



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410

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Hearing before the Subcommittee on Transportation, Housing and Urban Development, and Related
Agencies
House Committee on Appropriations
on
“FY 2015 Budget Request for the Department of Housing and Urban Development”
Thursday, April 10, 2014

Thank you, Chairman Latham and Ranking Member Pastor, for this opportunity to discuss how HUD’s fiscal year 2015 budget proposal follows the roadmap the President has laid out for jumpstarting our economy through educating, innovating, and building. This Budget targets our investments to the families and geographies that need them the most, and puts Americans back to work. Further, the Budget adheres to the 2015 spending levels agreed to in the Bipartisan Budget Act and shows the choices the President would make at those levels. But it also shows how to build on this progress to realize the nation’s full potential with a fully paid for \$56 billion Opportunity, Growth, and Security Initiative, split evenly between defense and non-defense priorities.

HUD’s Budget is an essential component of the President’s vision of investing in the things we need to grow our economy, create jobs, increase skills training and improve education, while continuing long term deficit reduction. While our request makes critical investments to speed economic growth — growing neighborhoods of opportunity through Choice Neighborhoods and providing access to credit through FHA—it also includes new savings proposals and some very difficult choices we may not have made in a better fiscal environment.

Overall, the President's Budget provides \$46.66 billion for HUD programs, an increase of \$1.2 billion above the 2014 enacted level. This spending is offset by projected receipts of \$14 billion. Increases are provided to protect vulnerable families, make significant progress toward the goal of ending homelessness, and support community-centered investments, including funding to revitalize neighborhoods with distressed HUD-assisted housing and concentrated poverty. To build evidence of what works, State and local public housing authorities are offered program flexibilities in exchange for designing and rigorously evaluating innovative programs and policies. The constrained fiscal environment also forced tough choices, including funding reductions to our two largest block grant programs, CDBG and HOME.

The fiscal year 2015 HUD Budget:

Supports the Mortgage Market and Provides Access to Credit: The Administration projects that the Federal Housing Administration (FHA) will insure \$171.6 billion in mortgage loans in 2015, supporting new home purchases and refinanced mortgages that significantly reduce borrower payments. FHA’s loss mitigation program minimizes the risk of financially struggling borrowers going into foreclosure, and since the start of the mortgage crisis, it has helped more than a million homeowners. The Budget also includes \$60 million for housing and homeowner counseling through HUD.

Provides Ladders of Opportunity for Anybody Willing to Work Hard and Play by the Rules. The Budget provides \$120 million for Choice Neighborhoods to continue to transform neighborhoods of concentrated poverty into opportunity-rich, mixed-income neighborhoods. This funding level, which is augmented by an additional

\$280 million in the Opportunity, Growth and Security Initiative, will be used to revitalize HUD-assisted housing and surrounding neighborhoods through partnerships between local governments, housing authorities, nonprofits, and for-profit developers. Preference for these funds will be given to designated Promise Zones—high-poverty communities where the Federal Government is working with local leadership to invest and engage more intensely to create jobs, leverage private investment, increase economic activity, reduce violence and expand educational opportunities. To further support Promise Zones, the Budget includes companion investments of \$100 million in the Department of Education’s Promise Neighborhoods program and \$29.5 million in the Department of Justice’s Byrne Criminal Justice Innovation Grants program, as well as tax incentives to promote investment, jobs and economic growth.

Supports Strategic Infrastructure Planning and Investments To Help Make America a Magnet for Jobs

HUD is committed to ensuring that its core community and housing development work contributes to more and better transportation choices; promotes equitable, affordable housing; helps communities address the lingering neighborhood impacts of the foreclosure crisis; and aligns federal policies and funding to remove barriers to local collaboration. The Budget provides \$2.8 billion for the Community Development Block Grant (CDBG) formula program, and proposes reforms to better target CDBG investments to address local community development goals. The Budget also maintains its support for the proposed \$15 billion Project Rebuild program, which will leverage private capital to bring the benefits of neighborhood stabilization to national scale.

Protects the Vulnerable Recipients of HUD Rental Assistance and Makes Progress on the Federal Strategic Plan to End Homelessness.

The Budget includes \$20 billion for the Housing Choice Voucher program to help more than 2.2 million low-income families afford decent housing in neighborhoods of their choice. This funding level supports all existing vouchers and fully restores the sequestration funding cuts that the 2014 appropriations mostly reversed. In addition, the Budget provides 40,000 special purpose vouchers, including 10,000 new vouchers targeted to homeless veterans. The Budget also includes \$9.7 billion for the Project-Based Rental Assistance program to maintain affordable rental housing for 1.2 million families, and provides \$6.5 billion in operating and capital subsidies to preserve affordable public housing for an additional 1.1 million families.

The Budget provides \$2.4 billion for Homeless Assistance Grants, \$301 million above the 2014 enacted level. The increased funding will enable HUD to maintain existing projects, fund the increased competitive renewal demand for Continuums of Care in fiscal year 2015, and create 37,000 beds of permanent supportive housing for chronically homeless persons to reach the goal of ending chronic homelessness in 2016. In addition, by investing in permanent supportive housing and supportive services programs at both the Department and the Department of Veteran Affairs, the Budget keeps us on a path to end veterans’ homelessness in 2015. Backed with new data and emerging best practices across the United States, these evidence-based investments will make further progress towards all goals laid out in the Federal Strategic Plan.

Puts HUD-subsidized Public and Assisted Housing on A Financially Sustainable Path. This Budget also recognizes that we can no longer tolerate a federally-supported rental housing system that is “separate and unequal” – one which expects public housing authorities (PHAs) to house over 3 million families, subjecting them to overly burdensome regulation while denying them access to private capital available to virtually every other form of rental housing. To bring our rental housing system into the 21st century and continue to address the \$26 billion in public housing capital needs, this Budget includes proposals that would facilitate the conversion and preservation of additional Public Housing and other HUD-assisted properties under the Rental Assistance Demonstration (RAD). At the same time, the Budget provides \$10 million for a targeted expansion of RAD to Public Housing properties in high-poverty neighborhoods, including designated Promise Zones, where the Administration is also supporting comprehensive revitalization efforts.

Improves the Way Federal Dollars are Spent and Builds Evidence of What Works. The Administration continues to seek legislation to modernize the Housing for Persons With AIDS (HOPWA) program to better reflect the current case concentration and understanding of HIV/AIDS and ensure that funds are directed in a more equitable and effective manner. The Budget’s \$332 million investment in HOPWA, in combination with the proposed modernization, will assist local communities in keeping individuals with HIV/AIDS housed, making it easier for them to stay connected to treatment, and therefore improving health outcomes for this vulnerable population.

The Budget also provides \$25 million for the evidence-based Jobs-Plus program, a proven model for increasing public housing residents' employment and earnings. Through Jobs-Plus, public housing residents will receive on-site employment and training services, financial incentives that encourage work and "neighbor-to-neighbor" information-sharing about job openings, training, and other employment-related opportunities. The Opportunity, Growth, and Security Initiative includes an additional \$125 million for Jobs Plus, which together with the base funds could assist up to 50,000 participants.

Makes Tough Choices. The Budget provides \$950 million for the HOME Investment Partnerships Program, \$50 million below the 2014 enacted level. At this funding level, HOME will provide grants to State and local governments to supply almost 40,000 additional units of affordable housing for low-income families. This funding reduction is mitigated by the investment of \$1 billion in mandatory funding for the Housing Trust Fund to finance the development, rehabilitation, and preservation of affordable housing for extremely-low income families.

Reforms Government So that it's Leaner, Smarter, and More Transparent. The American economy of the future requires a federal government that is efficient, streamlined, and transparent. This Budget once again calls for the flexible use of resources through the Transformation Initiative, which the Department will use to invest in technical assistance to build local capacity to safeguard and effectively invest taxpayer dollars; conduct innovative research, and evaluations of program initiatives and demonstration programs so we can fund what works and stop funding what doesn't. The Budget also continues to invest in focused upgrades the IT infrastructure to improve service delivery, track and monitor our programs.

In short, this Budget will achieve substantial results not only for vulnerable, low-income Americans but also for hard-hit local and state economies across the country. Its carefully targeted investments will enable HUD programs to serve millions of families in thousands of communities nationwide; to help create an economy built on American manufacturing, American energy, skills for American workers, and a renewal of American values. Consistent with the previous two years, HUD's fiscal year 2015 Budget is structured around the five overarching goals the Department adopted in its new Strategic Plan 2014-2018. These goals reflect the Department's—and my—commitment to 'moving the needle' on some of the most fundamental challenges facing America. Indeed, every month, I hold *HUDStat* meetings on one or more of these goals, to assess progress and troubleshoot problems in order to: 1) ensure that HUD is as streamlined and effective as possible in the way that we administer our own programs and partner with other federal agencies; and 2) hold our grantees accountable for their expenditure of taxpayers' hard-earned dollars.

Goal 1: Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers

This Administration entered office confronting the worst economic crisis since the Great Depression. And while the largest factors contributing to this crisis were market driven, the American people have turned to Congress and the administration for leadership and action in righting our nation's housing market. HUD remains firmly committed to working together with communities and individuals to cope with these unprecedented challenges. This Budget drives economic growth by increasing access to credit and strengthening the FHA.

In fiscal year 2015, HUD is requesting \$400 billion in loan guarantee authority for the Mutual Mortgage Insurance Fund, and \$30 billion in loan guarantee authority for the General and Special Risk Insurance Fund. The need for this investment is clear as FHA has stepped up in recent years to address the unprecedented challenges wrought by the housing crisis, playing an important countercyclical role that has offered stability and liquidity throughout the recession. While a recovery of the housing market is currently underway, FHA continues to act as a crucial stabilizing element in the market, and to assure ongoing access to credit for qualified first-time, low-wealth or otherwise underserved borrowers. However, FHA's expanded role is and should be temporary.

Responding to the Market Disruption

The Federal Housing Administration (FHA) and Government National Mortgage Association (GNMA) continue to have a significant impact on the nation's economic recovery. The activities of the Federal Government are critical

to both supporting the housing market in the short term and providing access to homeownership opportunities over the long term, and doing both in a way that minimizes risks to taxpayers.

The fiscal year 2015 Budget request will enable FHA to continue its mission of providing access to mortgage credit for families with low and moderate wealth, and to play an important counter-cyclical role in the continued stabilization and recovery of the nation's housing market. By facilitating the availability of vital liquidity through a variety of HUD-approved lenders, including community banks and national credit unions, FHA has made a number of achievements including:

- Helping over 3.9 million families buy a home since President Obama took office. In fiscal year 2013, more than 500,000, or over 78 percent, of FHA purchase loan endorsements were first-time buyers. These are families that likely would otherwise not be served by the conventional mortgage market.
- FHA accounted for 54 percent of purchase mortgage financing for Black or African-American and Hispanic borrowers.
- The total number of first time homebuyers that FHA has supported over the past three years now totals 3.3 million.
- Through its streamline refinance option, FHA helped 500,000 families reduce their monthly housing costs by an average of \$200 per month, for an annual savings of \$2,400 per family.
- FHA also helped more than 450,000 families avoid foreclosure this past year through its loss mitigation home retention servicing tools.

Managing in a challenging mortgage market

FHA's share of the mortgage market dropped to a low of 3.1 percent of loan originations (by count) in 2005 and then rose to a peak of 21.1 percent in 2010. Since then, FHA's share of new mortgage originations has come down to under 16 percent. FHA's core home-purchase loan activity in 2013 had declined to a level comparable to 1997 (702,417 vs. 704,286 homebuyers, respectively), and was less than the level of FHA activity from 1998 through 2002. FHA's current market share remains above 1990s levels only because of a substantial decrease in the size of the total housing and mortgage market, rather than exceptionally high FHA activity today.

As a result of making major programmatic changes, improving risk management, and restructuring pricing, the value of the MMI Fund has improved significantly since 2012. The improved economic value of the MMI Fund has led the FHA's independent actuary to expect the fund to accumulate capital at a much faster rate than was projected in 2012, which in turn would enable the MMI Fund to reach a 2 percent capital reserve ratio by fiscal year 2015 (2016 if reserve is measured by its ratio to the unamortized balance of insurance) rather than fiscal year 2017, as was projected in the 2012 actuarial review.

Redoubling Efforts to Keep Homeowners in their Homes

While there is work still to be done, HUD is proud of the progress this Administration has made in tackling ongoing foreclosure challenges. As part of the Administration's commitment to help responsible homeowners stay in their homes, we have actively sought to use our current programs and authorities to make homeownership sustainable for millions of American families. This Budget supports homeowners, present and future, in the following ways:

- *FHA Homeowners Armed with Knowledge (HAWK)* - The Budget includes an innovative demonstration called FHA HAWK to explore new opportunities for fulfilling FHA's important role in making homeownership available and sustainable for American families. FHA-HAWK is an umbrella for several FHA initiatives to bring the documented benefits of HUD-approved housing counseling to FHA borrowers. These benefits include improved loan performance, as counseled borrowers perform better than similar

borrowers that do not receive housing counseling, and increased access to home mortgages for first-time buyers underserved by the current mortgage market. There is strong and mounting evidence that properly structured and delivered housing counseling provides a significant benefit to borrowers, lenders, servicers and guarantors. In response, many states, local governments and large private lenders mandate or encourage housing counseling.

- *Housing Counseling* – In fiscal year 2015, HUD is requesting \$60 million in Housing Counseling Assistance, to improve access to quality affordable housing, expand homeownership opportunities, and preserve homeownership, all of which are especially critical in today’s economic climate. With this funding, HUD estimates that 2,650 HUD-approved counseling agencies employing an estimated 8,000 certified housing counselors, will assist a total of 2 million renters and owners. HUD-approved counselors help clients learn about purchasing or refinancing a home; rental housing options; reverse mortgages for seniors; foreclosure prevention; loss mitigation; preventing evictions and homelessness; and moving from homelessness to a more stable housing situation.
- *Strengthening FHA and Paving the Way for Private Capital to Return*
The books of business insured from 2007- 2009 have largely driven the high number of claims to the Mutual Mortgage Insurance Fund (MMI Fund). This was driven by overall economic and unemployment trends as well as by the combined effects of poor underwriting, unscrupulous and non-compliant practices on the part of lenders, and a seller-funded down payment assistance program that allowed many borrowers to obtain mortgages without a meaningful down payment. As a result, the books of business FHA insured prior to the start of this Administration have severely impacted the health of FHA’s MMI Fund. But thanks to our efforts, I can say confidently that FHA is moving in another direction, and that the long term outlook for FHA and the MMI Fund are now much better than they were when this Administration took office in 2009.

The change in trajectory in the performance of FHA-insured loans is no accident. Immediately upon taking office, this Administration acted quickly and aggressively to protect FHA’s MMI Fund and to ensure its long term viability. The steps we have taken to eliminate unnecessary credit risk, assure strong premium revenue flows and improve recoveries on defaulted loans have been the most sweeping and impactful of any in FHA’s history. In fact, the improved economic value of the MMI Fund has led the FHA’s independent actuary to expect the fund to accumulate capital at a much faster rate than was projected in 2012, which in turn would enable the MMI Fund to reach a 2 percent capital reserve ratio by fiscal year 2015 rather than fiscal year 2017, as was projected in the 2012 actuarial review.

Goal 2: Meet the Need for Quality, Affordable Rental Homes

In an era when more than one-third of all American families rent their homes and over 8.5 million unassisted families with very low incomes spend more than 50 percent of their income on rent and/or live in substandard housing, it remains more important than ever to provide a sufficient supply of affordable rental homes for low-income families – particularly since, in many communities affordable rental housing does not exist without public support. HUD’s 2015 Budget maintains HUD’s core commitments to providing rental assistance to some of our country’s most vulnerable households as well as distributing housing, infrastructure, and economic development funding to states and communities to address their unique needs. Overall, 84 percent of HUD’s total 2015 budget authority requested will provide rental assistance to over 5.4 million residents of HUD-subsidized housing, including public housing and HUD grants to homeless assistance programs.

Detailed data shows how vulnerable these families are to the economic downturn. In HUD’s core rental assistance programs, including Tenant Based Rental Assistance (TBRA), Public Housing and Project Based Rental Assistance (PBRA): 75% of families are extremely low-income (below 30 percent of area median income) and an additional 20 percent are very low-income (below 50 percent of area median income). The devastating effect of the tough economic environment on the housing circumstances of poor Americans was underscored when HUD released its *Worst Case Housing Needs* study results. HUD defines worst case needs as: renters with very low incomes who do

not receive government housing assistance and who either pay more than half their income for rent, live in severely inadequate conditions, or both. The report showed an increase of 43.5 percent in worst case needs renters between 2007 and 2011. This is the largest increase in worst case housing needs over a four year period in the quarter-century history of the survey. The need for HUD investments in this area is clear.

Preserving Affordable Housing Opportunities in HUD's Largest Programs

This Budget provides \$20 billion for HUD's Section 8 TBRA program, which is the nation's largest and preeminent rental assistance program for low-income families. For over 35 years it has served as a cost-effective means for delivering safe and affordable housing in the private market. This 2015 funding level is expected to assist approximately 2.2 million families and support new incremental vouchers for homeless veterans. It is important to note the effect that sequestration had on this program and the lengths to which HUD and PHAs went to preserve units for families currently receiving assistance. By using both program reserves and contingency funding, HUD did not terminate any family's assistance due to sequestration. No family housed by the program was evicted from that housing. However, approximately 74,000 families who could have moved from Housing Choice Voucher waiting lists and into housing remain on those waiting lists.

The Budget also provides a total of \$6.5 billion to operate public housing and modernize its aging physical assets through the Public Housing Operating (\$4.6 billion) and Capital (\$1.9 billion) funds, a critical investment that will help over 1.1 million extremely low- to low-income households obtain or retain housing. Similarly, through a \$9.7 billion request in funding for the PBRA program, the Department will provide rental assistance funding to privately-owned multifamily rental housing projects to serve over 1.2 million families nationwide.

Creating Stability in the Project-Based Rental Assistance Program

The Budget request of \$9.7 billion for the PBRA program will allow HUD to shift to a calendar year funding approach for renewal contracts in fiscal year 2015, which is consistent with current practice in the Housing Choice Voucher and Public Housing programs, and should result in more predictable funding cycles in future years. In FY 2015, for all multiyear contracts in the middle of their contract terms, HUD would place funding on contracts as they come up sufficient to carry them through the end of calendar year 2015. For contracts whose term expires during fiscal year 2015 and a new contract is executed, HUD would place 12 months of funding on the contract at the time of execution (however, the subsequent funding event would transition those contracts to the calendar year funding cycle). HUD does not expect the transition to a calendar year funding approach to have significant impact on stakeholders, investors, or lenders because there will be no change in underlying contract terms or duration. Rather, the Department will only shift the timing for funding of the contract, similar to past practice during periods covered by Continuing Resolution and during fiscal year 2013, post-sequestration, which was effectuated due to implementation of new business processes and information technology systems. HUD believes that 12-month calendar year funding will increase the predictability of funding under the program, allowing owners to continue leveraging private debt and equity on advantageous terms. In addition, this approach will assure funding is in place on all multi-year contract renewals during the critical first quarter of the following year—a period when funding uncertainty can be high.

Reducing Administrative Burdens and Increasing Efficiency

This Budget recognizes the need to simplify, align, and reform programs to reduce administration burdens and increase efficiency across programs by:

- *Enabling PHAs to Combine Operating and Capital Funds.*
To both simplify the program and reduce the administrative burden on State and local public housing authorities, the Budget provides all PHAs with full flexibility to use their operating and capital funds for any eligible capital or operating expense.
- *Providing Flexibility for PHAs to Improve Supportive Services for Assisted Households.*
The Budget proposes streamlining and flexibility measures to help PHAs improve supportive services for assisted families. The Family Self-Sufficiency (FSS) program will be consolidated and aligned to enable PHAs to more uniformly serve both TBRA and Public Housing residents. This program, which the Budget also expands to residents of PBRA housing, aims to connect residents to resources and services to find and retain jobs that lead to economic independence and self-sufficiency.

Rebuilding our Nation's Affordable Housing Stock

Over the last 75 years, the Federal Government has invested billions of dollars in the development and maintenance of public and multifamily housing, which serve as crucial resources for some of our country's most vulnerable families. Despite this sizable Federal investment and the great demand for deeply affordable rental housing, we continue to see a decline in the number of available affordable housing units. Unlike other forms of assisted housing that serve very similar populations, the public housing stock is nearly fully reliant on federal appropriations from the Capital Fund to make capital repairs. Funding and regulatory constraints have impaired the ability for these local and state entities to keep up with needed life-cycle improvements. The most recent capital needs study of the public housing stock, completed in 2010, estimated the backlog of unmet need at approximately \$26 billion, or \$23,365 per unit. Funding for the Capital Fund has been insufficient to meaningfully reduce public housing's backlog of repair and replacement needs or even meet the estimated \$3 billion in annual accrual needs. Under the strain of this backlog, and without financing tools commonly available to other forms of affordable housing, the public housing inventory has lost an average of 10,000 units annually through demolitions and dispositions.

- *Rental Assistance Demonstration*

In addition to the public housing stock, the RAD program targets certain "at-risk" HUD legacy programs. Prior to RAD, units assisted under Section 8 Moderate Rehabilitation (MR) were limited to short-term renewals and constrained rent levels that inhibit the recapitalization of the properties, and units assisted under Rent Supplement (RS) and Rental Assistance Program (RAP) had no ability to retain project-based assistance beyond the current contract term. As a result, as their contracts expired, these projects would no longer be available as affordable housing assets.

Conversion to long-term Section 8 rental assistance, as permitted under RAD, is essential to preserving these scarce affordable housing assets and protecting the investment of taxpayer dollars these programs represent. Long-term Section 8 rental assistance allows for state and local entities to leverage sources of private and public capital to rehabilitate their properties. While the Department expects and continues to process Public Housing conversions of assistance without additional subsidy, HUD requests \$10 million in 2015 for the incremental subsidy costs of converting assistance under RAD for very limited purposes. Such funding will be targeted *only* to public housing projects that are: 1) not feasible to convert at current funding levels, and 2) located in high-poverty neighborhoods, including designated Promise Zones, where the Administration is supporting comprehensive revitalization efforts. The Department estimates that the \$10 million in incremental subsidies will support the conversion and redevelopment of approximately 5,000 public housing units that would not otherwise be feasible to convert and sufficiently stabilize over the long term without incremental subsidies, while helping to increase private investment in the targeted projects.

In addition to the funding request, the proposed legislative changes to RAD are designed to allow for maximum participation by those PHAs and private owners whose current funding levels are sufficient for conversion. This includes, for example, elimination of the 60,000 unit cap, which will allow for a greater portion of the Public Housing stock that can convert at no cost to the federal government to participate in the demonstration.

Increasing the Production of Affordable Housing Capital Projects

Since its addition to the tax laws in 1986, the LIHTC program has been used to create affordable rental-housing units across the country. Annually, the program supports 95,000 jobs and generates \$2.7 billion in State, local, and Federal revenues. The LIHTC program is administered by State agencies with assistance and guidance from the Treasury Department and the Internal Revenue Service.

In fiscal year 2015, as part of the interagency Rental Policy Working Group, HUD, the Departments of Treasury and Agriculture, the Domestic Policy Council (DPC), the Office of Management and Budget (OMB), and the National Economic Council (NEC) will continue to collaborate to pursue greater flexibility to State and local

agencies that administer LIHTC programs, as well as to developers and investors, to continue to enable the creation of affordable housing in markets where it is needed the most.

The Administration's fiscal year 2015 revenue provisions reflect this collaboration. They include a new proposal to implement protections in LIHTC buildings for victims of domestic abuse; they enhance a proposal from the previous year that would empower states to convert some tax-exempt private activity bond volume cap into allocable LIHTCs; and they carry forward four critically important proposals from the fiscal year 2014 Budget:

- A new proposal regarding *Protections for Victims of Domestic Violence* would implement the requirement that bars owners of LIHTC buildings from discriminating against victims of actual or threatened domestic violence and would clarify that occupancy restrictions or preferences for such victims are an allowable exception to the general-public-use requirement.
- The proposal to create *Private Activity Bond Conversion Authority* has been enhanced. As was the case last year, the proposal would create much needed flexibility in how states implement the LIHTC program. Specifically, the 2015 proposal would allow states to convert up to 8% of their tax-exempt Private Activity Bond authority (PAB cap) into allocable (so-called 9%) LIHTCs, increasing a state's allocable LIHTCs by almost 23% and addressing several other goals as well. First, for many projects, this proposal eliminates the need for going through unnecessary bond issuance procedures, which reduces transaction costs. Second, converting PAB cap into allocable LIHTCs brings more projects into the competitive LIHTC allocation process, effectively giving states more authority to better prioritize projects with limited resources. Third, it would let states avail themselves of the greater flexibility that they have to increase eligible basis (and thus to increase credits) for high-priority projects that are subject to the LIHTC allocation ceiling (as compared with projects subject to the PAB cap). In addition to enabling states to convert PAB cap into allocable LIHTCs, the 2015 provisions introduce a proposed alternative method for earning (so-called) "4 percent" LIHTCs. If a developer receives an allocation of PAB cap sufficient to issue bonds that would finance at least half of a project, the developer may be able to earn the desired LIHTCs without issuing bonds that are not needed for financing purposes.

The following proposals are being carried forward—

- To maintain a preservation focus, the Administration is proposing a new *Selection Criterion for Preservation of Affordable Housing*. Adding this criterion to Qualified Action Plans under IRC Sec. 42(m)(1)(C) will encourage states to consider how to address the preservation needs of affordable housing.
- The Administration also builds on the now-expired temporary 9% credit floor provisions in the Housing and Economic Recovery Act of 2008 and the American Taxpayer Relief Act of 2012. This proposal to *Improve the Formulas for Allocated Credit Rates* will revise the present value formula for allocated LIHTCs to increase the annual credit percentage rate and more accurately reflect market practice.
- As in the 2014 Budget, the Administration is proposing an elective *Average Income Criterion*. This criterion would encourage a greater range of incomes in LIHTC-supported affordable housing by allowing developers to choose an income-limitation requirement that would be satisfied if households in the low-income units have an *average income* no greater than 60 percent of AMI, with no household above 80 percent AMI. An additional provision would allow certain existing tenants to remain in residence without impairing the developer's entitlement to LIHTCs.
- The Administration is also addressing *LIHTCs Earned by Real Estate Investment Trusts (REITs)*. This proposal is designed to diversify the pool of investors for LIHTCs and to increase the overall demand for LIHTCs. The proposal would allow a REIT that earns LIHTCs to provide a tax benefit to its investors by paying tax-exempt dividends to them in an amount almost triple the amount of the REIT's LIHTCs.

This Budget also continues to propose \$1 billion in mandatory funding for the National Housing Trust Fund to leverage LIHTC and help meet the growing need for quality, affordable housing.

Goal 3: Use Housing as a Platform for Improving Quality of Life

Stable housing provides an ideal platform for delivering a wide variety of health and social services to improve economic, health, and broad-based societal outcomes. For some, housing alone is sufficient to ensure healthy outcomes, while others require housing with supportive services to assist with activities of daily living or long-term self-sufficiency, as well as proximity to crucial services. HUD's fiscal year 2015 Budget acknowledges this reality by making critical investments in housing and supportive services, and partnering with other federal agencies to maximize resources and best practices. Moreover, these investments will save money in the long term, by avoiding overuse of expensive emergency and institutional interventions.

Preventing and Ending Homelessness

Nowhere is the relationship between housing and supportive services clearer than in the successful efforts in communities around the country to address homelessness, which have led to a 24 percent reduction in veterans' homelessness and a 16% reduction in chronic homelessness since 2010. Additionally, this work has yielded a substantial body of research, which demonstrates that providing permanent supportive housing to chronically homeless individuals and families not only ends their homelessness, but also yields substantial cost saving in public health, criminal justice, and other systems. This year's Budget once again invests in this critical effort, by providing \$2.4 billion in Homeless Assistance Grants. This funding level will support competitive programs that annually serve over 800,000 homeless families and individuals, and create 37,000 beds of permanent supportive housing for chronically homeless persons to reach the goal of ending chronic homelessness in 2016. This includes funding for the Emergency Solutions Grants program, which will continue the work of the Homelessness Prevention and Rapid Re-Housing Program.

Moreover, HUD continues to focus on the unique needs of veterans through both its targeted homeless programs and its mainstream housing programs using successful methods and interventions. Currently, an estimated one out of every six men and women in our nation's homeless shelters are veterans, and veterans are 50 percent more likely to fall into homelessness compared to other Americans. HUD is committed to providing affordable housing units to this unique homeless population, and has partnered with the Department Veterans Affairs (VA) to develop targeted approaches to serve the homeless veteran populations. Accordingly, this Budget includes \$75 million for the HUD-VASH program, which combines tenant-based voucher assistance with case management and clinical services tailored to veterans and their families. This funding will provide 10,000 new vouchers to help veterans move from our streets into permanent supportive housing, in addition to the more than 62,000 already allocated HUD-VASH vouchers provided in previous appropriations and 10,000 to be allocated in 2014, all of which have been critical to the reduction in veterans' homelessness.

Leveraging Capital Resources and Serving our Most Vulnerable

This Budget provides a total of \$600 million for the Housing for the Elderly and Housing for Persons with Disabilities programs, which includes \$20 million to support 3,400 additional supportive housing units. Doing more with less, the Budget proposes reforms to the Housing for the Elderly program to target resources to help those most in need, reduce the up-front cost of new awards, and better connect residents with the supportive services they need to age in place and live independently.

Historically, HUD has provided both capital advances and operating subsidies to non-profit sponsors to construct and manage multifamily housing for low-income people with disabilities. In an effort to maximize the creation of new affordable units in a time of funding restraints, in fiscal year 2012 HUD began providing operating assistance to state housing agencies that formed partnerships with state health care agencies for service provision to low-income persons with disabilities. These funds are used to set aside supportive units for this target population in affordable housing complexes whose capital costs are funded through Low-Income Housing Tax Credits, HOME funds, or other sources. Investing Section 811 funds under this authority allows HUD to rely on the expertise of the State housing agencies to administer the award and on the State health care agency to identify the most critical population to be served and guarantee the delivery of appropriate services. In fiscal year 2014, HUD requested, and received, similar authority for the Section 202 program. Drawing on lessons learned from implementation in the Section 811 program, HUD will take advantage of efficiencies inherent in these same agencies' oversight responsibilities for tax credits, HOME funds or similar housing funding.

Goal 4: Build Strong, Resilient and Inclusive Communities

No longer can the American economy tolerate the marginalization from the labor force of significant numbers of people because of individualized or systemic discrimination, or because they live in isolated neighborhoods of concentrated poverty. An American economy built to last requires an increased supply of affordable rental homes in safe, mixed-income communities that provide access to jobs, good schools, transportation, high-quality services, and, most importantly, economic self-sufficiency. As such, HUD's fiscal year 2015 Budget puts communities in a position to plan for the future and draws fully upon their resources, most importantly their people.

Each year HUD dedicates approximately 16 percent of its funds to the capital costs of housing and economic development projects throughout the country. Through this investment, HUD and its partners are able to provide better opportunities for people living in neighborhoods of concentrated poverty and segregation, offer choices that help families live closer to jobs and schools, and support locally driven solutions to overarching economic development challenges. HUD's capital grants—including the Public Housing Capital Fund, Choice Neighborhoods, CDBG, and HOME—are focused on assisting areas of great need, including communities with high unemployment.

Preserving HUD's Major Block Grant Programs for Community Development and Housing

Through both formula and competitive grants, HUD has partnered with local organizations and state and local governments to fund innovative solutions to community development challenges. Underpinning these partnerships is the fundamental philosophy that local decision-makers are best poised to drive a cohesive development strategy. In 2015, HUD is requesting a total of \$2.87 billion in funding for the Community Development Fund to support economic development initiatives and projects that demonstrate the ability to connect private sector growth to some of our country's most distressed citizens and communities, and \$950 million for the HOME program.

The Budget requests \$2.8 billion for the Community Development Block Grant (CDBG), which remains the largest and most adaptable community and economic development program in the Federal portfolio for meeting the unique needs of states and local governments. Since its inception in 1974, CDBG has invested in economic development at the local level, investing in infrastructure, providing essential public services and housing rehabilitation, and creating jobs primarily for low- and moderate-income families. Altogether, CDBG funding annually reaches an estimated 7,000 local governments across the country, in communities of all shapes and sizes. However, with the goal of ensuring CDBG funds effectively provide targeted benefits to these communities, especially to low- and moderate-income populations, HUD proposes a suite of reforms to strengthen the program; help grantees target funding to areas of greatest need; enhance program accountability; synchronize critical program cycles with the consolidated plan; and reduce the number of small grantees while providing more options for regional coordination, administration and planning.

Often, CDBG dollars alone are not sufficient to complete crucial economic development projects that communities desperately need. In those instances, HUD offers another potent public investment tool in the form of the Section 108 Loan Guarantee program. Section 108 allows states and local governments to leverage their CDBG grants and other local funds into federally guaranteed loans in order to pursue large-scale physical and economic investment projects that can revitalize entire neighborhoods or provide affordable housing to low- and moderate-income persons. In 2015, HUD is requesting Section 108 loan guarantee authority of \$500 million, and continuation of a fee-based structure will eliminate the need for budget authority to cover the program's credit subsidy.

In addition, the HOME program is proposed at \$950 million and the Budget proposes legislative changes to better target the assistance provided with this funding. HOME is the primary federal tool of state and local governments for the production of affordable rental and for-sale housing for low-income families. In the past 21 years, HOME has completed 1.15 million affordable units. Although the Administration is committed to addressing the nation's worst case housing needs by increasing the supply of affordable housing to low-income families, the Department is requesting reduced funding levels in several programs, including a five percent decrease in HOME, given the tight fiscal situation facing the federal government. In addition, the Budget proposes statutory changes that would revise "grandfathering" provisions and eliminate the dual allocation threshold for HOME participating jurisdictions,

permit statewide non-profits to be designated as Community Housing Development Organizations (CHDOs), and provide for a formula reallocation of recaptured CHDO set-aside funds.

Assisting Native Americans and Native Hawaiians

Through innovative programming, HUD has found new ways to partner with American Indian and Alaska Native tribal governments to help these communities craft and implement sustainable, locally-driven solutions to economic development challenges. HUD recognizes the right of Indian self-determination and tribal self-governance, and has fostered partnerships that allow tribal recipients the flexibility to design and implement appropriate, place-based housing programs according to local needs and customs. In most of these communities, housing and infrastructure needs are severe and widespread, disconnected from transportation networks and isolated from key community assets including jobs, schools and healthcare facilities. In fiscal year 2015, HUD is requesting a total of \$741 million to fund programs that will directly support housing and economic development in American Indian, Alaskan Native, and Native Hawaiian communities nationwide, including:

- \$650 million for the Indian Housing Block Grant (IHBG) program, which is the single largest source of funding for housing on Indian tribal lands today. To accelerate implementation of prior-year IHBG funds, the Budget also proposes to withhold 2015 funds from large tribal grantees that are holding excessive unspent balances, and to allocate any funds withheld to other grantees under the program.
- \$70 million for Indian Community Development Block Grants, a flexible source of grant funds for Federally-recognized tribes or eligible Indian entities, requested within the Community Development Fund.
- \$13 million for Native Hawaiian Housing Block Grant program, to develop homeownership units as well as support the prevention of foreclosures and the promotion of responsible homeownership.
- \$8 million for the Indian Housing Loan Guarantee Fund, which provides loan guarantees to increase the availability of mortgage lending on Indian reservations and other Indian areas.

Transforming Neighborhoods of Poverty

The President has made it clear that we cannot create an economy built from the middle class out if: a fifth of America's children live in poverty, at a cost of \$500 billion per year—fully 4% of GDP—due to reduced skills development and economic productivity, increased later life crime, and poor health; a growing population lives with the problems of concentrated neighborhood poverty—high unemployment rates, rampant crime, health disparities, inadequate early care and education, struggling schools, and disinvestment—all of which isolate them from the global economy.

That's why HUD's fiscal year 2015 Budget provides \$120 million for Choice Neighborhoods to continue transformative investments in high-poverty neighborhoods where distressed HUD-assisted public and privately owned housing is located. Choice Neighborhoods—along with RAD-- is an essential element of the President's Promise Zones initiative to create ladders of opportunity for Americans living in our most distressed neighborhoods. This initiative is designed to support revitalization in some of America's highest-poverty communities by creating jobs, attracting private investment, increasing economic activity, expanding educational opportunity, and reducing violent crime. Other key rungs on the Ladders of Opportunity include raising the minimum wage, increasing access to high-quality preschool, promoting fatherhood and marriage, and revitalizing America's high schools.

The President announced the first five Promise Zones in January 2014 and will designate up to an additional 15 Zones in the year ahead. Communities compete to earn a Promise Zone designation by identifying a set of positive outcomes, developing a strategy, encouraging private investment and realigning federal, state, and local resources to support achievement of those outcomes. The Promise Zone designation process ensures rural and Native American representation. Promise Zones will receive tax incentives, if approved, to stimulate hiring and business investment along with intensive federal support and technical assistance aimed at breaking down regulatory barriers and using Federal funds available to them at the local level more effectively. Applicants from Promise Zones will also receive points for competitive federal grants that will increase the odds of qualifying for support and assistance to help them achieve their goals.

Promise Zones are aligning the work of multiple federal programs in communities that have both substantial needs and a strong plan to address them. The Promise Zones initiative builds on the lessons learned from existing place-based programs like the Department of Education's Promise Neighborhoods and the Department of Justice's Byrne Criminal Justice Innovation program, both of which receive substantial increases in the Budget. Other federal agencies that will be aligning their work with that of local Promise Zone partners include the Departments of Commerce, Health and Human Services, and Agriculture.

The Choice Neighborhoods initiative is a central element of the Administration's inter-agency, place-based strategy to support local communities in developing the tools they need to revitalize neighborhoods of concentrated poverty into neighborhoods of opportunity. The Department's administration of the first rounds of funding for Choice Neighborhoods grants exemplify how our practices generate effective partnerships with local housing and community development efforts. In the past, many federal grant programs followed a rigid, top-down, 'one-size fits all' approach that dictated what local policymakers could and could not do rather than listening to them and providing the tools they needed to meet local needs. Having served in local government myself, I am committed to a collaborative approach responsive to local needs – and believe the results thus far demonstrate that we are making good on that commitment.

Helping Cities, Towns, and Regions to Plan Their Economic Future

The President is committed to making America a magnet for jobs. But attracting new businesses to our shores depends on urban, suburban and rural areas that feature more housing and transportation choices, homes that are near jobs, transportation networks that move goods and people efficiently, all while lowering the cost and health burdens on families, businesses and the taxpayer. When America's metropolitan areas and rural communities are struggling to rebound from the economic crisis and compete for jobs on a global scale, 20th Century practices are just not sufficient to attract businesses that have the flexibility to locate wherever they see the potential to hire committed and skilled workers. Increasingly, Mayors and business and community leaders are instituting and demanding new economic development approaches that simultaneously focus business recruitment on industry clusters, unique place-based resources, and community development strategies that ensure that employees have affordable housing choices, can get to work quickly and affordably, and are able to enjoy a high quality of life.

The Office of Economic Resilience (OER), located within HUD's Office of Community Planning and Development, will foster and incubate innovative program, practice and policy throughout the Department and with other agencies by focusing on partnering with communities to: 1) strengthen and diversify their economies in ways that allow them to effectively compete on a global stage, 2) retain and recruit workers that demand high quality places with robust local services and amenities, 3) address distressed and isolated neighborhoods that minimize access to opportunity for residents, and 4) effectively align and deploy federal, state and local funding for development and infrastructure.

OER will work in partnership with other federal agencies like Departments of Commerce, Transportation, Agriculture and Energy, Health and Human Services, the Environmental Protection Agency, Small Business Administration and others - to build the capacity of local, regional and state governments, community organizations and business leaders to prepare and execute data-driven community economic development and infrastructure investment strategies. We know how important these planning tools are to regional economies – particularly those which rely on integrated supply chains that cross national borders and are essential to meeting the President's charge to double U.S. exports over the next five years. These investments will also leverage and increase the ripple effects of other Administration proposals to overhaul America's deteriorating infrastructure, including the Infrastructure Bank, as well as Project Rebuild and other elements of the American Jobs Act, as we leverage increased residential and commercial construction around transit and other infrastructure investments.

Ensuring Inclusive Housing Nationwide

An inclusive community is one in which all people—regardless of race, ethnicity, religion, sex, disability, or familial status—have equal access to housing and economic opportunities. Throughout its portfolio of programs, HUD is committed to maintaining that inclusivity and providing accountability in housing and lending practices nationwide. Through inclusive development, education, enforcement of fair housing laws, expanded training and language assistance, HUD will affirmatively further fair housing and the ideals of an open society.

The Fair Housing Initiatives Program (FHIP) is critical to building and sustaining inclusive communities. FHIP is the only grant program within the federal government whose primary purpose is to support private efforts to educate the public about fair housing rights and conduct private enforcement of the Fair Housing Act. In fiscal year 2015, HUD is requesting approximately \$45.6 million in FHIP funds, representing the Department's strong commitment to fair housing. The requested amount will continue funding to support fair housing enforcement by all statutorily eligible private fair housing organizations. In addition it will fund fair housing education at the local, regional and national levels.

The Fair Housing Assistance Program (FHAP) is a critical component of HUD's effort to ensure the public's right to housing free from discrimination. FHAP multiplies HUD's enforcement capabilities, allowing the Department to protect fair housing rights in an efficient and effective manner. In fact, FHAP agencies investigate the majority of housing discrimination complaints filed in the United States. In fiscal year 2015, the Budget provides \$23.3 million in FHAP grants to 95 government agencies, including 37 states, 60 localities, and the District of Columbia, to enforce laws that prohibit housing discrimination that have been reviewed and deemed substantially equivalent to Federal law.

Ensuring that an Economy Built from the Middle Class Out Includes Opportunities for Rural Americans

The Administration has placed a significant emphasis on ensuring that America's rural communities are competitive in the global economy – particularly given the reality that rural communities generally have less access to public transportation, along with higher poverty rates and inadequate housing. HUD serves families in small towns and rural communities through almost every major program it funds.

As the single largest sources of funding for housing on Indian tribal lands today, HUD initiatives in Indian country continue to have some of the Department's most successful track records. Programs like Indian Housing Block Grants, Indian Housing Loan Guarantees, and Indian Community Development Block Grants support development in remote areas where safe, affordable housing is desperately needed. HUD also directly supports housing and economic development initiatives in remote areas of Hawaii, through the Native Hawaiian Housing Block Grant Program. HUD recognizes the right of Indian self-determination and tribal self-governance by allowing the recipients the flexibility to design and implement appropriate, place-based housing programs according to local needs and customs. Taken together, in fiscal year 2015 HUD is requesting \$741 million to fund programs that will support housing and development in American Indian, Alaska Native, and Native Hawaiian communities.

In addition, HUD and the Department of Agriculture meet regularly through an interagency rental housing policy group to better align and coordinate affordable rental housing programs. Altogether, over 800,000 families in rural communities are directly assisted through the HCV program, Public Housing, and Multifamily programs, with another 450,000 assisted through USDA. For homeowners, the FHA helps first-time homebuyers and other qualified families all over the country purchase their own homes.

HUD has also entered into a Memorandum of Understanding with the Department of Treasury's Community Development Financial Institutions Fund and the Department Agriculture – Rural Development, to expand the capacity of organizations providing loans and investment capital in underserved rural regions. The initiative, which is being piloted in *colonias* along the U.S.-Mexico border, will improve the delivery of funding from federal agencies and private sources supporting small business, affordable housing and community facilities.

Goal 5: Achieving Operational Excellence

A 21st century American economy that is a magnet for jobs and equips its residents with the skills they need for those jobs demands a government that's leaner, smarter, and more transparent. The current economic and housing crisis; the structural affordability challenges facing low-income homeowners and renters; and the new, multidimensional challenges facing our urban, suburban, and rural communities all require an agency in which the fundamentals matter and the basics function. As such, HUD remains committed to transforming the way it does business. This transformation is more crucial now than perhaps ever before – HUD remains at the forefront of the Federal response to the national mortgage crisis, economic recovery, Hurricane Sandy recovery, and the structural gap between household incomes and national housing prices – roles that require an

agency that is nimble and market-savvy, with the capacity and expertise necessary to galvanize HUD's vast network of partners. HUD's 2015 Budget reflects these critical roles, by investing in transformation, research, and development that will be implemented strategically.

Investing In Our Staff

HUD's greatest resource is its dedicated staff. When employees attain skills and are motivated to use those skills to help their organization reach goals, the capacity of the organization grows and employees in the organization grow as well; which is why HUD is creating training and leadership development opportunities for employees at all levels. Over time, the rules and regulations that develop within an organization become hurdles instead of the helpful pathways they were intended to be. HUD is in the process of simplifying and combining programs, streamlining regulations, and eliminating rules and constraints. In addition, the Department is in the middle of a major reform of its information technology, human resources, procurement, and other internal support functions to give more authority to managers and provide better service to HUD customers.

In 2015, HUD is requesting \$1.52 billion in salaries and expenses, including \$28 million for Ginnie Mae and \$129 million for HUD's Office of Inspector General (OIG). The HUD request includes several initiatives to streamline the HUD organization and increase training for our staff. These efforts are supported by a modified resource account structure, and justified by increased detail of how HUD staff support the programs in the department. HUD is making specific investments of more staff to manage major rental assistance programs, increasing our ability to enforce new fair housing rules and provide more oversight to our community grant programs. The Department will continue to improve operations and create a dynamic organization capable of addressing some of our nation's most difficult challenges. HUD remains at the forefront of the Federal response to the national mortgage crisis, the economic recovery, and the structural gap between household incomes and national housing prices.

Creating Efficiency and Effectiveness in HUD Operations

The Budget includes a reorganization plan for the Office of Multifamily Housing (MFH) that will ultimately consolidate 52 existing Multifamily field offices to 12 field offices. Not only will this plan streamline Multifamily processes, but when the current plan is fully implemented by fiscal year 2016, it is estimated that Multifamily will save over \$60 million annually. This transformation will help MFH better serve its customers and stakeholders, operate more efficiently and consistently, engage and fully utilize staff, and improve its risk management. These changes are necessary to ensure MFH's operating model keeps pace with current market demands, while providing for future flexibility. While this transformation will achieve significant savings in a tight budget environment, the primary goal is improving MFH's ability to deliver on its mission.

The transformation builds on the success of past initiatives, such as Breaking Ground and Sustaining our Investments. These initiatives helped MFH respond to the financial crisis by reducing backlogs and improving application speed, while classifying assets according to risk. This provided liquidity and stability during and after the crisis. Despite these initiatives, however, MFH continues to operate within a harsh financial and fiscal environment, and with a legacy operating model unfit to meet the needs of its customers and stakeholders in the 21st century.

Carrying Out Critical Program Demonstrations and Research

HUD's ongoing transformation is a multiyear effort that can only be achieved through the relentless focus of agency leadership, full transparency and accountability for real results, and sustained and flexible budget resources. The Transformation Initiative (TI) remains the primary source of funding for this transformation. Since TI was first enacted in 2010, it has bolstered research, evaluation, and program demonstrations crucial for increasing the efficiency and effectiveness of the Department's programs. Further, TI has provided a mechanism for innovative, cross-cutting technical assistance that goes beyond program compliance to improve grantee capacity, performance and outcomes.

While the Department's transformation is a crucial long-term commitment, HUD continues to prioritize these efforts in a responsible manner that ensures HUD's constituent services don't suffer at the hands of internal transformation. This year's Budget proposes a Department-wide HUD Transformation Initiative Fund to be funded by transfers from program accounts of up to 0.5 percent at the Secretary's discretion. In fiscal year 2015, HUD's request includes transfer authority of up to \$80 million into its Transformation Initiative Fund for priorities such as:

- *Research and Evaluation*
To strategically increase efficiency and effectiveness of the Department's programs through examining policy questions and assessing program functioning and outcomes. TI-funded research complements the data infrastructure created through Research and Technology funding of national housing surveys. TI will support research priorities developed in a five-year Research Roadmap by the Office of Policy Development and Research. The Roadmap reflects a year-long process of consulting with stakeholders about the research questions that are most relevant and crucial for housing and urban development policy and that HUD is best positioned to advance in a timely way.
- *Program Demonstrations*
Demonstrations test new program approaches in a carefully structured and rigorously evaluated manner, and are essential mechanisms for evidence-based policy improvements. For example, the Rental Assistance Demonstration (RAD), approved in fiscal year 2012, supports trial conversion of public housing and certain multifamily properties to long-term project-based contracts. TI will enable evaluation of outcomes. HUD is also proposing to implement the successful evidence-based policies established by the Jobs-Plus Demonstration to increase the earnings and employment of public housing residents. A process evaluation conducted in tandem through TI will document successful local adaptations and how this larger scale implementation affects outcomes.
- *Surveys and Data Infrastructure*
The Office of Policy Development and Research (PD&R) provides fundamental support for informed decisions by the Department and national policy makers through data collection, research, policy analysis and program evaluations. PD&R has a key role in the improvement of national housing data infrastructure, rigorous evaluations of major HUD programs, and meeting other key national information needs including disaster response and recovery research. In fiscal year 2015, HUD is requesting \$50 million to fund the nation's basic data infrastructure and share research knowledge on housing and community development. Complementing TI, Research and Technology funds continue the transformation of PD&R into the nation's leading research organization addressing the wide array of America's housing and urban development challenges.
- *Delivering Strategic and Cross-cutting Technical Assistance*
To ensure HUD's funds make the most impact in the communities where they are invested, HUD has shifted from making small investments in narrow, compliance-focused assistance to comprehensive, results-oriented capacity building that assists both grantees with deeply-rooted management and financial challenges, as well as those driving innovation by being the first to implement new polices or programs. HUD delivers intensive, place-based technical assistance, working hand-in-hand with jurisdictions, housing authorities, and other stakeholders that are experiencing a range of capacity challenges. HUD also provides ongoing training and development on principles fundamental to operating housing and community development programs effectively, such as financial management and using data to drive decision-making. HUD's TA resources and training are increasingly offered online to make access easier for many stakeholders and to reduce the costs of providing TA.

Upgrading the Department's Information Technology Infrastructure

In 2015, HUD is requesting \$272 million in the Information Technology Fund, formerly the Working Capital Fund. HUD will continue development efforts and primarily focus on delivery of discrete capabilities in our rental assistance system, known as the Next Generation Management System (NGMS) and FHA systems, as well as the implementation of New Core. New Core will enhance capabilities in financial management, travel, procurement, and workforce planning to better support strategic decision making. New Core will transition HUD's core financial management functions to the Treasury Department in the largest financial management shared service arrangement established to date, and implement a HUD enterprise-wide financial system that will allow the Department to resolve material weakness and audit findings while optimizing cost sharing through a consolidated shared services infrastructure platform. These changes will allow HUD to deliver services and manage these multi-billion dollar programs faster, more accurately and using better information for analysis. These funds are crucial to complement

HUD's transformation efforts, providing resources for maintaining and improving Department-wide information technology systems.

Conclusion

Chairman Latham, this Budget reflects the Administration's recognition of the critical role the housing sector must play to ensure that America becomes a magnet for jobs that strengthen the nation's middle class, including providing ladders of economic opportunity for all Americans, whatever their circumstances. Equally important, it expresses the confidence of the President in the capacity of HUD to meet a high standard of performance. Given the economic moment we are in, HUD's 2015 Budget proposal isn't about spending more in America's communities – it's about investing smarter and more effectively.

It's about making hard choices to reduce the deficit – and putting in place much-needed reforms to hold ourselves to a high standard of performance. But most of all, it's about the results we deliver for the vulnerable people and places who depend on us most.