



# ***Overview of FY2012 Budget***

**U.S. Department of Housing and Urban Development**

**February 14, 2011**

# Agenda

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## **I. The Context**

- A. The Economy and The Housing Market
- B. Accomplishments of HUD and Partners
- C. The President's 2012 Budget

## **II. The Budget Principles**

- A. Prioritizing Renewals
- B. Making Tough Choices

## **III. HUD's FY 2012 Budget**

- A. Winning the Future through our Strategic Plan Goals
- B. Strategic Plan Goals in Focus

### Two Years Ago

- We were **hemorrhaging 700,000 jobs a month**
- The growth rate had hit **negative 6.3 percent**
- Home prices had fallen every month for **2.5 years straight**
- Consumer confidence had fallen to a **forty year low**.

### Today

- ✓ **One million private sector jobs** were created in the past year
- ✓ Borrowers have **saved nearly \$22 billion a year** thanks to mortgage modifications and refinancing
- ✓ **Halt** in slide of home prices
- ✓ The number of homeowners entering foreclosure is **down 35% from April 2009**

## The Context – Accomplishments of HUD and Partners

*Over the past 2 years, HUD and its partners have played a key role in reversing the economic slide...*

- ✓ **Together with our local housing counseling partners, HUD has served nearly 4.8 million families since April 2009**
  - Over 2.2 million of these families received foreclosure prevention assistance
- ✓ **We have stewarded \$13.6 billion of ARRA funding with unprecedented speed**
  - Developed or renovated over **360,000 homes**
  - Prevented or ended homelessness for over **850,000 people**
  - Improved energy efficiency in **245,000** HUD-assisted affordable homes
- ✓ **Together with other Federal Agencies, HUD has developed unprecedented partnerships around sustainability, homelessness, neighborhood revitalization**

## The Context – The President’s 2012 Budget

*As we emerge from this recession, we must increasingly turn our attention to the Federal deficit – because America cannot win the future if our children inherit a mountain of debt.*

**President Obama has committed to a 5 year domestic discretionary spending freeze**



**HUD more than meets that goal:** Our FY 2012 budget request of **\$41.7 billion** is a 2.8% reduction from the FY2010 enacted level

### HUD followed 3 principles in making these budget decisions...

Bring Private Capital  
Back into the Mortgage  
Market

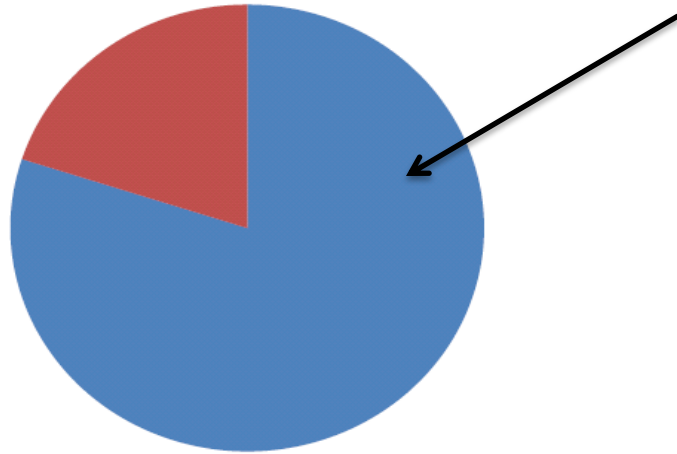
Protect Families  
Currently Served by HUD  
Programs

No New Initiatives

# The Budget Principles – Prioritizing Renewals

*The majority of HUD's budget is required each year simply to hold ground—keeping current recipients in their homes and providing basic upkeep to the public housing stock...*

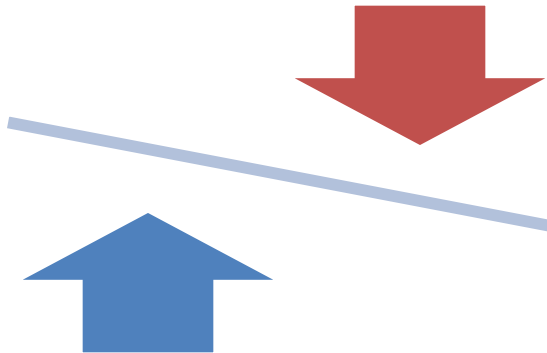
**In FY2012, 80% of HUD's budget request will be used to:**



Renew Existing Rental Assistance/Operating Subsidies  
**\$33.71 billion**

Fund accrued capital needs of Public Housing  
**\$2.405 billion**

Renew Existing Homeless Assistance Grants  
**\$2.216 billion**



## **IN A BUDGET FREEZE:**

Funding for existing families increases with inflation  
- as a result, other programs must decrease.

***For every 1% increase in renewals, other programs must decrease by 4% to keep the budget level***

# The Budget Principles – Why We Prioritized Renewals

*Renewing rental and homeless assistance, and providing capital needs funding for HUD's public housing stock, **remains our top priority in FY 2012 because...***

## **The need for rental and homeless assistance is growing as a result of the recession**

- **Over 7 million** very low-income renters pay more than half of their income in rent
- Worst Housing Needs increased a record **20 percent** from 2007 to 2009
- Over **650,000 people** were homeless on a single night in January 2010

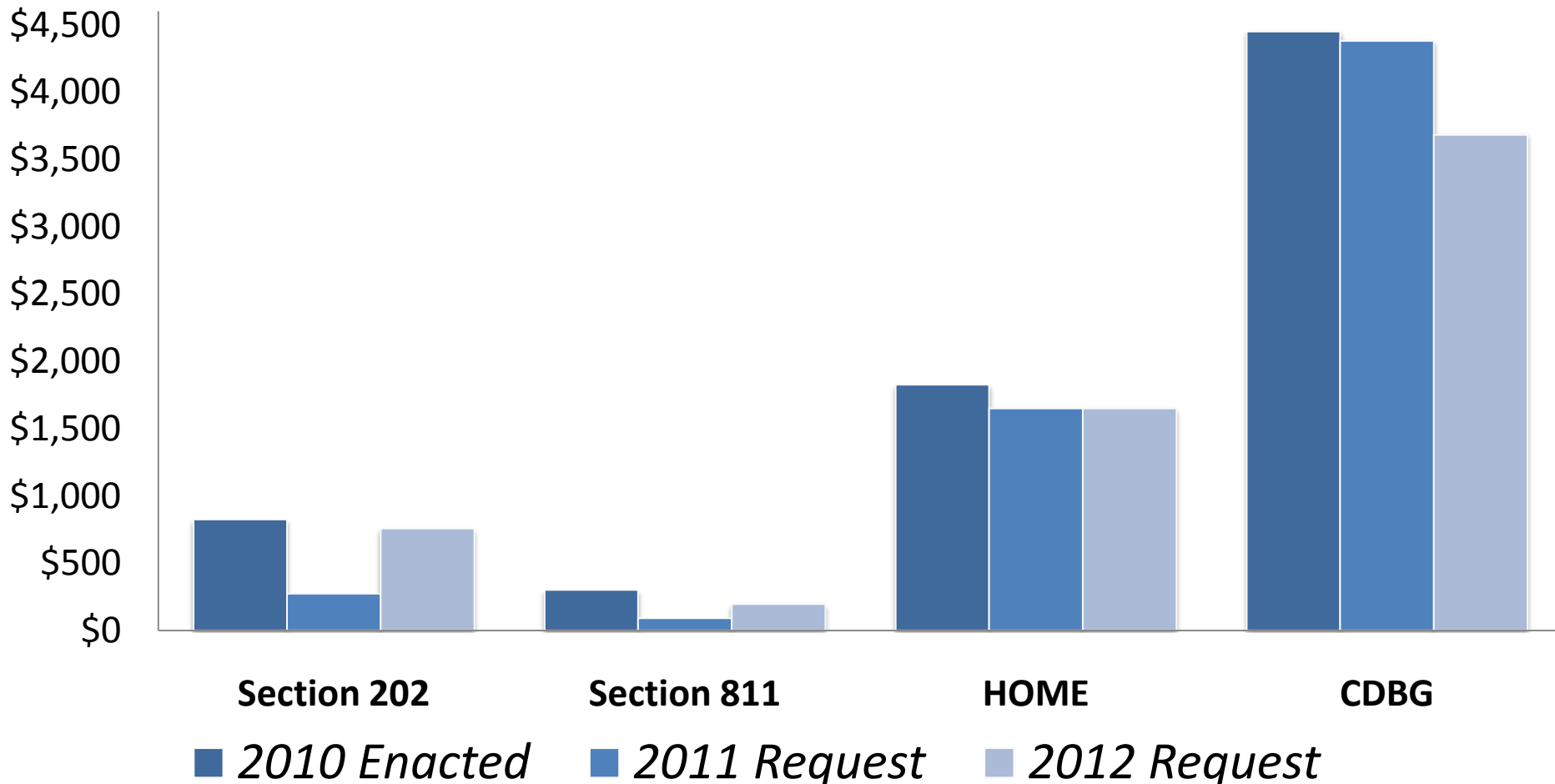
## **HUD assistance serves an extraordinarily vulnerable population**

- Extremely low income families make-up **72%** of HUD-assisted households
- **54 percent** of HUD-assisted households are elderly or disabled
- While the median U.S. family income in 2010 was over \$60,000 the median income of **a HUD-assisted family was \$10,200**

# The Budget Principles – Making Tough Choices

***In FY 2012, tough choices were made to reduce:***

- *Number of new units constructed in 202 and 811 Supportive Housing programs*
- *Block grant assistance to states and localities (HOME and CDBG)*





*Nonetheless, HUD's 2012 Budget plays an integral role in **winning the future...***

**The President is committed to Winning the Future by...**

**Out-Educating**

**Out-Innovating**

**Out-Building**

**Reforming our Government**

**HUD Contributes to Winning the Future by...**

1. Strengthening the Nation's Housing Markets to Bolster the Economy and Protect Consumers
2. Meeting the Need for Quality Affordable Rental Homes
3. Utilizing Housing as a Platform for Improving Quality of Life
4. Building Inclusive and Sustainable Communities Free from Discrimination
5. Transforming the Way HUD Does Business

# HUD's FY 2012 Budget – Strengthening the Nation's Housing Market

*HUD's 2012 Budget request helps **win the future** by strengthening the nation's housing market...*

## Strengthening the Nation's Housing Markets to Bolster the Economy and Protect Consumers

- Brings private capital back to the market through housing finance reform and FHA premium increase, which generates \$2 billion in receipts
- FHA and Ginnie Mae will continue crucial, temporary countercyclical role:
  - \$218 billion FHA loan volume anticipated in 2012
  - \$278 billion GNMA new guarantees anticipated in 2012

| Program (dollars in millions)              | 2010 Enacted | 2011 Request* | 2012 Request |
|--|--------------|---------------|--------------|
| FHA Loan Guarantee Limitation Level        | \$400,000    | \$400,000     | \$400,000    |
| Ginnie Mae Loan Guarantee Limitation Level | \$500,000    | \$500,000     | \$500,000    |
| Housing Counseling Assistance              | \$88         | \$88          | \$88         |

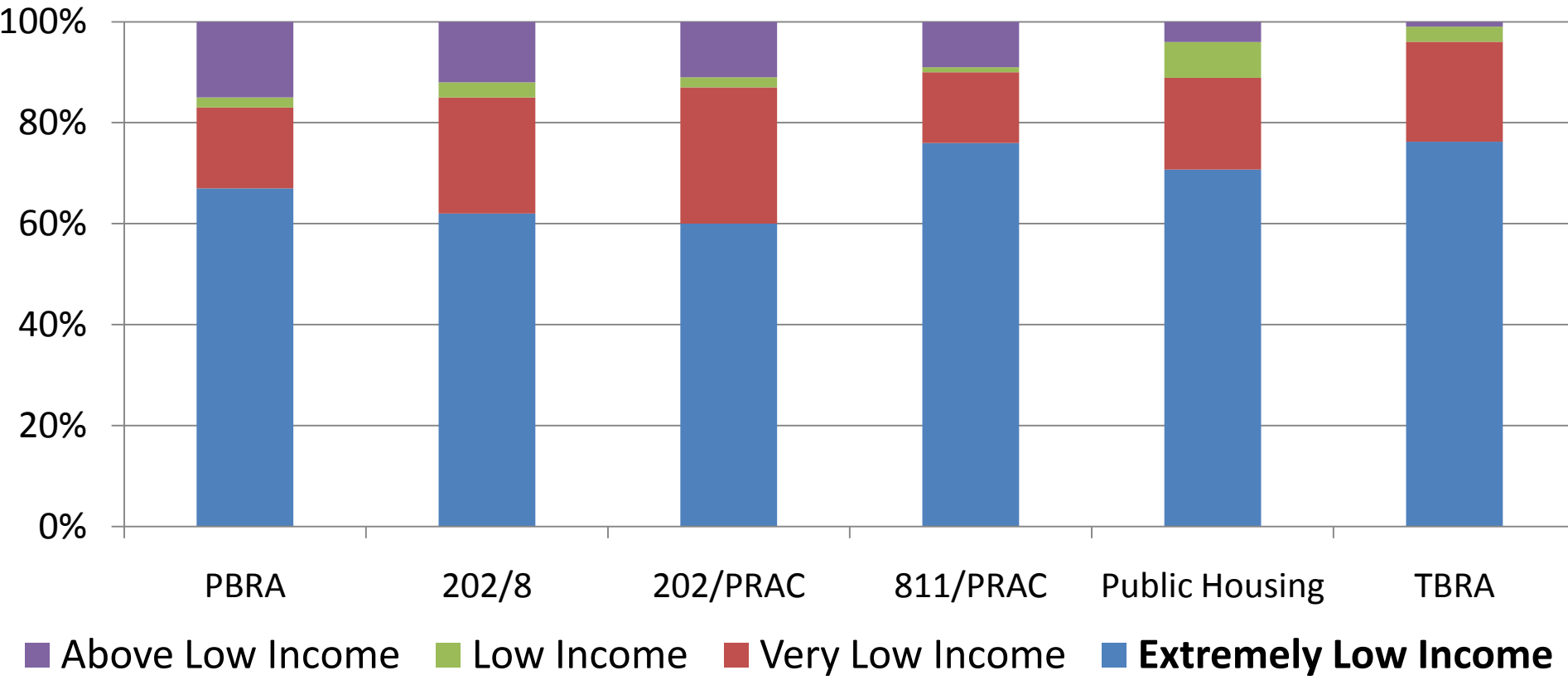
\* 2011 Request is HUD's FY2011 request to Congress

# HUD's FY 2012 Budget – Meeting the Need for Quality Affordable Rental Housing

*HUD's 2012 Budget request helps **win the future** by providing crucial rental assistance to our nation's most vulnerable families...*

**Meet the need for quality affordable rental homes**

- Serves nearly 5.5 million families – over 86,000 more than FY2010
- Provides \$1 billion for the National Housing Trust Fund
- \$200 million for a demonstration program to preserve public and assisted housing



# HUD's FY 2012 Budget – Meeting the Need for Quality Affordable Rental Housing

| Program                                     | 2010 Enacted | 2012 Request | Difference 2012<br>vs 2010 |
|---|--------------|--------------|----------------------------|
| Housing Choice Voucher Contract Renewals    | \$16,339     | \$17,194     | \$855                      |
| Total, Tenant-Based Rental Assistance       | \$18,184*    | \$19,223     | \$1,039                    |
| Project-Based Section 8 Contracts (Housing) | \$8,558      | \$9,426      | \$868                      |
| Public Housing Operating Fund               | \$4,775      | \$3,962      |                            |
| <i>net \$1 billion reserves</i>             |              | \$4,962      | \$187                      |
| HOME  | \$1,825      | \$1,650      | (\$175)                    |
| Public Housing Capital Fund                 | \$2,500      | \$2,405      | (\$95)                     |
| Preservation Demonstration                  | \$0          | \$200        | \$200                      |

\* 2010 TBRA amount does not include Section 811 Mainstream renewals, which is included in the 2012 TBRA request

# HUD's FY 2012 Budget – Utilizing Housing as a Platform for Improved Quality of Life

*HUD's 2012 Budget request helps **win the future** by providing cost-effective housing and services through a leaner, smarter government that will improve health and educational outcomes for millions of families nationwide...*

## Utilize housing as a platform for improving the quality of life

- Doubles new permanent supportive housing for the homeless
- Delivers on Federal Strategic Plan to Prevent and End Homelessness
- Provides crucial rental housing and services to almost 2.5 million elderly and/or disabled individuals

# HUD's FY 2012 Budget – Utilizing Housing as a Platform for Improved Quality of Life

| <b>Program</b>  | <b>2010 Enacted</b> | <b>2011 Request *</b> | <b>2012 Request</b> |
|---|---------------------|-----------------------|---------------------|
| <b>Housing for the Elderly (Section 202)</b>                                  | \$825               | \$274                 | <b>\$757</b>        |
| <b>Housing for Persons with Disabilities (Section 811)**</b>                  | \$213               | \$90                  | <b>\$196</b>        |
| <b>Housing Opportunities for Persons with AIDS (HOPWA)</b>                    | \$335               | \$340                 | <b>\$335</b>        |
| <b>Homeless Assistance Grants</b>   | \$1,865             | \$2,055               | <b>\$2,372</b>      |
| <b>Making Mainstream Programs Work to End Homelessness (HUD-HHS) Vouchers</b> | \$0                 | \$85                  | <b>\$57</b>         |
| <b>HUD-VASH vouchers</b>  | \$75                | \$0                   | <b>\$75</b>         |

\* 2011 Request is HUD's FY2011 request to Congress

\*\* 2010 Enacted amount for Section 811 does not include Section 811 Mainstream renewals, which are funded out of TBRA in 2012

# HUD's FY 2012 Budget – Building Inclusive and Sustainable Communities

*HUD's 2012 Budget request helps **win the future** by funding sustainable, community-driven solutions to generate economic growth and opportunity...*

## Build inclusive and sustainable communities free from discrimination

- Our programs will create or retain **300,000 jobs** directly and **350,000 more jobs** indirectly
- Beyond immediate job creation, this budget will help communities be more economically competitive for the long-term

### Choice Neighborhoods \$250 million

- Revitalizing neighborhoods of concentrated poverty
- Aligning interagency investments, particularly around education – to **out-educate** the rest of the world

### Sustainable Communities \$150 million

- Coordinating housing, land use, transportation investments to address growing cost burden faced by working families
- More effectively use existing dollars **to increase economic competitiveness, out-build and out-innovate** the rest of the world

## HUD's FY 2012 Budget – Building Inclusive and Sustainable Communities

| Program   | 2010 Enacted | 2011 Request * | 2012 Request     |
|---|--------------|----------------|------------------|
| <b>CDBG (total)</b>   | \$4,450      | \$4,380        | <b>\$3,804</b>   |
| <b>CDBG (formula amount)</b>  | [\$3,983]    | [\$3,983]      | <b>[\$3,684]</b> |
| <b>Sustainable Communities</b>  | [\$150]      | [\$150]        | <b>\$150</b>     |
| <b>FHEO</b>   | \$72         | \$61           | <b>\$72</b>      |
| <b>Catalytic Investment Fund</b>  | [\$0]        | [\$150]        | <b>[\$0]</b>     |
| <i>Replaced by multi-agency successor initiative to Empowerment Zones</i> |              |                |                  |
| <b>Native American Housing Block Grants</b>                               | \$700        | \$580          | <b>\$700</b>     |
| <b>Choice Neighborhoods</b>   | \$65         | \$250          | <b>\$250</b>     |

*\*2011 Request is HUD's FY2011 request to Congress*



# HUD's FY 2012 Budget – Transforming the Way HUD Does Business

*HUD's 2012 Budget request helps **win the future** by building an agency that's leaner, smarter, more transparent, and ready for the 21<sup>st</sup> Century...*

## Transform the way HUD does business

- Builds on success of Transformation Initiative (TI) with up to \$120 million TI Fund transfer for...

1

### Technical and Capacity Building

- ✓ National Resource Bank: Reinventing distressed economies
- ✓ One CPD: Holistic TA to build grantees' long-term capacity

2

### Research and Demonstrations

- ✓ Funding what works, stop funding what doesn't
- ✓ HUD Stat as accountability mechanism
- ✓ Evaluations of FSS, Rent Reform, Admin Fees

3

### Information Technology

- ✓ Streamlining HUD IT systems
- ✓ Next Generation Voucher Management System