

Obama Administration's Proposed Housing Budget Affected by Greater Deficit Reduction Hopes

President Obama has submitted his proposed budget to Congress and, from a housing perspective, it was a mixed message. While ostensibly demonstrating a 9.7% increase in funding, the increase must be considered in the context of the recent sequester, which cut the US Department of Housing and Urban Development (HUD) budget by about 5.1%. The proposed HUD budget reflects the Administration's attempt to achieve its "Grand Bargain" on deficit spending by continuing to reign in non-entitlement, discretionary expenditures while funding critical efforts relating to homeless prevention and housing for low income families. Unfortunately, that translates to continued trying times for broader housing and urban development efforts.

Section 8 Funding Two-Thirds of HUD Budget Proposal

The President has proposed a \$47.6 billion budget for HUD, but \$30.3 billion is slotted for the funding of the Housing Choice Voucher and Project Based Section 8 programs, meaning a bit less than 64% of HUD's budget would support the Section 8 program. Additionally, \$6 billion is proposed for public housing (\$2 billion of which is proposed for the capital fund and \$4 billion for the public housing operating fund), leaving all other HUD programs with approximately \$11.3 billion, including a proposed appropriation for homeless assistance efforts (\$2.4 billion) and the Community Development Block Grant (\$3 billion). The President proposes \$726 million for Native American programs, which is an improvement over revised 2013 actual appropriation. But the HOME Investment Partnership (HOME) program continues to be hard hit, cut by another \$50 million to \$950 million. Thus, the total appropriation for those non-Public and Indian Housing programs equals approximately \$7.1 billion, or 63% of the remaining budget. The reductions to the HOME program were mitigated by the shifting of \$1 billion to the Housing Trust Fund, but, to date, the Congress has never agreed to fund the Trust. Thus, the total appropriation for those non-Public and Indian Housing HUD-related activities and programs equals approximately \$8.1 billion, or 73% of the remaining non-PIH/non-Project Based Section 8-related budget.

Budget Proposal Emphasizes Rental and Foreclosure Assistance

On the other hand, the Administration has proposed to fund the Rental Assistance Demonstration (RAD) program in the amount of \$10 million, which is likely an effort to induce participants into the program after what is widely believed to be a tepid start to HUD's RAD program. The Administration proposes to fund the Community Development Block Grant program at \$3.1 billion, including \$200 million for another Neighborhood Stabilization Initiative, and to reassert its efforts to vigorously promote and expand the Choice Neighborhoods Initiative (CNI) by allocating \$400 million to CNI, and increasing the number of participating communities from nine to 30. The Administration continues its efforts to deal with the nation's foreclosure issues by supporting homeowner education efforts and seeks to expand the Moving To Work program in a likely effort to provide regulatory relief to beleaguered public housing authorities, a long sought policy objective for the PHAs. Recently, the Administration reported that the Federal Housing Administration may need approximately \$950 million in order to shore up the FHA's balance sheet in anticipation of losses surrounding the FHA's reverse mortgage program. Other programs that have suffered from funding cuts over the course of the last few years, such as the 202 and 811 programs funding of elderly housing and supportive housing for persons with disabilities, have received slight increases. Finally, HUD continues to work



on cross-agency policy and funding coordinating efforts, primarily with the US Departments of Transportation, Education and Justice and those efforts are supported in the President's budget as well.

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