

Analysis of HUD
Fiscal Year 2011
Budget Proposal

The Obama Administration released its fiscal year 2011 budget proposal on February 1, which included \$48.5 billion in funding for the Department of Housing and Urban Development (HUD) to support existing programs and new initiatives. This budget proposal includes the agency's initial \$41.6 billion request (5 percent below fiscal year 2010 levels and stays within the Administration's required guidelines of not increasing funding for domestic discretionary programs) and a projected \$6.9 billion from Federal Housing Administration (FHA) and Ginnie Mae related revenue.

The following is breakdown of provisions in the FY 2011 Budget falling within HUD's five key goal areas:

1. Strengthening the Housing Market

The Administration has made great strides in strengthening the housing market to bolster the economy and protect consumers, in particular when it comes to the FHA. According to HUD, the FHA represented 30 percent of the housing market in the last quarter of 2009 and served 2.1 million households throughout the year – up from 1.9 million in 2006. Recent policy changes were designed to grow capital reserves and manage FHA risk. These changes included increasing the mortgage insurance premium for borrowers, as well as updating the combination of minimum FICO scores and down payments required for new FHA borrowers. As a result, the FY 2011 budget proposal reflects an increase in revenue of more than \$3.5 billion when compared to FY 2010.

The budget proposal also provides \$88 million for the Housing Counseling Assistance program, a \$0.5 million increase from 2010, and \$20 million for combating mortgage fraud, a \$17 million decrease from 2010 to help continue to stabilize the housing market over the long-term.

2. Meeting the Need for Quality Affordable Rental Housing

The current housing and foreclosure crisis has resulted in rethinking the nation's housing policy by better balancing homeownership with the need for quality rental homes. HUD requests \$19.6 billion in Tenant Based Rental Assistance, up from \$18.2 billion in 2010. This total includes \$17.3 billion for Section 8 contract renewals, up from \$16.3 billion in 2010, and an estimated 35,000 new vouchers. The HUD budget proposal also includes \$9.4 billion for the Project-Based Rental Assistance program, up from \$8.6 billion in 2010. This includes \$9.044 billion for Section 8 contract renewals, up from \$8.325 billion in 2010.

In addition, HUD requests \$4.82 billion for the Public Housing Operating Fund, up from \$4.78 billion in 2010 and \$2 billion for the Public Housing Capital Fund, down from \$2.5 billion in 2010.

The proposed budget also includes \$350 million for the first phase of a multi-year initiative called Transforming Rental Assistance (TRA) designed to streamline rental subsidy programs

and expand housing choices for low-income families.

Under this initiative, housing agencies and owners would be offered the opportunity to convert their properties to a new form of long-term project-based rental assistance. This assistance would include aspects from project-based vouchers and project-based Section 8, however many of these features have not yet been finalized.

Conversion of units to the new system will be voluntary and the initiative will include a mobility option that allows tenants to move with a voucher after living in a property for a period of time without losing assistance, while a newly assisted family from the waiting list can move into the unit.

In addition, the budget proposal includes \$2.1 billion for HUD's Homeless Assistance Grants – up from \$1.9 billion in FY 2010. This \$200 million increase includes initial funding for the effective implementation of the HEARTH Act, which will help in maintaining the Administration's progress in reducing chronic homelessness and meeting the growing needs among homeless families. The Act will provide important investments in homeless prevention and permanent supportive housing, shift local homeless assistance systems to a performance-based orientation, and help better meet the unique needs of rural communities. Finally, HUD requests \$1 billion for the National Housing Trust Fund.

3. Improving Quality of Life through Housing

As part of the FY 2011 budget proposal, HUD is designating \$85 million in new funding for the creation of 10,000 homeless and special needs housing vouchers as part of an innovative collaboration with the Department of Health and Human Services (HHS) and the Department of Education (DOE).

This will be done through two different initiatives. The first initiative is designed for persons with special needs who are homeless or at-risk of homelessness. Through this initiative, HUD and the Department of Health and Human Services will provide 4,000 Housing Choice vouchers to eligible Public Housing Authorities through a joint competition. HHS is also seeking funding through the Substance Abuse and Mental Health Services Administration for additional comprehensive support. The second initiative is designed for families who are homeless or at risk of homelessness. HUD will provide a minimum of 6,000 vouchers on a competitive basis to applicants who can show how these vouchers will be integrated with the Temporary Assistance for Needy Families Program and other services. DOE will support the initiative by identifying families and children at risk for homelessness.

In addition, the budget proposal is centered on modernizing important programs, including the Housing for the Elderly (Section 202) and Housing for Persons with Disabilities (Section 811) programs. HUD has requested a suspension of new related projects for these programs in its FY 2011 budget to redesign them in a way that better targets resources and streamlines program operations. Reforms to these programs could include new requirements to establish market demand, targeting funding to higher capacity sponsors, streamlining processing to speed development timeframes, broadening benefits of program dollars achieved by incorporating innovative service models, and better aligning funding levels with construction costs.

As a result, funding for the two programs has been significantly reduced in the Administration's budget proposal – from \$825 million to \$274 million for the Section 202 program and from \$300 million to \$90 million for Section 811 in comparison to FY 2010 enacted levels.

The proposal also includes \$340 million in funding for the Housing Opportunities for Persons with AIDS program – representing a \$5 million increase from FY 2010.

4. Building Inclusive and Sustainable Communities

The proposed FY 2011 budget includes funding to support activities to create transit-oriented and inclusive neighborhoods. To help accomplish this, HUD is requesting \$250 million for the Choice Neighborhoods Initiative, up from \$65 million in 2010. 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. The Administration also requests \$60 million in funding for capacity building for non-profits, up from \$50 million in 2010.

HUD is also requesting Community Development Block Grants to be funded at \$4.380 billion. This includes \$3.990 billion for entitlement/non entitlement funding, as well as in \$390 million in other initiatives.

These other initiatives include \$150 million for the Sustainable Communities Initiative collaboration between HUD, the Department of Transportation (DOT), and the Environmental Protection Agency (EPA). This request includes four components - Sustainable Communities Planning Grants to develop integrated community plans, Sustainable Communities Challenge Grants to implement these plans, funding for capacity building for non-profits, and a collaborative HUD, DOT and EPA research effort. HUD is also requesting \$150 million for a new Catalytic Investment Competition to provide economic development and gap financing to implement targeted economic investment for neighborhood and community revitalization.

DOT also requested \$507 million for the same Sustainable Communities/Livability Initiative in its budget, to be funded through the Federal Transit Administration (\$307 million) and Federal Highway Administration (\$200 million). DOT also requested \$20 million to establish an Office of Livable Communities.

5. Transforming the Way HUD Does Business

Through the FY 2011 budget proposal, HUD is requesting \$476 million for the Transformation Initiative Fund, \$217 million more than FY 2010 levels, to help develop a more transparent, accountable and innovative agency. Specifically, this fund will help develop metrics to gauge performance, research to evaluate programs, demonstrations to show the impact of federal interventions, technical assistance, and technology to track spending and curb fraud, waste and abuse. HUD is also requesting the continued authority to set-aside up to 1 percent of HUD's total budget for this initiative.

HUD's budget proposal also provides \$87 million for Policy Development and Research (PD&R), \$39 million more than FY 2010 funding levels. This funding increase would support three priorities. First, it would continue to improve HUD's basic data infrastructure to collect and distribute data needed to make effective decisions about housing (\$55 million). It would also fund the Presidential Research and Development Initiative for researching the linkages between housing and health, and the development of innovative building technologies and processes (\$25 million). Finally, it would fund the Presidential Evaluation Initiative to develop rigorous evaluations of critical programs to inform future policy discussion including the Family Self-sufficiency Program, potential rent reform strategies, and the Choice Neighborhood Initiative (\$7 million).

The HUD's FY 2011 budget proposal also includes \$315 million for the Working Capital Fund, a \$44 million increase, as well as \$13.8 million for a central fund for salaries and expenses. This fund covers HUD operations and maintenance of HUD's existing technology and infrastructure.

Other HUD Programs that Lost Out

No new funds were included for the Green Retrofit Program or energy innovation funds in 2011. However, the DOE did request a increase for the Weatherization Assistance Program (WAP), \$300 million, up from 2010 HOME Investment Partnership - \$1.65 billion, down from \$1.8 billion in 2010 Fair Housing and Equal Opportunity - \$61.1 million, down from \$72 million in 2010 Native American Housing Block Grant (Formula Grants) - \$578 million, down from \$690 million.

Breakdown of FY 2011 HUD Budget Proposal

	FY 2010 Enacted	FY 2011 Request	Difference
Strengthening the Housing Market			
Housing Counseling Assistance Program	\$87.5	\$88.0	\$0.5
Mortgage Fraud Initiative	\$37.0	\$20.0	(\$17.0)
Meeting the Need for Quality Affordable Housing			
Transforming Rental Assistance (TRA)	--	\$350	\$350
Tenant Based Rental Assistance	\$18,184.2	\$19,550.7	\$1,366.5
<i>Renewals</i>	<i>\$16,339.2</i>	<i>\$17,310.0</i>	<i>\$970.8</i>
Project Based Rental Assistance	\$8,557.9	\$9,376.0	\$818.1
<i>Renewals</i>	<i>\$8,325.9</i>	<i>\$9,044.0</i>	<i>\$718.1</i>
Public Housing Operating Fund	\$4,775.0	\$4,829.0	\$54.0
Public Housing Capital Fund	\$2,500	\$2,044	(\$456)
Homeless Assistance Grants	\$1,865.0	\$2,055.0	\$190.0

National Housing Trust Fund	--	\$1,000.0	\$1,000.0
Improving Quality of Life through Housing			
Housing and Services for Homeless Demonstration	--	\$85.0	\$85.0
Section 202 - Elderly	\$825.0	\$273.7	(\$551.3)
Section 811 - Disabilities	\$300.0	\$90.0	(\$210.0)
Housing Opportunities for Persons with AIDS (HOPWA)	\$335.0	\$340.0	\$5.0
Building Inclusive and Sustainable Communities			
Choice Neighborhoods	\$65.0	\$250.0	\$185.0
Capacity Building – Section 4 CDBG	\$50.0	\$60.0	\$10.0
<i>Entitlement/Nonentitlement</i>	\$4,450.0	\$4,380.1	(\$69.9)
<i>Sustainable Communities</i>	\$3,983.1	\$3,990.1	\$7.0
<i>Catalytic Investment Competition</i>	\$150.0	\$150.0	--
	--	\$150.0	\$150.0
Transforming the Way HUD Does Business			
Transformative Initiative Fund	\$258.8	\$475.6	\$216.8
PD&R	\$48.0	\$87.0	\$39.0
Working Capital Fund	\$270.8	\$315.0	\$44.2
Central S&E Fund	--	\$13.8	\$13.8
Other Programs that Lost Funding			
HOME	\$1,825	\$1,650	(\$175.0)
Fair Housing and Equal Opportunity	\$72	\$61.1	(\$10.9)
Native American Housing Block Grant (Formula Grant)	\$690.0	\$578.0	(\$112.0)