



PRESS CONFERENCE on Public Housing Funding Shortfalls

When: August 24, 2006, 10 AM
Where: 325 Laurel Avenue, St. Paul, MN
St. Paul Public Housing Agency's Neill Hi-Rise

FOR MORE INFORMATION CONTACT:

Jon Gutzmann, Executive Director
651-292-6172
jon.gutzmann@stpha.org

Al Hester, Housing Policy Director
651-292-6173
al.hester@stpha.org

Information about the PHA is also posted at: www.stpaulpha.org

-
- **Sustained Federal Dis-Investment in Public Housing Taking Its Toll Around The Country and Locally**
 - **Latest Announcement of Cuts Means Tough Choices for Housing Authorities**
 - **Spiking Utility Costs Compound Housing Agency Budget Shortfalls**
 - **Federal Funding Cuts Mean Tough Choices for Housing Authorities**

The Saint Paul Public Housing Agency (PHA) joined public housing agencies across the country to urge Congress to fix immediate budget shortfalls caused by sustained insufficient appropriations and compounded by high utility costs.

St. Paul PHA Executive Director Jon Gutzmann says the Administration and the Congressional majority have repeatedly cut appropriations for public housing's basic operating subsidy and capital grants for modernization work. "Nationally public housing funding has declined by \$1.4 billion since 2001, a 31% decline factoring in inflation. The St. Paul PHA has lost over \$19 million in federal subsidies over the last seven years. HUD's 2007 public housing budget request of \$3.5 billion is only 78% of the necessary operating subsidy needed to manage well-run housing (according to HUD's own data in the Harvard Cost Study). If HUD's budget is adopted, PHA's would receive the lowest subsidy "proration" ever, possibly putting many of the nation's 3200 housing authorities out of business."

Recently, HUD contacted public housing authorities to announce a \$300 million public housing operating subsidy shortfall for FY06. HUD began informing public housing authorities in late June that FY06 operating subsidies would be only at 85.5% of identified need—retroactive to January 1, 2006.

Gutzmann: “According to the 2000 Census, there are 116 million units of housing of all types, in America. Public housing represents less than 1% of this supply at 1.2 million units, over half of that is housing for the elderly and people with disabilities. This “safety-net” affordable housing supply serves about one in five who qualify. The Administration and the Congressional majority’s budgetary decisions constitute a policy of dis-investment in this precious asset that affects millions of vulnerable households and even well-run PHA’s.”

(The St. Paul PHA has achieved “high performer” status by HUD for 15 consecutive years, including being ranked as the nation’s top large housing authority in 1996, the only year HUD published such rankings. The PHA has received numerous other independent ratings of performance excellence, including a 2005 rating from the Government Finance Officer’s Association. The PHA provides housing to approximately 20,000 people in St. Paul in the 4300 units of public housing it owns and the 4000 housing choice vouchers it administers. Over 7800 households are on the waiting lists for these two programs.)

HUD’s funding formula says the PHA should receive \$2 million more in operating subsidy for 2006, but that money isn’t available because the HUD appropriation for this federal fiscal year was too low. The St. Paul PHA’s Capital Fund grants for modernization have been cut each year, too, by as much as \$1 million a year. “The Administration has not asked for enough funding for HUD, and Congress has not approved enough,” says Mr. Gutzmann.

The funding cuts are cumulative and growing deeper by the year. The PHA’s Capital Fund grant has declined steadily since 1995, with over \$12 million cut in seven years. The cuts in operating subsidies have totaled over \$7 million in six years. The capital fund makes necessary improvements to the properties, which in St. Paul were built from the mid 1950’s to the mid 1970’s. The operating subsidy supplements the tenants’ rent payments, which are limited by federal law to 30% of the tenant’s adjusted income. Without adequate operating revenues, housing agencies must cut corners on routine management and maintenance costs, and defer long-range capital repairs that undermine the safety and livability of the housing, Mr. Gutzmann says.

Housing agencies say HUD ignored projections in late 2005 that this year’s utility costs were going to skyrocket, continuing to low-ball its request to Congress for public housing funding. In recent testimony to Congress, HUD officials acknowledged that the utility costs were causing an estimated \$300 million shortfall. The St. Paul PHA’s utility costs increased by more than \$325,000 between 2005 and 2006, and by more than \$600,000 since 2004. Because of inadequate appropriations, HUD has not been able or willing to help housing agencies with the higher utility costs.

St. Paul PHA Executive Director Jon Gutzmann said, “If Congress and HUD fully funded the public housing operating subsidy and capital fund, we could respond more quickly to residents in crisis, speed up the multi-year modernization work at McDonough Homes, and install fire safety sprinklers in hi-rises sooner. As it is, we are faced with a series of hard choices: We are selling

off some properties to cut costs and raise revenues, but that reduces the housing supply. We are delaying needed repairs, safety system upgrades and planned renovations. We have cut back our staffing levels to the absolute minimum. With the budget cuts, we are struggling to keep public housing properties maintained and fully occupied.”

Mr. Gutzmann says, “This is an urgent problem nationally and in each community where public housing provides safe, affordable, quality housing to families and individuals with low incomes. The public housing program and Section 8 voucher program return federal tax dollars to the community, paying contractors, housing agency staff, utility companies and private property owners. The families who receive safe, stable housing have a solid foundation to succeed in school, training and on the job. All 3200 housing agencies around the country are facing this problem, and the housing agencies did not cause this budget shortfall. With the help of our community partners our programs will survive, but we need sufficient federal funding to do the work.”

The public housing industry groups and resident advocates are calling on Congress to:

- Approve an emergency \$300 million supplemental for FY 2006
- Approve an Operating Fund appropriation for FY 2007 of \$4.35 billion
- Approve a Capital Fund appropriation for FY 2007 of \$3.5 billion.
- Approve a Safety and Security appropriation for FY 2007 of \$310,000 million
- Approve the HOPE VI appropriation for FY 2007 of \$600 million
- Approve Voucher Renewals for FY 2007 at \$14.7 billion
- Approve administrative Fees for FY 2007 at \$1.4 billion

“Our industry will continue to press for full funding for the public housing residents. said Mr. Gutzmann. “We believe this nation has the resources to keep this tiny sliver of America’s housing supply deeply affordable and permanently available. It is a matter of compassion and will.”

- - -