

Overview of FY2014 President's Budget



U.S. Department of Housing and Urban Development

April 10, 2013

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*The FY2014 President's Budget builds on the progress we've made during the first term – by investing in the programs necessary to **strengthen the middle class and build ladders to opportunity...***

A thriving middle class has always been America's engine of economic growth. Reigniting that engine is the defining challenge of our time, and requires:

Making America a magnet for jobs and manufacturing

Equipping every American with the skills they need to do those jobs

Ensuring hard work leads to a decent living

Cutting the deficit in a balanced way

HUD's FY2014 budget request contributes to these goals by providing housing, capital investments, and critical services for millions of families – in addition to **creating and supporting an estimated 620,000 jobs nationwide.**

HUD and its partners have steered the housing market through one of the worst recessions in recent history, setting our nation on a more sustainable path and turning the housing market around. In the past year alone...

- ✓ **Helped 1,700,000 families** get back above water on their mortgages
- ✓ **Home equity grew by \$1.6 trillion**
- ✓ **Distributed over \$45 billion** in direct relief to over 550,000 homeowners as part of the National Mortgage Settlement
- ✓ **Assisted more than 1.5 million homeowners** through the Making Home Affordable Program

In the past four years, the accomplishments of HUD and its partners have been significant. Together, we have...

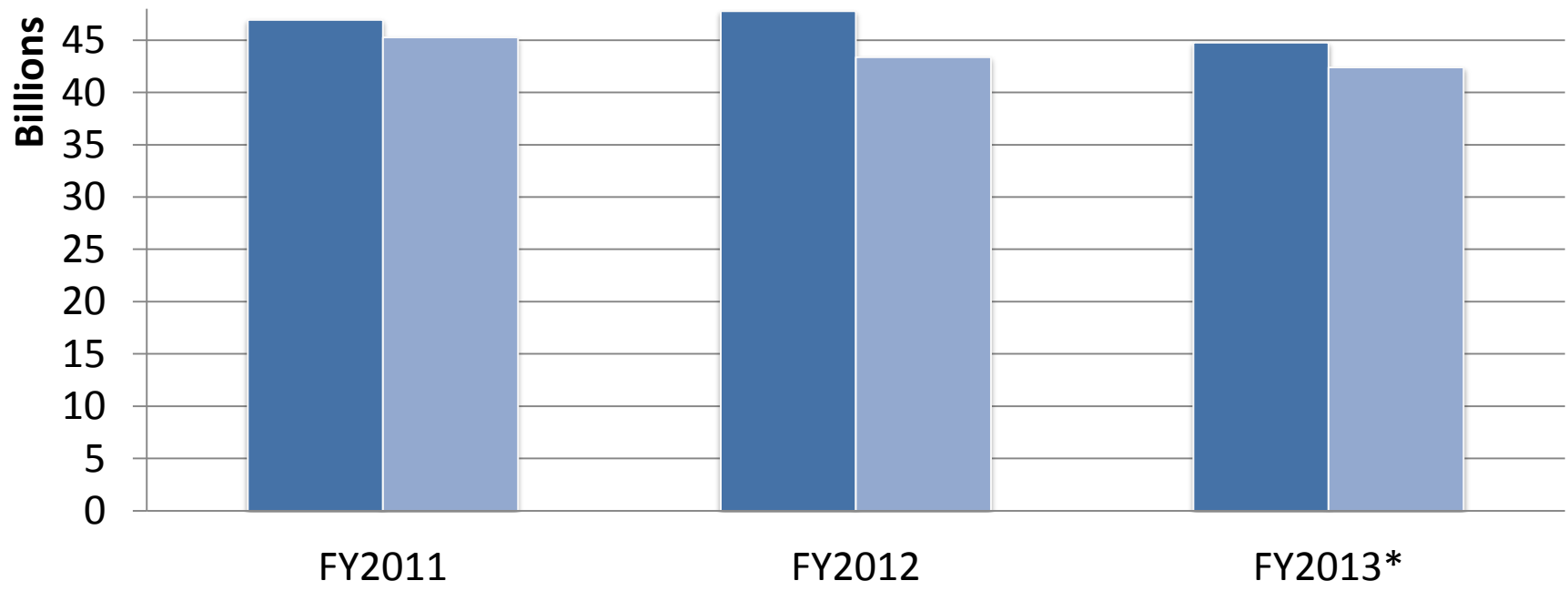
- ✓ **Invested over \$13.4 billion in ARRA funding**, helping to end the worst economic downturn since the Great Depression
- ✓ **Prevented homelessness for more than 1,377,000 people** nationwide, and helped **1-in-5 homeless veterans** move from our streets into permanent supportive housing
- ✓ **Retrofitted 300,000 affordable units** into energy efficient and healthy homes
- ✓ **Allocated \$5.4 billion** in CDBG-DR funding to states impacted by Sandy **a mere eight days** after the President signed the Disaster Relief Appropriations Act

Overview – The Budgetary Environment

And while HUD continues to make progress on key issues, budgetary realities cannot be ignored. America cannot build ladders to opportunity on a mountain of debt.

The Budget Control Act of 2011 set caps on discretionary spending for the next 10 years. The additional **impacts of Sequestration** can already be seen...

FY2011 – 2013 Request vs. Enacted



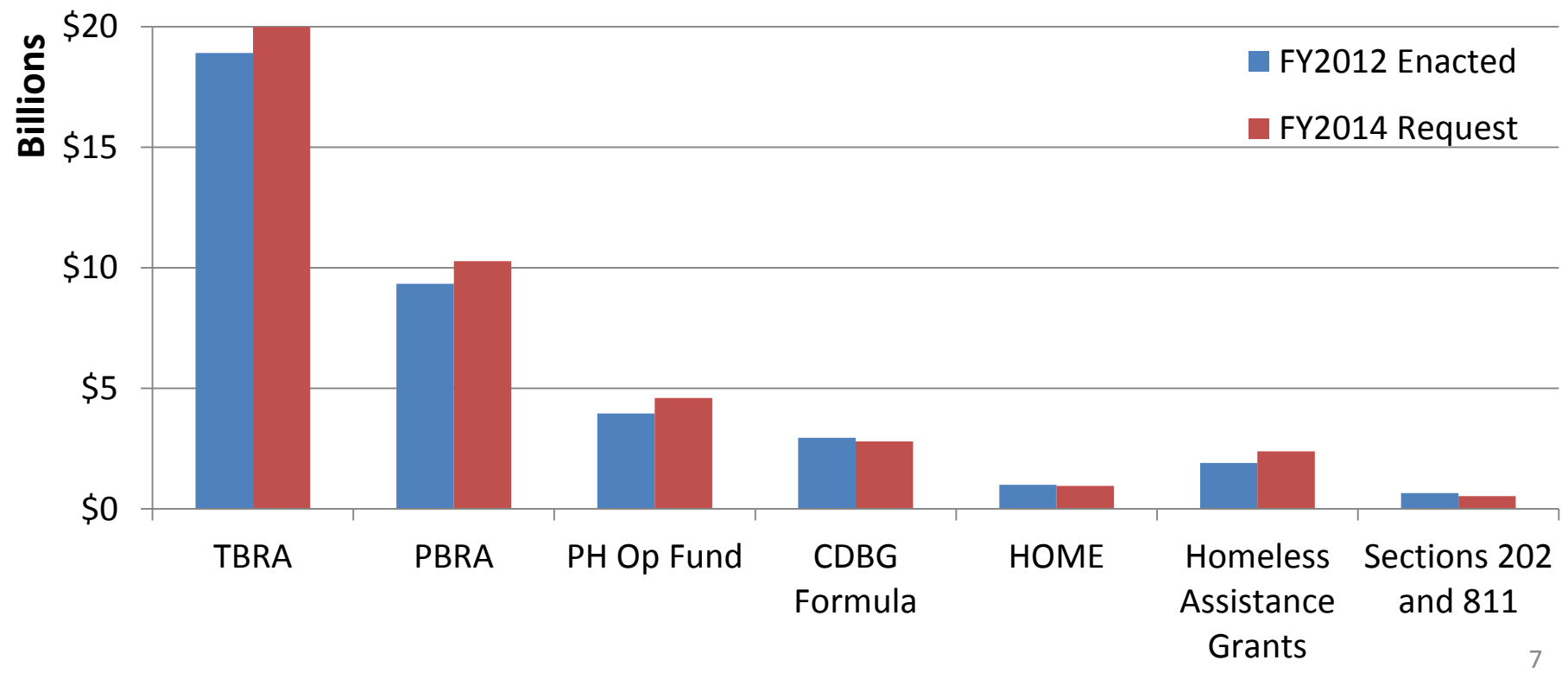
■ President's Request ■ Enacted

** FY2013 Enacted level includes Sequestration*

Overview – The FY2014 Budget at a Glance

*Because of these discretionary caps, FY2012 set a new baseline – requiring HUD to **make tough choices in FY2013 and FY2014 – which are further magnified by Sequestration...***

- Despite these tough choices, this budget:**
- Increases gross Budget Authority by 7.3% over FY2012 levels, to **\$47.58 billion**
 - Maintains housing assistance for every family HUD currently serves
 - Increases investments in several key initiatives



*HUD's FY2014 budget request balances these tough choices with President Obama's call to build ladders to opportunity by following **four key budgetary principles**...*

HUD's FY2014 Budget Principles

Grow the Middle Class while Bringing Private Capital Back into the Mortgage Market

Prioritize Renewals to Protect Vulnerable Families

Build on Effective Partnerships through Key Initiatives

Reduce Regulatory Burdens and Increase Efficiency

*HUD's FY2014 budget request helps **reignite America's engine of economic growth** by strengthening the housing market, speeding the recovery, and **building a stronger middle class**...*

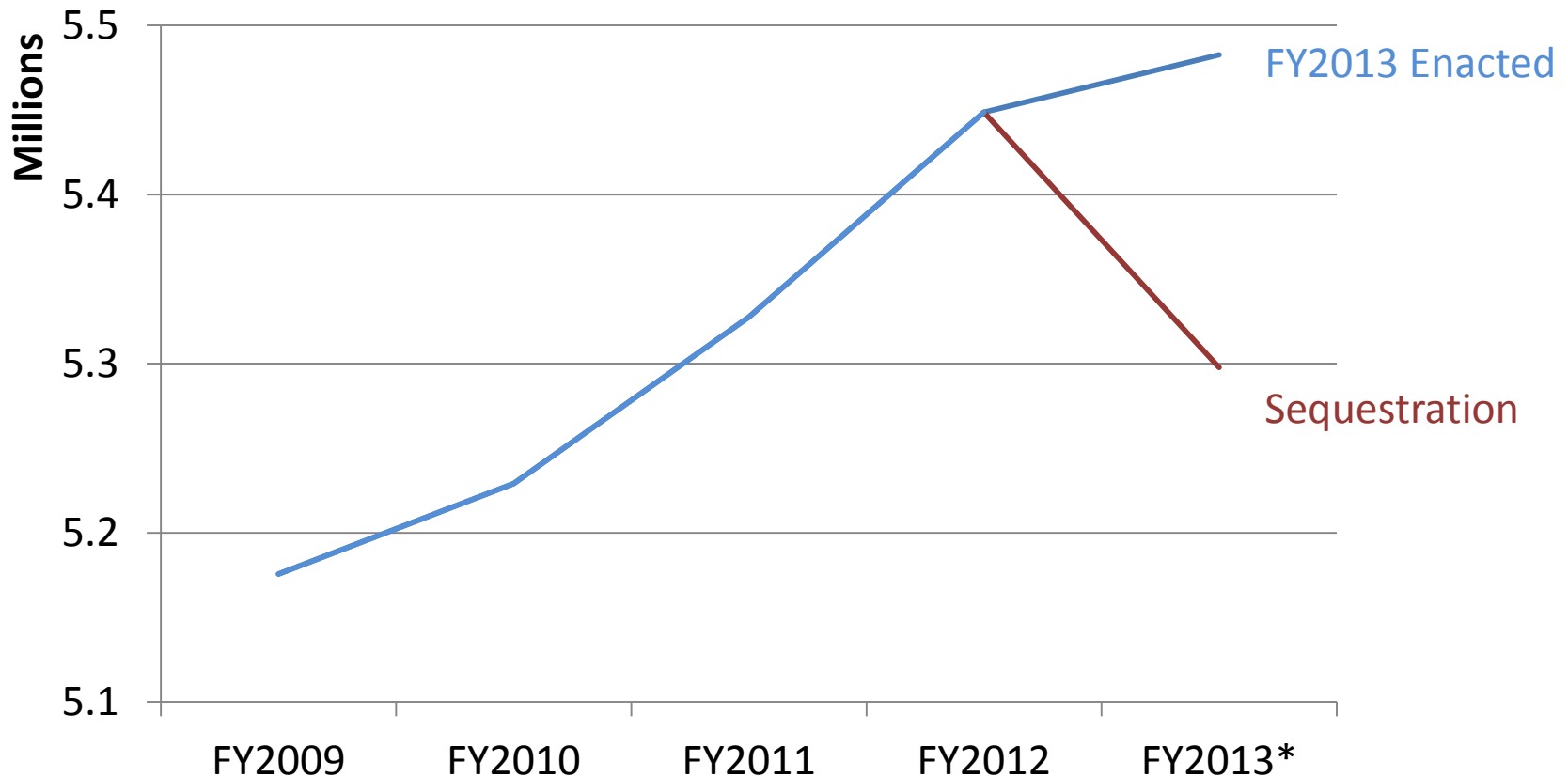
- Allows FHA and Ginnie Mae to continue crucial, temporary countercyclical role that **protects and builds the middle class**:
 - **\$221 billion FHA loan volume** anticipated in 2014, providing an estimated 1.2 million single family mortgages
 - **\$246 billion GNMA new guarantees** anticipated in 2014

- Strengthens financial soundness, assists housing market recovery and **brings private capital back to the mortgage market**:
 - Increases recoveries on older, legacy books of business
 - Increases premiums to ensure that FHA loans are properly priced
 - These measures contribute to an estimated **\$14.5 billion in receipts to the taxpayer** – all while FHA reduces its market share

The Budget Principles – Prioritize Renewals

*Over the last three years, we provided rental assistance to an additional **220,000 families** – requiring additional resources to renew and keep families in their homes. **Sequestration puts that progress at serious risk...***

Families Receiving HUD Rental Assistance



* FY2013 Sequestration impacts are estimates, assuming no mitigation efforts and March implementation

*HUD's FY2014 budget request maintains a core commitment to protect families currently receiving rental assistance by **keeping them in their homes**. This is a **top priority because...***

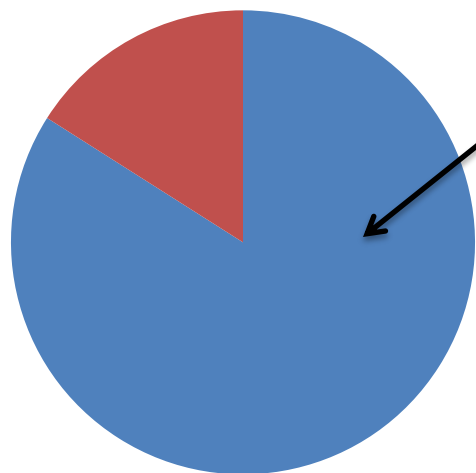
The need for rental and homeless assistance has grown as a result of the recession:

- **Nearly 8.5 million** very low-income renters pay over half of their income in rent
- Worst Housing Needs increased **a staggering 43.5 percent** from 2007 to 2011
- Over **630,000 people** were homeless on a single night in January 2012

HUD assistance serves an extraordinarily vulnerable population:

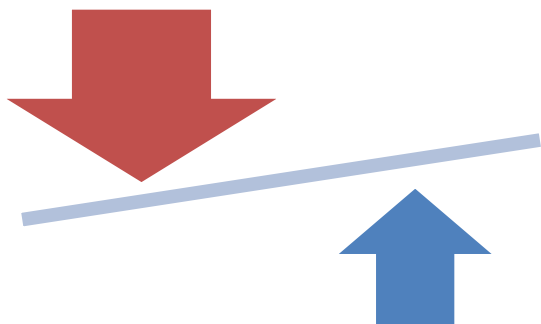
- Extremely low income families make-up over **75%** of HUD-assisted households
- **65 percent** of HUD-assisted households are elderly or disabled
- HUD-assisted families had an average income of \$12,500 in 2012, earning **just 19% of their area's median income**

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 FY2014, 84% of HUD's budget request will be used to:

- Renew Existing Rental Assistance/Operating Subsidies
- Fund accrued capital needs of Public Housing
- Renew Existing Homeless Assistance Grants



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 5% to keep the budget level

The Budget Principles – Build on Effective Partnerships through Key Initiatives

*In creating the FY2014 budget, it was critical to build on effective partnerships forged during the President's first term, helping to **build ladders to opportunity** for families, neighborhoods, and entire communities nationwide by...*

Making America a magnet for jobs and manufacturing

Equipping every American with the skills they need to do those jobs

Ensuring hard work leads to a decent living

Cutting the deficit in a balanced way

“

America is not a place where the chance of birth or circumstance should decide our destiny. And that's why we need to build new ladders of opportunity into the middle class for all who are willing to climb them. ”

President Barack Obama, State of the Union
February 12, 2013

The Budget Principles – Build on Effective Partnerships through Key Initiatives

One way we are **building ladders to opportunity** in FY2014 is through the inter-agency Promise Zones initiative, designed to align Federal resources with strategies developed by local leaders to improve their communities...



Promise
Neighborhoods



Byrne Criminal
Justice
Innovation
Program



Choice
Neighborhoods

Strong Cities,
Strong
Communities



Strikeforce



Growth Zone
Tax Incentives

Promise Zones

The Budget Principles – Build on Effective Partnerships through Key Initiatives

*HUD's FY 2014 budget request includes critical components of the Promise Zones initiative, which will continue progress we made in the first term to **build Ladders to Opportunity for 20 communities nationwide...***

Choice Neighborhoods

- **\$400 million** to transform 30 neighborhoods of extreme poverty into sustainable, mixed-income communities – connecting people to education and the workforce
- To date, the 9 Choice Neighborhoods implementation grantees have leveraged a combined **\$2 billion** in additional investment – over 8 times their total grant award amount

Neighborhood Stabilization Initiative

- **\$200 million** to target some of our nation's hardest hit, slowest recovering areas
- Building upon the success of NSP, which will have completed over 50,000 units of affordable housing, demolished 25,000 blighted properties, and supported an estimated 88,000 jobs upon completion

Rental Assistance Demonstration

- **\$10 million** in additional Section 8 subsidies for redeveloping distressed public housing, including in high-poverty neighborhoods that are targeted by the Promise Zones initiative
- Leveraging current RAD funding, which to date has generated over 12,500 units in commitments for Section 8 contracts, addressing over \$500 million in public housing capital repairs

Integrated Planning and Implementation Strategies

- **\$75 million** to coordinate housing and land use with transportation investments to reduce costs for working families and improve community economic competitiveness

The Budget Principles – Build on Effective Partnerships through Key Initiatives

Sturdy ladders to opportunity require solid partnerships across Federal agencies, embracing smart and efficient government by leveraging existing partnerships...

Partnership for Sustainable Communities

A partnership between HUD, DOT, EPA formed to address challenges like the fact that American families spend 52 cents of every dollar on housing and transportation

1 out of 3 Americans lives in a region that has received a Sustainable Communities Grant – and the demand for this strategic investment continues to grow

HUD is requesting \$75 million in Integrated Planning and Investment Strategy Grants, to help communities build strong and resilient economies

Strong Cities, Strong Communities

An Administration-wide initiative was launched to help distressed communities promote economic growth and strengthen local capacity

SC2 has helped 6 communities better invest over \$345 million in existing federal funds, and will launch the National Resource Network this year

HUD is requesting that the SC2 National Resource Network receive additional resources as part of its TA funding request

First Term

Today

2014

*HUD's FY 2014 budget request includes several key proposals that will **improve the efficiency and effectiveness of HUD programs...***

Streamlining our Largest Rental Assistance Programs

- **Reforming** rental programs to save \$500 million in 2014 without reducing number of families served
- **Expanding** the Moving to Work (MTW) Program to provide flexibility to PHAs to create sustainable, community-specific solutions to their housing needs

Consolidating Public Housing Operating and Capital Funds

- **Simplifying** the program and reducing administrative burden on PHAs
- **Aligning** Public Housing properties with mainstream real estate financing and management practices

Providing Flexibility for PHAs to Improve Supportive Services

- **Consolidating** Family Self-Sufficiency (FSS) program to more uniformly serve both Housing Choice Voucher and Public Housing residents
- **Enhancing** FSS program by allowing use of Public Housing and Voucher funds

*Despite tough choices and a difficult budget environment, HUD's FY2014 budget request will help **build ladders to opportunity**...*

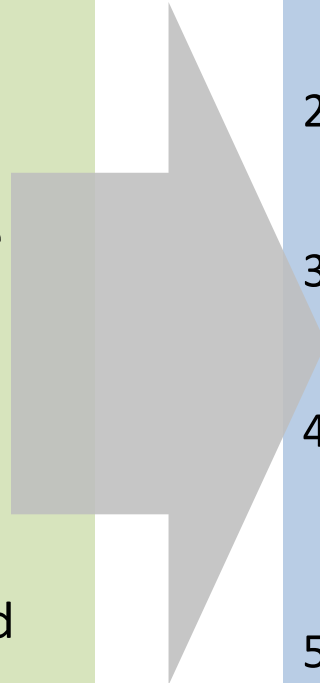
The President is committed to...

Making America a magnet for jobs and manufacturing

Equipping every American with the skills they need to do those jobs

Ensuring hard work leads to a decent living

Cutting the deficit in a balanced way



HUD contributes to this commitment 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 2014 Budget – Strengthening the Nation's Housing Market

*HUD's 2014 Budget request helps **build ladders to opportunity** by strengthening the nation's housing market, which in turn strengthens the middle class...*

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

- \$221 billion FHA loan volume in 2014, providing an estimated 1.2 million single family mortgages
- \$246 billion GNMA new guarantees in 2014

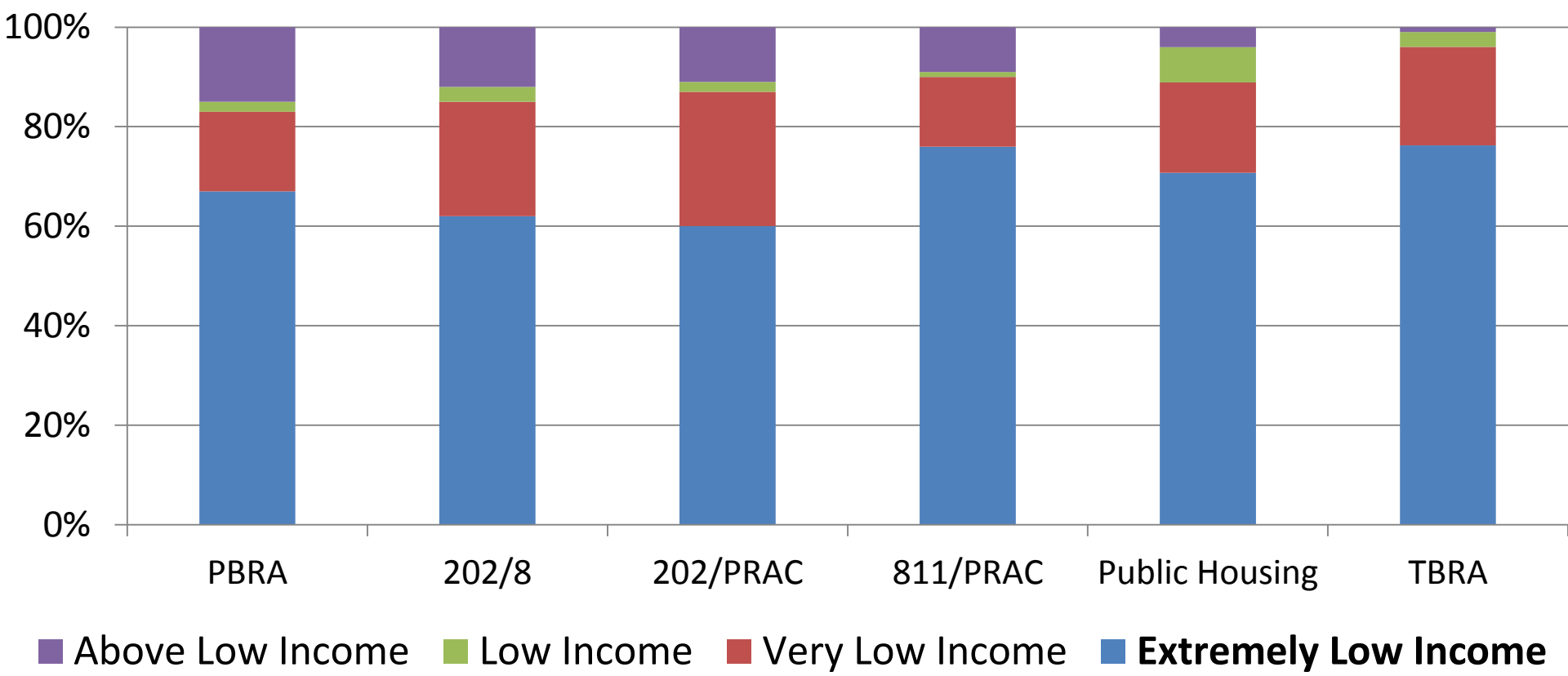
Program (\$ in millions)	2012 Enacted	2013 Sequestration	2014 Request
FHA Loan Guarantee Limitation Level	\$400,000	\$400,000	\$400,000
Ginnie Mae Loan Guarantee Limitation Level	\$500,000	\$500,000	\$500,000
Housing Counseling Assistance	\$45	\$45	\$55

HUD's FY 2014 Budget – Meeting the Need for Quality Affordable Rental Housing

HUD's 2014 Budget request helps **build ladders to opportunity** by providing crucial rental assistance to our nation's most vulnerable families...

Meet the need for quality affordable rental homes

- Provides rental assistance to over 5.4 million families
- Provides \$1 billion for the National Housing Trust Fund (mandatory spending)



HUD's FY 2014 Budget – Meeting the Need for Quality Affordable Rental Housing

Program (\$ in millions)	2012 Enacted	2013 Sequestration	2014 Request
Tenant-Based Rental Assistance (total)	\$18,914	\$17,964	\$19,989
[TBRA Contract Renewals]	[\$17,242]	[\$16,349]	[\$17,968]
[TBRA Admin Fees]	[\$1,350]	[\$1,306]	[\$1,685]
Project-Based Section 8 Contracts (Housing)	\$9,340	\$8,851	\$10,272
Public Housing Operating Fund	\$3,962	\$4,054	\$4,600
Public Housing Capital Fund*	\$1,875	\$1,777	\$2,000
HOME	\$1,000	\$948	\$950

** FY2014 PH Capital Fund includes up to \$15 million for the Jobs Plus initiative*

*HUD's 2014 Budget request helps **build ladders to opportunity** by improving health and educational outcomes for millions of families nationwide...*

Utilize housing as a platform for improving the quality of life

- Delivers on Federal Strategic Plan to Prevent and End Homelessness.
- Provides new vouchers to 10,000 homeless veterans; in addition to the over 48,000 vouchers already provided through the HUD-VASH program.
- Provides funding for **4,100 new units** of supportive housing units for elderly and/or disabled individuals, in addition to the over **100,000 existing households** already receiving assistance.

HUD's FY 2014 Budget – Utilizing Housing as a Platform for Improved Quality of Life

Program (\$ in millions)	2012 Enacted	2013 Sequestration	2014 Request
Housing for the Elderly (Section 202)	\$375	\$355	\$400
Housing for Persons with Disabilities (Section 811)*	\$277	\$262	\$237
Housing Opportunities for Persons with AIDS (HOPWA)	\$332	\$315	\$332
Homeless Assistance Grants	\$1,901	\$1,933	\$2,381
HUD-VASH vouchers	\$75	\$75	\$75

* Section 811 totals include Mainstream 811, which is funded out of the Tenant-Based Rental Assistance account.

*HUD's 2014 Budget request helps **build ladders to opportunity** by funding sustainable, community-driven solutions to make America a magnet for jobs and investment, and equip Americans with the skills they need...*

Build inclusive and sustainable communities free from discrimination

- Helps address the \$26 billion backlog in public housing capital needs through the Rental Assistance Demonstration
- Adds \$685 million toward an Administration-wide effort to turn some of our nation's hardest-hit areas into Promise Zones, including...

Choice Neighborhoods \$400 million

- Revitalizing neighborhoods of concentrated poverty
- Aligning interagency investments, particularly around **education – to invest in skills for our nation's future**

Integrated Planning \$75 million

- Coordinating housing, land use, transportation investments to address growing cost burden faced by working families
- More effectively using existing dollars to increase economic competitiveness – **for business investment and job growth, strengthening the American middle class**

HUD's FY 2014 Budget – Building Inclusive and Sustainable Communities

Program (\$ in millions)	2012 Enacted	2013 Sequestration	2014 Request
CDBG (total)	\$3,408	\$3,135	\$3,143
[CDBG formula amount]	[\$2,948]	[\$3,078]	[\$2,798]
[Disaster Assistance]	[\$300]	\$0	\$0
[Neighborhood Stabilization Initiative]	\$0	\$0	[\$200]
[Integrated Planning and Investment Strategies]	\$0	\$0	[\$75]
Choice Neighborhoods	\$120	\$114	\$400
RAD	[elig. PIH]	[elig. PIH]	\$10
FHEO	\$71	\$67	\$71
Native American Housing Block Grants	\$650	\$616	\$650

HUD's 2014 Budget request helps **build ladders to opportunity** by developing an agency that's leaner, smarter, more transparent, and ready for the 21st Century...

Transform the way HUD does business

- Builds on success of Transformation Initiative (TI) with up to \$80 million TI Fund transfer for...

1 Technical Assistance and Capacity Building

- ✓ Shifting to comprehensive, results-oriented capacity building through efforts like OneCPD
- ✓ Providing Technical Assistance online to allow stakeholders to better access resources

2 Program Demonstrations

- ✓ Funding what works (e.g. scaling up *Jobs Plus*), stop funding what doesn't
- ✓ Support key interagency initiatives, and test innovations that get better outcomes for existing funds

3 Research & Evaluation

- ✓ Supporting priorities developed in a 5-year Research Roadmap, including RAD, Admin Fees, Homeless work
- ✓ Revising utility models to better reflect energy usage in HUD assisted housing