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BUDGET BRIEFING  
JANUARY 15, 1977

HUD'S BUDGET AGAIN SHOWS MAJOR INCREASES IN KEY PROGRAMS OF HOUSING AND COMMUNITY DEVELOPMENT.

BEFORE OUR BUDGET DIRECTOR, AL KLIMAN, TAKES YOU THROUGH THE NUMBERS AND SPECIFIC PROGRAMS IN A FEW MINUTES, I WOULD LIKE TO MENTION A FEW OF THE HIGHLIGHTS OF THIS BUDGET.

FIRST -- COMMUNITY DEVELOPMENT: BASED ON OUR SUCCESSFUL EXPERIENCE WITH THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM OVER THE PAST TWO AND ONE-HALF YEARS SINCE ITS ENACTMENT, WE PROPOSE A \$252 MILLION INCREASE -- BRINGING THAT PROGRAM TO A \$3.5 BILLION LEVEL.

WE ALSO PROPOSE A LEGISLATIVE CHANGE IN THE METHOD OF DISTRIBUTING BLOCK GRANT FUNDS. THE CURRENT FORMULA DISTRIBUTES FUNDS BASED ON POVERTY, POPULATION, AND OVERCROWDED HOUSING, WHICH ADEQUATELY RESPONDS TO THE COMMUNITY DEVELOPMENT NEEDS OF NEWER, EXPANDING COMMUNITIES.

BUT OUR STUDY AND THE STUDY CONDUCTED BY THE BROOKINGS INSTITUTION DEMONSTRATES THAT THE CURRENT FORMULA FAILS TO TAKE INTO ACCOUNT THE DIFFERENT NEEDS OF OLDER CITIES WITH DECLINING POPULATION AND DETERIORATING PHYSICAL STOCK.



THESE OLDER CITIES HAVE BEEN "HELD HARMLESS" OVER THE PAST THREE YEARS, AT THEIR LEVEL OF PARTICIPATION IN PRIOR CATEGORICAL PROGRAMS. UNDER PRESENT LEGISLATION THE HOLD HARMLESS WOULD PHASE OUT OVER THE NEXT THREE YEARS -- WITH THE RESULT THAT OLDER CITIES WOULD RECEIVE SUBSTANTIALLY FEWER FUNDS.

TO ADDRESS THE SPECIAL NEEDS OF THESE OLDER CITIES, AND TO AVOID THE INEQUITIES ATTENDING A HOLD-HARMLESS EXTENSION, WE ARE PROPOSING AN ALTERNATIVE FORMULA, WHICH IS BASED ON AGE OF HOUSING STOCK, POVERTY POPULATION, AND LOSS OF POPULATION BETWEEN 1960 AND 1973. UNDER OUR PROPOSAL, A COMMUNITY'S BLOCK GRANT WILL BE COMPUTED UNDER WHICHEVER FORMULA PROVIDES IT WITH THE HIGHER LEVEL OF FUNDING. WE BELIEVE THAT THIS TWO-FORMULA APPROACH IS THE MOST EQUITABLE WAY TO DISTRIBUTE AN IMPORTANT, BUT LIMITED RESOURCE. WE HOPE THAT CONGRESS AND THE NEW ADMINISTRATION WILL GIVE IT SERIOUS CONSIDERATION.

SECOND -- HOUSING: THE 1978 BUDGET ONCE AGAIN PROPOSES SUBSIDIES FOR 500,000 UNITS OF HOUSING. THIS YEAR, AS YOU KNOW, WE WILL NOT BE ABLE TO MAKE THAT GOAL IN 1977 PRIMARILY BECAUSE OF NEARLY A 25 PERCENT CONGRESSIONAL CUTBACK IN REQUESTED FUNDS AND EARMARKS IN OUR HOUSING FUNDS.

AS A MAJOR INNOVATION, WE ARE PROPOSING TO MOVE THE SECTION 8 PROGRAM MORE TO A BLOCK GRANT APPROACH, GIVING COMMUNITIES FREEDOM TO CHOOSE NEW, SUBSTANTIALLY REHABILITATED, OR EXISTING UNITS. TO DO THIS, WE WILL PROPOSE LEGISLATION. AT THE SAME TIME, WE WILL ASK THE CONGRESS TO ENACT BUDGET AUTHORITY FOR THE PROGRAM -- WITHOUT THE ADDED CONSTRAINT OF CONTRACT AUTHORITY.

THIRD -- IN FHA PROGRAMS: WE PLAN MAJOR REFORMS IN THE WAY WE CARRY OUT OUR FHA PROGRAM ACTIVITIES.

WE PROPOSE THAT ALL FHA PROGRAMS BE ACTUARIALLY SOUND WITHIN THE CONFINES OF EXISTING LAW. WE PLAN TO TERMINATE TWO PROGRAMS, 221(D)(2) AND 223(E), THAT CANNOT BE MADE SOUND AND IMPLEMENT IMPROVEMENTS.

WE PLAN TO EXTEND THE HOMEOWNERSHIP COUNSELLING PROGRAM TO MAKE COUNSELLING AVAILABLE TO ALL OWNERS OF FHA-INSURED HOMES WHO FALL BEHIND IN THEIR MONTHLY PAYMENTS.

AND, WE PROPOSE TO TRIPLE OUR VERY SUCCESSFUL URBAN HOMESTEADING PROGRAM.

FOURTH -- WITH RESPECT TO STAFF: WE ARE ASKING FOR THE ADDITION OF 894 FULL-TIME STAFF SO THAT HUD CAN EFFICIENTLY CARRY OUT ITS BROAD RANGE OF ACTIVITIES.

WE WILL HAVE 3 MILLION UNITS OF HOUSING RECEIVING FEDERAL SUBSIDIES BY THE END OF 1978. WE WILL BE DELIVERING BLOCK GRANT ASSISTANCE TO OVER 5,000 COMMUNITIES. WE WILL HAVE NEARLY \$100 BILLION IN FHA MORTGAGE INSURANCE IN FORCE FOR NEARLY 6.5 MILLION UNITS. WE WILL HAVE OVER 300,000 UNITS OF PROPERTIES OR MORTGAGES IN INVENTORY. AND, WE WILL HAVE OVER \$43.7 BILLION IN FLOOD INSURANCE OUTSTANDING.

I HOPE THAT THE CONGRESS WILL SEE FIT TO PROVIDE THE STAFF NEEDED TO DISCHARGE THESE AS WELL AS ITS OTHER SUBSTANTIAL AND IMPORTANT RESPONSIBILITIES.

OF COURSE, NOT EVERYTHING IS INCREASING IN THIS BUDGET.

WE ARE PROPOSING A DECREASE IN THE 701 PROGRAM, TARGETING FUNDS TO AREA-WIDE PLANNING ORGANIZATIONS, WHICH DO NOT RECEIVE COMMUNITY DEVELOPMENT BLOCK GRANTS.

