U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-0001

THE SECRETARY

March 4, 2013

The Honorable Alejandro Javier Garcia Padilla
Governor of Puerto Rico
1100 17th Street, NW, Suite 800
Washington, DC 20036

Dear Governor Garcia Padilla:

As you are likely aware, due to the failure of Congress to pass legislation on balanced deficit reduction to avoid sequestration, the President was required by law to issue on March 1 a sequestration order canceling approximately $85 billion in budgetary resources across the Federal Government for the remainder of the current federal fiscal year (FY). As a partner with the Department of Housing and Urban Development, you are entitled to timely and clear information about how these unfortunate budget cuts impact us, and, in turn, what it means for program beneficiaries in Puerto Rico.

At this time, HUD is taking every step possible to mitigate the effects of these cuts. However, based on the Department's initial analysis, it is likely that full-year FY 2013 formula program funding for state and local grantees under your jurisdiction will be lower than it was in FY 2012 due to the sequester, which will likely affect workforce and program planning for this year, and possibly beyond. You can expect reductions totaling approximately **$12 million** compared to FY 2012 levels for rental assistance provided through the Tenant Based Rental Assistance (TBRA) program; for homeless assistance and for affordable housing, community development, and special needs assistance provided through the HOME and Housing Opportunities for Persons With AIDS (HOPWA) formula grant programs. The details of these estimated reductions are in the table at the end of this letter.

In testimony to Congress in January, I estimated some of the impacts sequestration would have on program participants. With respect to the programs described above, about 125,000 individuals and families nationwide, a majority of whom are elderly or persons with disabilities, could lose assistance provided through TBRA and be placed at risk of becoming homeless. Cuts to the HOPWA program could result in 7,300 fewer low-income households receiving permanent and short-term supportive housing assistance, including rent or utility assistance, while a sequester of HOME program funds will result in 2,100 fewer affordable housing units

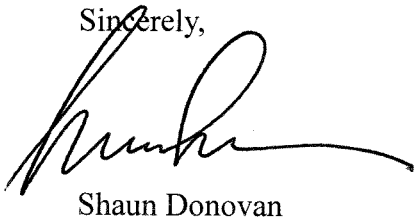
produced for low-income families. As you know, every dollar of HOME funding is leveraged with almost four dollars of other government or private investment in affordable housing and related purposes.

Sequestration cuts, including the Emergency Solutions Grant cuts discussed above and cuts to competitive grant programs would also result in more than 100,000 formerly homeless people being removed from their current housing or emergency shelter programs, putting them at substantial risk of becoming homeless. Ten percent of these people are veterans. A majority are veterans, families, or adults with disabilities. Sequestration would cut important programs offered by HUD's Office of Healthy Homes and Lead Hazard Control and related HUD programs addressing housing-related health hazards. As a result, more than 3,000 vulnerable children would not be protected from lead poisoning and other safety hazards in the home. Sequestration would result in 75,000 fewer households receiving foreclosure prevention, prepurchase, rental, or other counseling through HUD housing counseling grants. This counseling is crucial for middle class and other families who have been harmed by the housing crisis from which we are still recovering; and are trying to prevent foreclosure; refinance their mortgages; avoid housing scams; and find quality, affordable housing. Sequestration will result in a cut of $2.5 billion from the funds just appropriated by Congress to help recover from Hurricane Sandy and other 2011-2013 disasters, funding that is still in the process of being allocated among states and communities. Just the funding that would be cut from the Community Development Block Grant disaster program could help make necessary repairs to thousands of homes and small businesses.

Once Congress has passed and the President has signed a full-year FY 2013 appropriation for HUD, the exact funding levels you and the other formula program grantees and homeless assistance providers in your state are to receive will be set, and individual FY 2013 program grant agreements will be sent to formula grantees. While all these reductions are unfortunate and will be damaging, the Department is doing everything within its power to protect HUD's mission to the greatest extent possible. Accordingly, we are prepared to work closely with you to manage these reductions to the extent that we can. And should Congress take subsequent action that changes the level or nature of these reductions, we are committed to working closely with you to manage those changes.

Thank you for your continued partnership with HUD. Please reach out to my Deputy Assistant Secretary for Intergovernmental Relations, Leigh Szubrowski, with any additional questions or information. She can be reached at 202-402-4273.

Sincerely,



Shaun Donovan

U.S. Department of Housing Urban Development

FY 2013 Estimated Allocation After Sequestration State-By-State

(in thousands)

STATE	HOME*				TBRA **					HOMELESS			HOPWA			TOTAL $ IMPACT
	FY 2013 CR	$ CHANGE	FY13 ESTIMATED ALLOCATION AFTER	# OF UNITS NOT PRODUCED	FY 2012 ENACTED	FY 2013 CR	$ CHANGE	FY13 ESTIMATED ALLOCATION AFTER	# OF FAMILIES IMPACTED	FY 2013 CR	$ CHANGE	FY13 ESTIMATED AWARDS AFTER SEQUESTER	FY 2013 CR	$ CHANGE	FY13 ESTIMATED ALLOCATION AFTER	
Puerto Rico	16,003	(800)	15,203	34	186,641	193,284	(9,536)	183,748	1,692	25,822	(1,291)	24,531	7,692	(385)	7,307	(12,011)
All States Total	**1,000,000**	**(50,000)**	**950,000**	**2,100**	**18,264,369**	**18,914,369**	**(933,163)**	**17,981,206**	**125,000**	**1,901,034**	**(94,634)**	**1,798,077**	**298,800**	**(14,940)**	**283,860**	**(1,092,737)**

FY 2013 CR amount does not reflect .612% Across the Board.

*Note on HOME: # of units not in thousands

**Notes on TBRA: # of units not in thousands. # of Families Impacted by State is not in thousands, and is computed as proportion of November Leasing by State of estimated 125,000 Families Impacted. Amounts related to HUD-VA Supportive Housing (HUD-VASH) are exempt.