonentitlement</i>	\$3,983.1	\$3,990.1	\$3,684.0
<i>Catalytic Investment Competition</i>	--	\$150.0	--
Sustainable Communities	\$150.0	\$150.0	\$150.00
Fair Housing and Equal Opportunity	\$72	\$61.1	\$72
Transforming the Way HUD Does Business			
Transformative Initiative Fund	\$258.8	\$475.6	\$120.0
PD&R	\$48.0	\$87.0	\$57.0
Working Capital Fund	\$270.8	\$315.0	\$315.0
Central S&E Fund	\$1471.0	\$1501.0	\$1426.0

Department of Transportation Sustainability Programs

The Department of Transportation's (DOT) FY 2012 budget includes a number of funding requests that are relevant to the activities of the Interagency Partnership for Sustainable Communities with HUD and EPA. These programs may provide fruitful ground for housing to be better integrated with transportation programs to create more sustainable and inclusive communities.

DOT's budget centers around a \$556 billion six-year surface transportation reauthorization proposal that focuses on four broad goals – strengthening infrastructure, spurring innovation, ensuring safety and reforming government and exercising responsibility. This reauthorization proposal includes \$53 billion over six years to construct a national high-speed rail network, \$30 billion over six years for an Infrastructure Bank that will provide grants and loans for infrastructure investments using a number of innovative financing approaches, and \$119 billion over six years (127 percent increase) in funding for transit. The reauthorization proposal also converts the Highway Trust Fund into a new Transportation Trust Fund with accounts for highways, transit, high-speed passenger rail, and the National Infrastructure Bank. The budget also focuses heavy on planning by developing a new performance-based program as well as streamlining of DOT programs.

For FY 2012, the budget proposal includes a first-year funding boost of \$50 billion to jump-start investment and stimulate job growth. The money is distributed among various programs including New Starts (to fund new or expanded public transit lines) and TIGER (renamed as the National Infrastructure Investments).

The DOT budget also funds \$32 billion in “race to the top” Transportation Leadership Awards that will encourage fundamental reforms in the planning, building and management of transportation systems. This program would reward states and localities to improve state policies related to safety, livability, and demand management.

Some of the major sustainability and livability programs include \$4.1 billion in the Federal Highway Administration (FHA) for the Livable Communities Program in 2012 and \$28 billion over six years for formula and competitive grant programs to establish place-based planning, policies, and investments to help communities increase transportation choices and access to transportation services. The DOT budget also includes a competitive grant program, funded at \$200 million in 2012 and \$1.2 billion over six years, to improve the coordination between planning entities in the development of collaborative transportation plans.