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DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS FOR 2003

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON VA, HUD, AND INDEPENDENT AGENCIES

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NOTE: Under Committee Rules, Mr. Young, as Chairman of the Full Committee, and Mr. Obey, as Ranking Minority Member of the Full Committee, are authorized to sit as Members of all Subcommittees.

FRANK M. CUSHING, TIMOTHY L. PETERSON, DENA L. BARON, JENNIFER MILLER, and JENNIFER WHITSON, *Staff Assistants*

PART 6

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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PART 6

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS FOR 2003

TUESDAY, MARCH 19, 2002.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

WITNESSES

MEL MARTINEZ, SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

RONALD ROSENFELD, PRESIDENT, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

ROY BERNARDI, ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT

JOHN C. WEICHER, ASSISTANT SECRETARY FOR HOUSING/FEDERAL HOUSING COMMISSIONER

MICHAEL LIU, ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING

ANGELA ANTONELLI, CHIEF FINANCIAL OFFICER

MELODY FENNEL, ASSISTANT SECRETARY FOR CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS

CHAIRMAN WALSH'S OPENING REMARKS

Mr. WALSH. The subcommittee will come to order. Ladies and gentlemen, it is my pleasure to welcome you to the start of our hearing on fiscal year 2003 appropriations for the Department of Housing and Urban Development.

I am very pleased to have back with us in his second appearance before the subcommittee, Secretary Martinez. Welcome back, Mr. Secretary. It is good to see you. You have been at the helm of one of the most important and challenging departments of the Federal Government for just over a year now. Few agencies in the Federal Government have such a direct and important impact on people's lives. Improving the management and delivery of HUD programs has been your highest priority over the last year, and we look forward to hearing from you on the changes in improvements that you have made so far and your future plans in this area.

In fiscal year 2003, the Department is seeking a total of $31.3 billion, a net increase of $1.18 billion over 2002 enacted. The request includes $2.6 billion in increases in selected programs, offset by $1.5 billion in program reductions and increased offsetting fee collections.

Again this year, the largest increase in HUD's Budget, $1.9 billion, occurs in Section 8 contract, of which $1.8 billion is solely for renewal costs associated with existing Section 8 contracts.

The Budget also includes increases for home ownership programs, affordable housing production and public and assisted rental housing programs.

As we talked about last year, simply increasing funding for HUD programs will not necessarily solve the affordable housing needs of the country. There will be much discussion over the coming year on how to best address the affordable housing problems. As you probably are aware, the Millennial Housing Commission will be reporting to us very, very soon. It is an important discussion, one that needs to be had. Any meaningful discussions require all of us to take an honest look at the effectiveness of current programs so that we can make informed decisions when improvements need to be made and where additional investments are needed.

I think it is important to note that HUD's Budget has grown by over 30 percent in the last 5 years. As we discussed last year, a significant pipeline of funds continues to exist in many HUD programs. Every dollar not yet spent represents a service not yet provided or a need not yet met. Working with you last year, we were able to put in place some measures which we hope will result in speedier capital improvements in public housing. We look forward to working with you to continue to make progress in improving the delivery of service to HUD's clients.

Mr. Secretary, we will continue to do our very best to ensure that you have the tools you need to meet the challenges ahead. We are glad you are with us today, and after Mr. Mollohan offers his opening remarks, we would ask that you summarize your testimony, and we will include your full statement in the record.

At this point I would like to recognize my colleague and friend, Mr. Mollohan of West Virginia.

MR. MOLLOHAN'S OPENING REMARKS

Mr. MOLLOHAN. Thank you, Mr. Chairman. I would like to join in welcoming the Secretary to testify today before our Committee. Mr. Secretary, HUD has now completed one budget cycle under your watch, and I am pleased that your budget submission maintains funding levels for most of HUD's programs. In light of the difficult budget situation that surrounds domestic discretionary programs, level funding might be a good start. However, you submission does contain a very large cut to public housing capital funds, and again proposes to eliminate the Rural Housing and Economic Development Program. It also proposes a new legislative initiative, one that is turning out to be somewhat controversial, that would allow public housing authorities to secure private financing for capital improvements. I will be very interested in hearing you talk about these funding levels and new financing proposals. I join the Chairman in welcoming you here today. Thank you for your good work during the year, Mr. Secretary.

Mr. WALSH. Thank you. And also I will recognize that Congressman Frelinghuysen and Congresswoman Meek are here to begin the hearing.

Mr. Secretary, please proceed.

SECRETARY MARTINEZ'S OPENING REMARKS

Secretary MARTINEZ. Thank you, Mr. Chairman, and Ranking Member Mollohan. We appreciate the wonderful cooperation that we have had with the Committee during the past year, and also the hard work that the Committee did to provide us with a very good budget this past year and to support our initiatives. We appreciate that very, very much.

As you indicated, it is a $31.5 billion budget, and we think it is about a 7 percent increase, which again—as Ranking Member Mollohan indicated, I think is a decent level funding and increases in some areas. It is a good place to begin, and I am pleased that we have been able to secure that. Today, I was reading the forecast that there would be deep cuts in the HUD Budget. The forecasts are incorrect and I am very pleased to be able to say that.

We had a very strong housing market in the past year, a lot of good things happened and we think the housing market was, in many ways, responsible for bringing the country out of recession and out of the doldrums. We are continuing to be committed. The President is very committed to the idea of continuing to increase homeownership, especially among minority families. I know that affordability of housing, Mr. Chairman, as you pointed out, is a very difficult issue. We read in depth about it in the Washington Post on Sunday, and it is an issue not just in the metropolitan Washington area, but around the country, and I do look forward to the recommendations of the Housing Commission. We have been keeping in close contact with the co-chairs of that group and have had some input and some conversations with them, which I think will be very positive as we go forward.

In terms of homeownership, we continue to believe that that is a very important initiative. The American Dream Downpayment Fund, we are asking a $200 million level of funding for that which we think will help an additional 40,000 first-time home buyers. The tax credit for developers of single-family affordable housing, we also believe we will continue to promote home ownership in a very important and positive way.

We also have asked in our Budget tripling the funding for the Self-Help Home Ownership Program, the SHOP Program, which allows organizations like Habitat for Humanity to do the work they do, and we think an additional 3,800 homes to disadvantaged Americans could be provided through that particular program.

The Section 8 voucher towards home purchases is also continuing to be in the budget, and we think that is an important initiative as well. We recognize that there is a need for continued rental housing, so that 34,000 new vouchers are requested in this budget, in addition to continuing the level funding. I do point out that $16.9 billion of our Budget is committed to the Section 8 program, which is more than 50 percent of the overall budget authority for the Department. So that is a very significant commitment.

We have had some very good news in our FHA multifamily housing program. We notice that the reduction in the insurance premium that is been suggested for this budget year will assist and encourage more FHA multifamily housing construction. I am just going to rapidly run through my notes.

I would like my complete statement to be a part of the record. In interest of time, I will simply say that I am looking forward to working with the Committee through this budget process as we did last year in a very positive and cooperative way, and I do look forward to continuing our work together. One of the things I would like to say at the outset, is I recognize that there are some concerns in the reporting from our Department, and let me assure you that we—I take that very, very seriously, and the Assistant Secretaries do as well, and we will ensure that the fullest reporting possible is made to the Committee in a timely and responsive way.

That is our goal, and I have so directed, and I anticipate that that will be carried out. So those areas where there have been concerns, I assure you that we have taken those concerns very seriously and are diligently working to overcome those problems.

So with that, Mr. Chairman, I will just be happy to try to answer your questions as we go forward.

Mr. WALSH. Thank you very much, Mr. Secretary. Your full statement will appear in the record. And thank you for your positive response to that desire on the part of the Committee for reporting.

[The information follows:]

STATEMENT OF MEL MARTINEZ
SECRETARY
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON VETERANS AFFAIRS, HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES

MARCH 19, 2002

Chairman Walsh, Ranking Member Mollohan, Distinguished Members of the Subcommittee:

Thank you for the opportunity to join you this morning to outline the proposed Fiscal Year 2003 budget for the Department of Housing and Urban Development (HUD). I look forward to working with you as the budget deliberations get underway.

The $31.5 billion HUD budget represents a funding level increase of 7 percent over FY 2002. At a time when dollars are especially precious, and the cost of homeland security is consuming many Federal resources, this shows the President's commitment to improving housing and communities.

By helping Americans become homeowners, ensuring affordable housing opportunities for those who rent, renewing communities, and preserving a safety net for the most vulnerable, this budget will enable HUD to make a tremendous difference in the lives of millions of Americans.

The housing market in 2001 was extremely vigorous, and we entered the new year with homeownership at a record high. Because we know that homeownership gives families a stake in their communities and creates wealth, the HUD budget makes owning a home a viable option for even more Americans. President Bush and I are committed to expanding homeownership – especially among minorities.

As a first step, our budget quadruples the American Dream Downpayment Fund, to $200 million. This Presidential initiative will help an estimated 40,000 first-time homebuyers a year overcome the high down payment and closing costs that are significant obstacles to homeownership.

A tax credit for developers of single-family affordable housing will promote homeownership opportunities among low-income households by supporting the rehabilitation or new construction of thousands of moderately priced homes in low-income urban and rural neighborhoods.

Our budget proposes tripling funding for the Self-Help Homeownership Opportunity Program (SHOP) to $65 million, as committed to by the President last spring. That will make possible the construction of an additional 3,800 homes for disadvantaged Americans. SHOP is an excellent example of government maximizing its resources by working with private-sector partners like Habitat for Humanity.

Another exciting homeownership initiative targeted at low-income families will allow them to put up to a year's worth of their Section 8 rental vouchers toward a home down payment. Because we consider housing counseling a valuable tool for prospective homebuyers and renters, we are funding the counseling program at $35 million – a $15 million increase over the previous fiscal year.

While homeownership is an important goal, we recognize that it is not an option for everyone; therefore, our budget keeps HUD's commitment to preserving the existing stock and expanding the availability of affordable housing for the millions of Americans who rent their homes.

The Section 8 tenant-based program today assists nearly two million families. Our budget provides an additional 34,000 housing vouchers, an increase of one and one-half percent. The budget also dedicates $16.9 billion to protect current residents by renewing all expiring Section 8 contracts.

To encourage the production of moderate-income rental housing in underserved areas, the HUD budget announces that we will reduce the mortgage insurance premium for Federal Housing Administration (FHA) multifamily insurance. We will do this by notice, effective at the start of FY 2003

Three times over the last eight years, HUD has been forced to shut down our multifamily mortgage insurance programs because of lack of credit subsidy.

We made a commitment to a comprehensive review of the credit subsidy program. Through our review, we were able to lower premiums, create a self-sustaining program, provide the industry with stable financing at a much lower cost, and provide thousands of new opportunities for rental housing across the country.

Today, I am happy to report that our FHA business is strong, both for single family and multifamily housing. In fact, business is so strong that if our insurance commitments remain at the present rate for the rest of the year, we may exceed the currently appropriated limitations for both the MMI Fund and the GI Fund.

If that trend continues, I will ask Congress to raise the statutory ceilings enacted last October.

I am particularly pleased with our multifamily business this year. Through the first five months of the fiscal year, FHA has issued insurance commitments totaling close to $1.4 billion – compared to $900 million for the same period a year ago. That is up 50 percent.

Despite the fears expressed by some outside of HUD that raising the insurance premium would damage the multifamily industry, that clearly has not happened.

The 2003 budget gives HUD new resources to further our mission of supporting the nation's most vulnerable. This includes low-income families, homeless men and women, the elderly, individuals with HIV/AIDS, victims of predatory lending practices, and families living in housing contaminated by lead-based paint.

Let me highlight just a few of our proposals.

To better coordinate the work of the many Federal agencies that reach out and provide a continuum of care to homeless men, women, and families, the budget calls for doubling HUD funding for the newly reactivated Interagency Council on the Homeless. Additionally, converting three competitive homeless assistance programs into a consolidated grant will eliminate the workload and expense of administering three separate programs. More importantly, it will give local jurisdictions new discretion in how those dollars are spent.

HUD's Lead Hazard Control program is the central element of the President's effort to eradicate childhood lead poisoning in ten years or less. The HUD budget will fund the program at $126 million, a substantial increase over the previous year.

The budget also proposes spending $251 million under HUD's Section 811 program to improve access to affordable housing for persons with disabilities. And many of the additional 34,000 Section 8 housing vouchers will aid non-elderly, disabled individuals.

HUD will continue our support for older Americans by providing $783 million for the Section 202 supportive housing for the elderly program.

Predatory lending and property flipping are abusive practices that continue to plague homebuyers in cities across the country. Since April, our Housing Fraud Initiative in Baltimore has resulted in 40 indictments, six federal arrests, two state arrests, 27 successful prosecutions, and 66 debarments. We have provided relocation assistance to 46 families. We also developed the Credit Watch legislation that was included in the fiscal year 2002 budget.

I am pleased with these accomplishments, but we know there is more work to be done. HUD remains committed to addressing the problems in Baltimore, and we feel confident that the lessons we learn there will be beneficial to the rest of the country.

Initiatives such as the HOME Investment Partnerships Program and the Community Development Block Grant (CDBG) address the nation's critical housing needs and stimulate economic development and job growth. Combined, these two programs will distribute an additional $200 million in formula funding to State and local governments.

We have increased CDBG formula grants next year by $95 million, to $4.4 billion. In addition, we have proposed changing the distribution of CDBG formula funds by reducing the size of grants going to the wealthiest communities. This will help bring dollars into those areas where they can do the most good.

I am excited about a brand-new concept to address the large backlog of repair and modernization projects in public housing. The Public Housing Reinvestment Initiative represents a new way to leverage the value of public housing by allowing public housing authorities (PHAs) to borrow funds to make needed capital improvements. This will

unlock the value of public housing assets by allowing PHAs to convert public housing units to project-based rental assistance. The PHAs can obtain loans by borrowing against individual properties – similar to private-sector real estate financing.

Innovative thinking like this represents a departure from the way things were done so often in the past – but being effective does not have to mean spending more money. Government works best when government serves as steward and facilitator, and measures success through results. By facilitating the involvement of new local partners, the Public Housing Reinvestment Initiative will breathe new life into public housing communities.

I am proud of the HUD budget and the way it reflects the Administration's commitment to efficiency, accountability, and the principles of excellence expressed through the President's management scorecard. When government spends efficiently, the funds go much further. We reach more citizens. We help to change more lives.

The people of HUD know that the American Dream is not some unattainable goal, because we see it achieved every day, so often by families who never imagined owning their own home or reaching economic self-sufficiency. Through our budget – and the continued commitment of President Bush – citizens will have tools and opportunities they can put to work improving both their lives and their communities... as they travel the road to achieving their own American Dream.

I would like to thank each of you for your support of the Department's efforts. The Subcommittee's guidance throughout the appropriations process last year was invaluable. Again, I look forward to working with you in moving the Fiscal Year 2003 HUD budget forward, and I welcome your continued counsel as we work together on behalf of the American people.

Thank you.

Mr. WALSH. We will go in 10-minute segments so each member will have an opportunity to ask questions and receive answers for a 10-minute period, and the shorter the question, the shorter answer, the more questions you get in.

It can work both ways, obviously.

Secretary MARTINEZ. Sir, I won't filibuster you, I promise.

Mr. WALSH. Prior to Mayor Bernardi's mayoralty in Syracuse, his predecessor had a budget director who he used to send up to the common council to answer our questions. The mayor would come up before the council, but the budget director would, and you would ask him a 5-second question and you would get about a 15-minute answer. He had mastered the art of filibustering legislature. So I don't recommend that to you, but it does work.

Secretary MARTINEZ. As I indicated to you, our Assistant Secretary is here, and I do intend to call on him freely to fully answer your questions as we go forward.

SECTION 8

Mr. WALSH. Thank you. The Department's budget request includes a total of $17.5 billion for Section 8, a net increase of almost $2 billion above the fiscal year 2002 appropriation. This includes $16.9 billion exclusively for Section 8 renewal costs, which is a net increase of $1.9 billion over 2002.

Aside from veterans medical care, Section 8 funding requirements continue to be the biggest growth item for our Subcommittee, driven primarily from the cost to maintain existing Section 8 contract renewals. Since fiscal year 2000, this Subcommittee has increased funding for Section 8 by over $5.3 billion, even after subtracting out the rescissions taken from section 8 recaptures.

When the fiscal year 2003 costs are added, this account will have grown 80 percent in just 3 years. It is no surprise that Section 8 now accounts for 52 percent of HUD's total budget, and will continue to consume larger and larger chunks of the budget each year. Every year this Subcommittee has to make some tough funding choices elsewhere in this bill to ensure that HUD has the full amount it claims it needs for Section 8 renewals. So I am sure that you share our growing frustration when year after year we see huge amounts of Section 8 funds never getting spent. I realize there are no easy solutions to this problem, but it is a problem I want to work with you to solve this year.

The underutilization of vouchers which continues to be concentrated in the same small number of PHAs and the impact that has on your budget estimates continues to be a major source of this problem. I hope we can make some improvements in this area.

SEMAP

Mr. Secretary, last year you indicated that problem with Public Housing Administration management of Section 8, as well as HUD oversight of Section 8, were major factors contributing to the voucher underutilization. At HUD's request, we earmarked $10 million for HUD systems for assessing PHA management of their Section 8 programs, SEMAP, with the expectation that this system would enable HUD and the Congress to better understand and correct the problem.

We asked HUD to provide a report to the committee identifying the poor performing PHAs and the specific corrective actions taken to improve their performance. Unfortunately, while HUD provided some information after the report's deadline, the Department did not provide the report as we requested. Therefore, we are unable to determine what and where the problems are, how they are being fixed and whether SEMAP has successfully identified poor performers.

So can you help us better understand what you have found to date, specifically how SEMAP is working, to what extent is underutilization concentrated in the same PHAs, which PHAs and what management changes are necessary to improve those PHA performances, and when can we can expect to see results.

Secretary MARTINEZ. First of all, Mr. Chairman, I think that you articulated the problem precisely well. I think that the continuing growth of Section 8 in our Budget is a serious concern that not only in the management side, but also as a policy matter we should address going forward. I believe that the actions of the committee in instituting the SEMAP is a good and correct. I don't believe that we have done a good job of reporting back to you on this, and we need to improve and do better at that, and I intend to get involved in that personally to see that that occurs.

I don't think there is any question that we can identify the problem areas. SEMAP having only been in effect for a year, we have not fully been able to get our arms around it, but we do see some patterns emerging that I think would be helpful for the Committee to have.

At this point, I am going to ask Michael Liu, our Assistant Secretary of Public and Indian Housing, who directly administers this part of our budget, to comment on it further.

Mr. LIU. Thank you, Mr. Secretary. Mr. Chairman, and members of the Committee, first of all, let me echo the Secretary's concerns, which I share, about our need to certainly provide you with the information that is desired, which we all need to make a better determination as to where we are on Section 8 and as to whether or not SEMAP is, in fact, the kind of tool that it has been purported to be. We hope to have that, I think, much more extensive in terms of what we all expect, within 2 weeks. That can actually lay out a much more detailed picture for all of us as to what SEMAP is all about.

To date, I do think we can—there are some points of important information which we can relay to give us some sense that SEMAP is collecting some information of use. I think the real issue is can we link it to future performance and improvements in the program. First of all, it seems that there were four major areas where housing authorities are falling down. Lease-up rates, contract inspections, the calculation of tenant rents and annual reexaminations. Those are the four major testing items that housing authorities are failing on.

We have identified 237 that would be categorized as troubled. The overwhelming majority of those in terms of the number of housing authorities are smaller housing authorities, 153. This does give an indication that at least in terms of the types of housing authorities that we will be addressing, in terms of the number which

are troubled, that this is a manageable issue. Sixty-two—and then the balance are moderate or larger housing authorities.

So again, these are some indications that we are getting some information which will allow us to deal with the issue, and we have estimates of the cost of technical assistance that we can bring to bear, depending on the size of the housing authority.

Mr. WALSH. Mr. Liu, can you tell me what percentage of the larger housing authorities where we have seen the majority of the problem have gone through SEMAP?

Mr. LIU. What percentage of the larger housing authorities have actually gone through the SEMAP process?

Mr. WALSH. Yes.

Mr. LIU. And been ranked according to SEMAP?

Mr. WALSH. Yes.

Mr. LIU. We have—right. Approximately 54 have gone through the SEMAP process, and about 25 of those 54, about 46 percent, are ranked as troubled under the SEMAP scoring process.

Mr. WALSH. And of the universe of large PHAs, what percent does 54 make up?

Mr. LIU. We are trying to determine that the—the information base is a merged database right now, and that is one of the frustrations that I have had over the past few weeks is trying to extract that type of analysis, but we will have that for you at the end of the year.

Mr. WALSH. Well, how many large PHAs are there in the country?

Mr. LIU. Over 5,000 units—I think there are approximately—at least——

Secretary MARTINEZ. I guess it is 54, so we——

Mr. LIU. 54.

Mr. WALSH. So that is most of the—if not all of the large public housing authorities have been reviewed under SEMAP?

Mr. LIU. Right. All but 69, which are going through now.

Mr. WALSH. And you said about half of them or a little over—about half of them——

Mr. LIU. Percent——

Mr. WALSH. Are not performing.

Mr. LIU. Right.

[AGENCY NOTE: Assistant Secretary Liu's testimony regarding large housing authorities reflected data from a preliminary report. Based on the latest SEMAP reports, 235 out of a total of 304 large and extra large housing authorities have gone through an initial SEMAP scoring process, with the remaining ones going through the SEMAP process now. Of the 235 that have been scored, 6 percent have been scored troubled. While the testimony points out that the vast majority of troubled agencies under SEMAP are small, the small percentage of large and extra large authorities that are troubled account for the vast majority of HUD Section 8 funds.]

Mr. WALSH. And you will have specific recommendations for them?

Mr. LIU. Yes.

Mr. WALSH. As you may remember, we had—well, I don't want to get into the capital fund—I will get into that later.

Secretary MARTINEZ. Mr. Chairman, if I may just to fully answer that, I think if you look at the packet, large housing authorities are defined by 5,000 units and over. The bulk of the money problem rests there.

Mr. WALSH. Right.

Secretary MARTINEZ. That is clear, because when you have 25 of them at 5,000 units a pop, that is an awful lot of our Section 8 vouchers, and the underutilization problem, in terms of the numbers, is clearly there. So that is where we need to focus our attention.

Mr. WALSH. All right. As we work through to improve these PHAs and HUD's management of Section 8 funds, we can't continue to simply rely on trying to recapture excess funds after the fact. This process results in billions of dollars sitting unused for years and calls into question the credibility of HUD's funding request. We need to do a better job of estimating the actual funding needs up front as we do with every other account in this bill.

Do you agree that improvements can be made in the way HUD determines its true funding needs for this account, and can we work together between now and the time this bill is marked up to get a truly defensible estimate for Section 8 funding for 2003?

Secretary MARTINEZ. Yes and yes, and we will work very closely with the Committee to try to arrive at that. I don't think there is any doubt that your queries make us better and think that these are issues that we need to focus close attention on, because I get frustrated when I see the recaptures and when I see the unspent funds. When you see the gravity of the need, it is something we have got to address and get a handle on.

Mr. WALSH. I thank you for that positive response. To make the point, the budget request for 2003 assumes a $1.1 billion offset in Section 8 recaptures. In 2001, there is $5.4 billion; and in 2000, there is $7.6 billion. So obviously, there is not a whole lot of science in that estimate, and we need to be more accurate on what the real needs are, because those funds are dear and are needed elsewhere within the budget housing and otherwise.

Thank you. I will return to those questions when it comes back around.

Mr. Mollohan.

POSSIBLE SECTION 8 PROBLEMS

Mr. MOLLOHAN. Thank you, Mr. Chairman. Mr. Secretary, to follow up just a little bit on the Chairman's questions. I think you were on C–SPAN this week?

Secretary MARTINEZ. Yes sir. It was yesterday, in fact.

Mr. MOLLOHAN. You did a nice job——

Secretary MARTINEZ. Thanks.

Mr. MOLLOHAN [continuing]. For the part I heard. And I am sure you did a good job in the rest of your appearance.

I was struck by one of the questions, and I didn't hear very much of it because I don't live very far away from the Capitol. I was listening to it as I was driving in. A lady called in about Section 8, and—as I remember it, she made two points and asked questions about them. One was alleged impropriety in the Section 8 program, suggesting that the same applicant would apply for Section 8 in one community and then go to another community, I guess in the same State, and apply. And this was a pattern, or she was alleging it was a pattern, and I just wondered if you would comment on that.

Secretary MARTINEZ. I think what she was getting at is by applying in multiple locations, not that that person would get multiple vouchers, because they actually probably could not do that, but I think it was that they were appearing as a statistic in a multiplicity of places, and therefore adding to the waiting list, is kind of what I took from the question. But I am not sure where the question exactly was coming from in terms of the specificity of it. I would be concerned if someone could go apply from one community to another and get a number of vouchers, and then, I guess, resell them in the market, or something like that. So——

Mr. MOLLOHAN. Well, I must say I didn't get it either, but I was just going to ask and I am not even sure I got all of your answer.

Secretary MARTINEZ. It is hard to know exactly—it is just hard to know what the concern was, but——

Mr. MOLLOHAN. Well, are these kinds of problems part of the Section 8 program?

Secretary MARTINEZ. Not that I am aware of. That came out of left field. I was thinking it was really more in the vein of just occupying spaces on the waiting list, hoping to get one somewhere. You know, I think that is what it was getting at, but I could be wrong.

Let me say, you know that, our Office of Inspector General is much more focused on these kinds of issues, and I think that we can expect them to continue to do a good job they are doing and——

Mr. MOLLOHAN. Well, if there were a problem, I am sure it would be on your desk.

Secretary MARTINEZ. But I have not heard of that being an issue.

SECTION 8 VOUCHER UNDERUTILIZATION

Mr. MOLLOHAN. This question of Section 8 vouchers not being utilized in certain areas, to what extent is it a problem with Section 8, and what do you propose to do to address it?

Secretary MARTINEZ. I don't think there is any question that that is a serious, serious problem, and there are some communities where, very legitimately, Section 8 doesn't work well because of the marketplace, because of the fact that people might get a voucher but really can't utilize it. We find that that may not necessarily be the reason why underutilization occurs.

We believe it to be more of a management issue. But I think that one of the ways in which, as we go forward we should think about this project, or problem, is to allow those that do not utilize them to lose the vouchers, or some portion of them. And a permanent basis, because the problem currently is that you might allow another community to pick up the vouchers, but they don't keep them for year after year, then that becomes a problem. So if there is a pattern of underutilization, then we would decide to simply reallocate the vouchers to those communities that use 100 percent of them and are dying for more.

Mr. MOLLOHAN. I guess in some way that is rough justice, but what is going to happen to the low-income people that we are supposed to be serving? It begs the question of whether the private market the only solution to this problem?

Secretary MARTINEZ. We should do two things: We should try to help—and we are going to very much do that—the management

problems in these housing authorities that we can now, through the SEMAP process, more closely identify. We should send a management team and try to deal with them. It is, as Secretary Liu said, a management problem, we think, because of the numbers. It is not like we were dealing with 1,000 housing authorities.

But I do think that the burdens of the marketplace would probably force more efficiencies. Ultimately, at the end of the day, these are problems that would have to be enforced locally. If there is enough local pressure to the mismanagement of a housing authority, at some point, I think the better answer would be what we can achieve from Washington; try to determine how a small housing authority in some community far from here goes about the business of utilizing their vouchers. I just don't know that we can have enough management to deal with all of these problems, so there has to be self-enforcement, and I think that the burdens of the marketplace might sometimes be good enforcement.

Mr. MOLLOHAN. If it were an isolated problem I might be more attracted to that solution, but as I understand the problem, it is systemic. There is a lot of nonuse of Section 8 vouchers out there, and it is not geographically isolated.

Secretary MARTINEZ. Well, when you look at the large housing authorities—and there are 25 of them—that are underutilizing their 5,000 plus vouchers apiece, you know, I think that you are looking there at the huge part of the problem, is those 25 public housing agencies in very large communities that have way underutilized their allocations. But the threat of losing them alone, I think, would help them to find a better way to get a handle on their problem. I think.

Mr. MOLLOHAN. Are you pursuing that policy?

Secretary MARTINEZ. Well, that is something they think we should consider, and I would love to continue the conversation with the committee to see where we might go with it. I think it would be a two-track approach. One would be provide them with some management help, but at the end of the day, I think their failure and the burden of their failure, ought to create enough local pressure to where the mayor becomes concerned, and then, you know, with that concern comes concern to the Commissioner of the Housing Authority. This is not rocket science. This is just property management.

Mr. MOLLOHAN. I understand. But I know you would be concerned about the amount of time that sort of an approach would take, and what is going to happen to the people who are supposedly going to benefit from the program in the meantime.

Secretary MARTINEZ. I think we need to be proactive in helping the people that are now on some waiting list, and in fact, the vouchers are going unused, but I think also the other being held out there as a possibility might be an interesting approach to take as well.

Mr. MOLLOHAN. Can we expect you to be coming forward with a specific plan?

Secretary MARTINEZ. We are going to have a plan for you, and we should have already had it for you from what I see, and we will have it in the very near future.

AFFORDABLE HOUSING

Mr. MOLLOHAN. In the Sunday Washington Post, there was an article about how fewer working families are finding affordable housing options in this region. It seems to be a national trend. Could you comment on the growing problem of affordable housing in the United States?

Secretary MARTINEZ. I think it is clearly a growing problem, and I think it is not just limited to this metropolitan area. But I think many others also have a similar problem. I think that clearly we have to look at ways in which we can continue to encourage housing production. I think that the Millennial Housing Commission coming back with some recommendations will be a very important part of that. We have tried to do some of that by raising the FHA multifamily loan limits, and we have had great success with that. We did that a year ago with your cooperation, and we believe that the response to that is having a tremendous effect, particularly in communities where there was not a lot of FHA multifamily construction because of the cost factor. So when we see communities that had, for years, not participated now participating, we get encouraged that is going to make a difference.

I don't think that this is a problem that we can solve with one solution, and certainly not one governmental global solution, but I think a multiple number of avenues to pursue might provide us with some answers, and I am encouraged by what I hear from the Millennial folks as to what they will be coming back to us with, and I would look forward to their report, which I think is only a month or so from now. But clearly, this is a national progress, and this is a growing problem that I think we should be concerned with.

Mr. MOLLOHAN. We are looking forward to the Millennium report as well.

Is there objective data out there that would give us more of a handle of what the affordable housing problem or crisis is and what the trend line looks like?

Secretary MARTINEZ. We have been doing some of that, and I would be glad to call on Housing Commissioner John Weicher to help with that. We were just looking at ways in which we can more easily demonstrate, graphically, what the problem seems to be, and how to get a handle on it. So we are working on how to do that, but in the meantime—there you are.

Dr. WEICHER. Thank you, Mr. Secretary. The main thing that HUD produces on the affordability problem is our annual worst-case needs report, which looks at the ability of low-income renters to afford decent housing and the housing conditions in which they live. And the last report which covers data through 1999 indicated a little bit of a decline in the number of renters facing worst-case need problems, from 4.9 million nationally to 4.5 million nationally.

With respect to homeowners, we typically do not put together any kind of report on that, because the low-income homeowners are fairly unusual. They tend to be older people who bought their home when they were younger and are still living in it, or they are owners in rural areas.

I did go back and look at the FHA data on loans that we have insured in the Washington area, and we insure about 30,000 home purchase loans per year in the Washington metropolitan area, and the income range of the people that we are serving, most of them are between $30,000 a year and $60,000 a year in income, below the median income for families in the Washington area. So FHA is really the prime vehicle that the Government has for helping moderate-income families and middle-income families become first-time home buyers with VA and the Rural Housing Service as the other two main programs that we have.

Mr. MOLLOHAN. Would you agree or disagree with the Washington Post on the point of the article?

Dr. WEICHER. I think as a family that is working its way into the middle class is certainly going to have trouble buying a first home. We have known for many years that the biggest problem that families have in becoming homeowners is the ability to accumulate the up-front cash cost, the downpayment and the closing costs, and that is, of course, what we try to deal with in FHA and also in VA. But I think that we also have families who have been on welfare, and we also have families who are recent immigrants. And for them, as they work their way into the middle class, it is a stretch to get the ability to buy that first home.

Mr. MOLLOHAN. Thank you. Thank you, Mr. Secretary.

Mr. WALSH. Thank you.

Mr. Frelinghuysen.

VOUCHERS FOR DISABLED

Mr. FRELINGHUYSEN. Thank you, Mr. Chairman. Mr. Secretary, let me congratulate you and the administration for elevating in your budget documents the need to address problems of housing for people with disabilities. I harped on that on the 7 years I have been on this committee, and just looking at your budget summary, I think you deserve a lot of congratulations for highlighting it, putting it on an equal basis with programs for older people, although, certainly, we never want to set up a competitive environment. So many of my questions are going to focus on the needs of people with disabilities.

The administration's budget proposes to make $40 million available for nonelderly people with disabilities from the total HUD request of $204 million for incremental vouchers in fiscal year 2003. These dollars would allow for funding of approximately 7,900 vouchers for nonelderly people with disabilities who have lost or are expected to lose access to public and assisted housing as a result of projects and developments being designated as elderly only.

If Congress accepts this recommendation, it would bring the 7-year total for this Committee's effort—and this has been bipartisan—to nearly $300 million, which is a lot of money. I am grateful that you have included these funds and the particular language in your appropriations request. I do remain extremely concerned that these funds are not getting to the individuals for whom they are designed for a number of reasons. In other words, you have made the commitment, but there seems to be some obstacles that prevent the dream from being realized.

I am most alarmed by the fact that it has been reported to me that these vouchers, if not used within a year, are not going to people with disabilities but to the general Section 8 population. As you are aware, these vouchers were designed to offset the ongoing loss of public housing, due to the designation of elderly only public and assisted housing. Public housing authorities are designating more and more units as elderly only, and assisted housing providers continue to do the same.

Could you update the Committee on HUD's efforts to implement and monitor this program?

Secretary MARTINEZ. Well, sir, you have been a strong advocate, and we have heard your concerns, and I think that is, in great measure, a part of why the budget response is what it is. But also, I know that the President has been very committed in this area as well. As you know, the Administration initiated the New Freedom Initiative, which tries to address the needs of people with disabilities as a priority, and we have undertaken a number of activities at HUD to assist people with disabilities.

We have a number of things HUD is awarding this year, more than $60 million in fair housing grants to fund fair housing organizations nationwide in an effort to fight housing discrimination, including discrimination against persons with disabilities. In fiscal year, 2002 the FHA will increase the number of disability rights compliance reviews over the already increased number in the year 2001. We have also awarded a $1 million contract to develop and implement a training and technical guidance plan on a national scale to assist the building industry in complying with Fair Housing Act accessibility requirements.

All of these things, along with a number of other things we have been doing, I think, will all inure to the benefit of people with disabilities and their accessibility to that issue.

Now, with respect to the utilization of Section 8 vouchers, which I think is more specifically your question of whether or not these vouchers are now being lost, I know that is a concern and I know that has occurred. What I don't know is—Michael, can you address how we might——

Mr. FRELINGHUYSEN. Is it partially the NOFA process?

Mr. LIU. Yes sir, and what we are considering for the 2002 NOFA.

Mr. FRELINGHUYSEN. Maybe you can just define that acronym.

Mr. LIU. Notice of Funding Availability for 2002. We have moved the prior guidance that had, in fact, put those vouchers back into the voucher pool after the turnover period. So for going forward, these vouchers will remain available for the beneficiaries that they were intended for.

Mr. FRELINGHUYSEN. But in your narrative in the budget summary, you say if a sufficient number of applications for these vouchers are not received, the PHAs may use them for any other disabled individuals on the PH waiting list, or they can then go back into the general population. Right?

Mr. LIU. Well, since that was printed, we have had meetings with various organizations and advocates for the disabled, and the result of that has been this action in regards to our upcoming 2002 Notice of Funding Availability, where the guidance that would

allow those vouchers to go back to the general voucher pool has been removed.

Mr. FRELINGHUYSEN. It has been?

Mr. LIU. Has been removed, sir, yes.

Mr. FRELINGHUYSEN. That is good.

Mr. LIU. Yes, sir.

PHA ALLOCATION PLANS FOR DISABLED

Mr. FRELINGHUYSEN. There was mounting evidence—and this may be germane—that when public housing authorities file what they call their allocation plans to designate elderly only housing, many do not make a request for disabled vouchers. How does HUD's approval process measure the housing needs of people with disabilities in these cases to ensure that the PHAs' plan includes an accurate view of the housing needs of people with disabilities in each community?

Mr. LIU. We are continuing to work with the housing authorities on this issue. There is a problem in many communities with the ability to identify potential clients and customers that might qualify for these vouchers. We are in discussions with both national and local organizations to partner them with the housing authorities to help the housing authorities do a better job with those assessments. We have a contract with a group called the Technical Assistance Collaborative, to assist housing authorities generally across the country in this area of planning. A lot of it is information, our continuing need to work with housing authorities to let them know what this resource is, how to manage it better and to hold them accountable for the promises that they make in the applications for these vouchers.

Mr. FRELINGHUYSEN. How do you know they have actually applied for them? They submit their allocation plans——

Mr. LIU. Yes.

Mr. FRELINGHUYSEN [continuing]. Contingent on if the PHA seeks vouchers, but how do you actually make sure they have applied for them?

Mr. LIU. Well, this is not mandatory on the part of the housing authorities. This is an optional item for them. So as I indicated, what we are doing is working collaboratively and through technical assistance that we are providing to the housing authorities to, in fact, get them involved in the process of identification and applying for the vouchers for this reason.

HOUSING INVENTORY

Mr. FRELINGHUYSEN. For a number of years, I have been seeking an inventory of Federal-assisted housing. What is available for people with disabilities? This is to get a complete inventory of Federally assisted housing for people with disabilities. Last year I asked you to compile the inventory of all accessible housing. To my knowledge, I don't think the committee has received the report. This is the whole issue of measuring. In other words, I am congratulatory in terms of what you have done, but in reality, how do we know we have achieved our objectives if we don't actually have some standard by which to measure it, which is why we insistently

have called for an inventory of this type of housing, not only the public sector but privately-owned assisted housing properties?

Dr. WEICHER. Mr. Frelinghuysen, we are doing two things. We are in the process of modifying our rental assistance certification system, our database for FHA assisted housing, to identify which units in the assisted inventory are accessible to persons with disabilities. We will be incorporating that modification of the data system in June, and we will have a report by the end of the year. Separately, we are also going to our field offices.

We have 18 multifamily Hubs in 33 multifamily program centers around the country, and we are asking them to provide information on the number of units in the entire FHA inventory, both the assisted inventory and the insured unassisted inventory. That is about 30,000 projects, to see how many units in that inventory are accessible. As we collect that information, field office by field office, we will post it on our Web. It will become available on a geographic basis, and we expect that data to start becoming available on the Web in the fall.

Mr. FRELINGHUYSEN. This has been a request by this Committee for 3 or 4 years, and I think we need to get about it. As more PHAs are designated as elderly only, considering all the waiting lists for people with disabilities, they appear to be more and more shut out of the process. And it is difficult to measure, unless you use the power that you have to get that information from all of those responsible parties.

Dr. WEICHER. Yes.

Mr. FRELINGHUYSEN. Thank you, Mr. Chairman.

Mr. WALSH. Thank you, Rodney.

Mrs. Meek.

UNDERUTILIZATION OF SECTION 8 VOUCHERS

Mrs. MEEK. Thank you, Mr. Chairman, and I want to welcome Secretary Martinez, and I just want to remind the committee that Secretary Martinez is a Floridian. We are very proud of him, and he is doing a good job. And we are going to continue to look at housing as we should, and that is, I think, if I may talk just a little bit about the questions which our Chairman asked on Section 8.

I have been trying to, in my entire tenure on this Committee, to pay more attention to Section 8, and that we know where most of the housing needs are in this country with low-income people. And HUD has tried over the years to reach this population. It isn't easy. It is a difficult thing to do to provide this kind of housing, but I am concerned about the underutilization problem and the fact that much of what this Committee has talked about this morning perhaps could be resolved through policy changes, not necessarily on this Subcommittee, and that this problem has been brought to the attention of this Subcommittee, in that it doesn't seem statutorily sound to be able to convert some of the Section 8 monies to other parts of housing where it could be utilized for everyone.

It could be utilized, perhaps, if it were to go into home funds or some other HUD program where it could be utilized and meet the needs of these people. The problems here are people problems, as I perceive it, in that there are people out there who need this housing, and we do have the resources, and much of it is left in Section

8. And it is reprogrammed or reauthorized or recaptured, and the people problems are still there. The paper problems are solved, because you are able to recapture it and utilize it in another capacity. I think the Chairman's questions were right on in terms of the needs here.

I would just like to focus your attention to the fact that you responded to Mollohan and Walsh on Section 8 funds, but we know that the vouchers cannot be wholly solved by management problems. You must look at the root causes as to why these Section 8 vouchers are not being used. That is why I feel that it is a function of an Authorizing Committee to look at these problems, and I am sure Secretary Martinez and your staff can bring—put this in such a perspective, that it can be done in terms of an authorizing committee.

I find out in Miami and in many other low-income communities—and I work very closely with the low-income housing coalitions in this country. They have seen this problem all the way through, because whenever—just look at the fact that most of—the housing market is so tight, that it is very difficult if you hand someone a Section 8 voucher and expect them by magic to run out there and find someplace. It just doesn't happen. So when you are dealing with reality, you know that the housing market is tight, so you have got to look at how can you expand this and get the kind of partnerships to loosen up the market so people can find jobs—homes.

And even when we have vouchers for the people, they have to go miles and miles to find a place to stay, far from where they can find a job. So I don't want to go into all of this, but I want to make it very plain that I don't think that the solving of this particular problem would rest with this subcommittee. It would need to come from a direct policy change that will give HUD the authority to do some of the things that it needs to do to solve this problem. And I am hoping that we will be able to find those innovative places, and we are hoping, Mr. Secretary, that you can give me a quick answer on that if you will help put together a kind of proposal for the Housing Committee, the authorizing committee to look at.

Secretary MARTINEZ. Well, I think, you know, you are touching a very delicate problem and a serious issue, and I know the recapture is a problem every year. I would love to see those monies remain in housing, I understand the difference between the functions that we each have. So I would leave that to the discretion of the Committee, but I think in terms of the utilization issues, in terms of the availability of housing for voucher recipients to find suitable housing, I think those are very, very serious problems, and we would love to work with you and try to, you know, study the issue and come back with some, you know, quantitative type of at least analysis of the problem so we can begin to tackle it.

This has been a problem that has been around for a number of years and doesn't seem to be getting any better. So we are willing to work with you on that.

EMPOWERMENT ZONES

Mrs. MEEK. Thank you, Mr. Secretary, and I think the only way we will get this problem resolved is to take it down to the policy level.

My next question has to do with the round II empowerment zones. Last year the President recommended quite an increase in empowerment zone monies, and we funded it very sparingly, but he did propose that. This particular budget year he has not proposed any funds for empowerment zones. It sort of puts us in a very tight bind to have Round II empowerment zones and wherein Government came out with a very beautiful scenario, Mr. Secretary, as to how empowerment zones would work and to get things started. And now we come back this year with very little room to work on.

Now, someone is making some very drastic changes, and we have made very drastic commitments out here in the community to work with the private sector, and all of the zones have not been guilty of holding the money as much as you would see here. They have not held on to the money, particularly in my community has tried to use its empowerment zone funds.

I would like for you to speak to that, because I just know tax incentives won't solve all of this.

Secretary MARTINEZ. You have touched on both of the issues, one is whether or not it is tax incentives that work best. In some of these areas we have found that some of the best success seems to come from the area, you know, of the tax benefits involved. But I think also the fact that utilization of the funds has not been all that it should be. I mean, less than 21 percent of the total appropriations has been utilized so far. I think those are the two reasons why the budget is as you find it.

Let me ask Assistant Secretary Bernardi to comment on that as well.

Mr. BERNARDI. Congresswoman Meek, as the Secretary indicated, only $58 million out of the $285 million total has been drawn down so far. That is about 20 percent for the 15 Round II empowerment zones. Obviously, it takes years to put things into the planning process, but we made the decision not to request additional funds in fiscal year 2003, and to have the empowerment zones, not only to Round II, but the 8 Round II the 40 renewal communities that we just designated, take advantage of the opportunity for the $22 billion that will be available in tax incentives. As they continue forward and utilize those funds and drive down the balance, as the Secretary indicated, only 21 percent has been expended so far—we would like to see a little more progress, especially from the Round II zone funding.

Mrs. MEEK. I would wish you would look at a little bit more closely at that, because it is much of the money has—it just doesn't happen by fiat that you do these projects, and it does take time and they must have some kind of loan pool to get these projects off the ground. They must have the land and all of that. You understand that, and I do wish that you could look a little bit more affirmatively at how to make the empowerment zone work. It will work, and it won't just be another Federal project that we put money in

to get people in the private sector involved, then we back out of that commitment.

Mr. BERNARDI. Well, the partnership, obviously, of the Federal Government providing grants, the $225 million that those Round II empowerment zones can draw down, and the private using the tax incentives is working. We fully hope that, in those distressed areas that were designated empowerment zones, in the next few years we can see some great strides. I would be happy to——

Mrs. MEEK. I would like to talk with you about it.

Do I have any more time, Mr. Chairman? My last question?

Mr. WALSH. Yes, you do.

CDBG PROGRAM

Mrs. MEEK. I would just like to talk a little bit about the CDBG program. This past week we have done a lot of discussion on Community Development Block Grant funds and the fact that that is the one thing that is still left out there for not only low-income but all the way—all income levels in this country, but we find at least it has been found that in many instances CDBG money is not being used to primarily, as you say or principally is the word you used, to benefit low- and moderate-income people, and it is not being used to prevent—it is not being used for economic development. Now, this isn't system-wide, but it is being done, and my question is what measures will HUD use to be sure that jurisdictions stick to your letter of the law? I am wondering if you have looked into this, or have you been able to measure whether or not these jurisdictions are really meeting the 70 percent goal? In the past I don't think so, because CDBG has seemed to me like a little political football many times. You want to keep the males happy. So in doing so, I don't know whether you have reached that 70 percent. Would you speak to that please sir.

Secretary MARTINEZ. Well first of all I know that we share the goal that CDBG funding should be targeted to low-income communities. There is no question that is what is intended by the statute and where it should go. We have a report that is going to be due—was due in February of 2002 on HUD's oversight and targeting of CDBG funds to lower income persons, and the report should be coming to the Congress very shortly, and we think it is supposed to fact that the CDBG program is highly targeted for the most part. Secretary Bernardi, is there anything else you would like to add to that?

Mr. BERNARDI. The report is going to indicate that it is much more than 70 percent for low- and moderate-income targeted. It will be about 80 percent, and we are very pleased this year with the $95 million additional monies that will be put into the CDBG program. And Congresswoman Meek, you are absolutely correct. We mayors throughout the country really enjoy that program. It offers great flexibility. It allows the opportunity for housing and for public facilities. It also provides the opportunity for economic development. But, you know, we are committed at HUD to making sure that the program runs effectively. I am very pleased that the untimeliness issue that we have been facing over the last several years has been reduced substantially in the entitlement communities. There were 310 that were untimely. Now it is down to about

109, and we continue to work in that direction to provide the dollars, have them expended timely and have them go where they are intended—to low- and moderate-income folks.

Mr. HOBSON. Ms. Meek, I am sure if you wouldn't mind my interrupting, Syracuse is doing pretty well, aren't they, sir?

Mr. BERNARDI. We have managed to receive our fair share.

Mrs. MEEK. That is my buddy. So I let him talk on the time.

Mr. HOBSON. He was the mayor of Syracuse——

Mrs. MEEK. I know. He speaks like a mayor, too.

Mr. BERNARDI. I hope that is good.

Mrs. MEEK. I just want you to keep in mind that many times this would principally benefit low- and moderate-income. It is stretched a little bit to the point that sometimes that 51 percent that you use for low income stretches a little bit too far and it looks like it is 70 or 80 percent when it really isn't because you do take in this bridge or whatever you build downtown does—you think sometimes stretched it lower- and moderate-income. I want you to think about that.

SERVICE COORDINATORS

My last question has to do with the service coordinators in public housing. There is a great need for those coordinators. Can someone speak to that? Is that Mr. Liu?

Secretary MARTINEZ. Mr. Liu might be able to.

Mr. LIU. Yes, ma'am.

Mrs. MEEK. All right. Why did you cut them, Mr. Liu?

Mr. LIU. Why did we cut the service coordinators? We still have a significant portion of our budget allocated for the family self-sufficiency program coordinators. We believe that the number is sufficient based on the past demand and we also see the strong possibility of greater commitments from the local communities who work with housing authorities to supplement the amount of dollars that we have allocated in our budget for the FSS coordinators.

[AGENCY NOTE: HUD did not cut funding for Service Coordinators, but in fact, increased funding for the Family Self-Sufficiency (FSS) program and maintained the same level of funding for Resident Opportunities for Supportive Services (ROSS) as in fiscal year 2002.]

Mrs. MEEK. But you are principally basing it on your recaptures, aren't you, which makes it tentative?

Mr. LIU. It is an estimate, yes.

Mrs. MEEK. Well, it is very much needed and I wish you would look at this as being a major need in HUD to have people who can really look at—particularly in elderly public housing you do need these service coordinators and you need people who will pretty much see that the social aspects of housing are met, and I appreciate your looking a little more closely at that.

I have more questions, Mr. Chairman, and I will submit them for the record or the next round.

Mr. WALSH. Thank you. The next will be Mr. Price.

RESPA

Mr. PRICE. Thank you, Mr. Chairman. Mr. Secretary, I would like to add my welcome to you and your colleagues. We appreciate your being here this morning and your testimony.

I want to start with a rather complex subject, but I think an important one and one where the Department's direction is not entirely clear, at least to me, and I hope we can shed some light on it. It has to do with policy under the Real Estate Procedures Assessment Act, or RESPA, as it pertains to yield spread premiums. As I understand it, HUD has advised that alleged violations of RESPA should be considered on a case-by-case basis, which will have the effect of making class actions in this area much more difficult.

I think it is important before getting any further into this to point out that there are many responsible brokers throughout this country who do not engage in this practice and who are in fact working to prevent it. I am happy to say that in North Carolina our Association of Mortgage Professionals has helped craft a strong law in our State legislature which requires brokers to make efforts to secure loans that are, quote, reasonably advantageous to the borrower considering all circumstances, end quote.

But we do know there are abuses and they need to be addressed, and I wonder how HUD can reasonably argue that a class action lawsuit should not be allowed when the court found in the Culpeper case that yield spread premiums were simply not part of a legitimate service. In that case, as I understand it, lenders were providing yield spread premiums to brokers solely on the basis of the interest rate on loans without any relationship to services actually provided by brokers.

Now, in that kind of circumstance where there is a series of cases obviously linked by this abuse, why shouldn't class action suits be permitted, why indeed wouldn't they be the normal recourse?

Secretary MARTINEZ. Let me first of all clarify the misunderstanding that has occurred in that regard. It is not HUD's position to make any judgment about whether class action lawsuits should or should not take place or would or would not be appropriate. It isn't in our purview and it isn't our intent. What we understand, in regards to yield spread premium, as you indicated, it is a legitimate tool that a potential homeowner may utilize in order to defray some of the closing costs or settlement costs at the time of closing and assist them in purchasing a home that they otherwise might not be able to purchase given the difficulty of putting together the down payment and the other attendant expenses. They can then prorate over the life of the loan those closing costs.

There have been abuses in the way that yields spread premium has been utilized by some brokers and lending institutions, in fact that they have not really provided an additional service to the consumer but in fact have merely been obtained for putting the consumer in a loan higher than they would qualify, for which is an unethical and a bad practice.

What we did was, having looked at the Culpeper decision and realizing that the Culpeper Court said that HUD's rules regarding premiums were ambiguous, we sought to clarify the ambiguity by restating the longstanding view of yields spread premium that HUD has held. Whether or not that clarification has impact on the class action lawsuits that may be pending is not something within the providence of HUD.

That is for the courts to determine and for the litigators to decide how they should approach their cases. We have not in anything we have done intended to get involved in the lawsuits, but merely to clarify what had been obviously perceived to be an ambiguity by the courts in terms of the issue of yields spread premium. By doing so, what we are seeking to do is to preserve yields spread premium as a tool that consumer advocates have indicated to us is important for consumers to be able to access homeownership and otherwise might not be able to do if yields spread premium was not available to them.

So we believe we have done two things. Number one is clarify HUD's rules which have been longstanding and needed to be reasserted and, secondly, to try to maintain as a viable tool to the home purchaser the financing option of yields spread premium. Now, more than that, and this is a long answer and, Mr. Chairman, I know you wanted me to try to not be a filibuster but this is a very complicated issue and, Congressman Price, I appreciate your bringing it up because it is darn important.

At the same time we did that clarification, we issued some of the initial parts of what we will continue to work on as RESPA reform, which requires disclosure of broker fees and upfront disclosure and transparency to the potential borrower of all issues pertaining to the relationship with brokers. We believe with the RESPA process that we are engaged in, with the participation of consumer groups, lending institutions, and everyone else, including brokers, that we will have a process for the real estate settlement that will be modernized, more enhanced, more consumer friendly, more transparent and that will enable the consumer to shop and shop at an early point for the best possible product they can buy.

I believe that at the end of the day the best regulator will be the marketplace, with the assistance of HUD providing some direct guidelines on how the settlement process ought to take place.

Mr. PRICE. Thank you. Those are helpful clarifications. I infer from your answer that you think the test suggested in the Culpeper case is a reasonable one; that is, that the yield spread premium, the legitimacy, should depend on the services provided by the broker and also the commensurability of those services with compensation provided. You basically accept that. There are these reports though, and I want to make sure I understand this. It has been reported that HUD rendered the opinion that yield spread premium transactions must be considered on a case-by-case basis because too much depends on the details of the individual cases. That has been interpreted to discourage, if not rule out the propriety of a class action approach.

Secretary MARTINEZ. That is a wrong conclusion. We did not render such an opinion. That may be the inference some will draw from the clarification to our rule. All we did was clarify the rule and then begin to take steps to make the loan application and closing process more consumer friendly and more transparent and open to competition.

Mr. PRICE. All right. That is helpful. I am looking here at a headline in a newsletter which——

Secretary MARTINEZ. Unfortunately I don't control those.

Mr. PRICE [continuing]. Renders that interpretation; so you can understand why I am asking the questions.

Secretary MARTINEZ. I think that interpretation has been given by some, and I think this is a very difficult issue and that has been the perception of some, but at the end of the day the rule clarification is all that we did. The impact it will have on the class action lawsuits is for the courts to determine.

Mr. PRICE. All right. And I take it that you are also testifying here that you are continuing to pursue action with respect to yield spread premiums?

Secretary MARTINEZ. Absolutely. I think that the practices that are reported in the decisions, in the cases are despicable and they are wrong and should not be permitted and they fall outside of what ought to be the kinds of activities protected or condoned by our RESPA process. So let me say that in addition to these actions we have beefed up our RESPA enforcement in the last few weeks. We have collected over $1.2 million in RESPA enforcement settlements. These are unprecedented actions by HUD, and I am quite proud of that and I think at the end of day as we go through this process I think you will see that we are taking very strong action that ensure that consumers are protected to the extent we can protect and that practices by lenders that are inappropriate are not allowed to continue.

Mr. PRICE. So your testimony is that under RESPA you are able to take steps to ensure that mortgage brokers don't receive kickbacks for——

Secretary MARTINEZ. That is right.

Mr. PRICE [continuing]. Those higher than necessary interest rates on unwitting borrowers and that you are looking at ways that you can further rein in such abuses?

Secretary MARTINEZ. Absolutely. And not only that, we are also looking at upcharges as a despicable practice, a practice that a lending institution may contract for an appraisal of the home for $150 and then charge the borrower $300. That was the subject of the Etcheverry case and we are also making it clear that HUD rules do not permit such upcharges.

Mr. PRICE. Do you have any estimate now as to whether you might be suggesting legislative changes in these areas?

Secretary MARTINEZ. We are first going to tackle the regulatory changes that we can make to ensure that we do the best we can. Those things we cannot do regulatorily we will then be proposing legislative changes to you as well.

OMHAR—ITAG/OTAG

Mr. PRICE. Thank you. Let me move now to the status of Multifamily Housing Assistance Restructuring, or OMHAR. The North Carolina Low Income Housing Coalition is one of many grantee organizations that is charged with administering OTAG and ITAG grants and, like many other grantees, has struggled to keep the programs afloat over the last several months.

Now, this particular organization reports that they have now received reimbursements for program expenses through last September but they are very concerned about the future of the program. As you know, this was linked with charges of antideficiency

act violations by OMHAR. Has HUD determined if an antideficiency act violation was in fact made by OMHAR?

Secretary MARTINEZ. There is an Inspector General investigation on this. We opted to allow the Inspector General to lead the investigation on this. The preliminary reports that we received back from the Inspector General suggested that perhaps a violation had not occurred. We initially thought that there had been a violation and that is why we went ahead and notified the Congress at the earliest possible time. We have asked and have made comments on the initial reports from the Inspector General and we are asking to take an additional look at the point of obligation issue, which was not clarified in their initial report, and we are looking for them to come back to us in the very near future with a fuller report on the issue of whether in fact there was an ADA violation.

What we have done is moved ahead with the $11 million appropriation which we received and gone ahead and made payments to all of the participants, and regrettably this was delayed in happening because of the difficulty in reconstructing records and creating what would not have been a new set of ADA violations. So we have been careful as we go forward. In that care, we did delay some payments, but now all of the contract recipients have been paid through current year and we are in the process of looking at beginning payments for current year obligations and those should be beginning to be made in the next 30 days or less.

Mr. PRICE. So you do intend, then, to fund the OTAG and ITAG programs——

Secretary MARTINEZ. Yes.

Mr. PRICE [continuing]. To ensure those programs can move forward. What about the resumption of payments on the contract with the Corporation for National Service for the VISTA volunteers to the program?

Dr. WEICHER. We have authorized the payment——

Secretary MARTINEZ. This is Commissioner Weicher. I am sorry.

Dr. WEICHER. Excuse me. Mr. Price, we have authorized the payment of the last $600,000 on the agreement we had with the Corporation for National Service for VISTA and that completes the $3 million that was originally agreed to back in 1998.

Mr. PRICE. That takes the program through what date?

Dr. WEICHER. That covers everything that was committed to in the original agreement between HUD and the Corporation for National Service. We have paid all of the invoices that we have received for work performed by the grantees in both 2001 and 1998, the two rounds of funding and also VISTA. And we have notified grantees that we are prepared to receive invoices beyond those we have already received for work that has already been performed. Going forward, Congress appropriated $11.3 million last year, part of it, $1.5 million specifically for going forward, the other $8.8 million being for funds that might be needed either to cover past deficiencies or possible deficiencies, past obligations or for grants going forward.

We are still determining how much of that additional money we need to have for the work that has been done in the past. We had to pay $600,000 for fiscal 1998 grants out of our new appropriation because we did not have sufficient funds to cover the obligations to

individual grantees from 1998. We will have to fund part of the 2001 grants out of that, up to $4.4 million. We don't yet know how much. We have to fund the cost of the IG audit out of that appropriation and we have to fund other obligations entered into in 1998 beyond the ones we already have received and paid. The remainder becomes available going forward for 2002 and 2003.

Mr. PRICE. Well, this is important work, as you know, and these grantees are on the line often operating on very thin margins. We do need to offer assurance as firmly and as quickly as possible as to what they can count on.

Mr. WALSH. Mr. Price, I am sorry. Your time has long expired now.

Mr. PRICE. Thank you. I will wait until the second round for other questions.

Mr. WALSH. Mr. Sununu.

GOVERNMENT-SPONSORED ENTERPRISES (GSES)

Mr. SUNUNU. Thank you, Mr. Chairman. Welcome, Mr. Secretary. I would like to give you a chance to talk about something noncontroversial. Unfortunately, my first question is about the GSEs. In the President's budget he talked about the growth of the GSEs relative to the growth of the mortgage market. GSEs have been growing a bit faster than the mortgage market and we have talked here and I have spoken to the Budget Committee in hearings about the growth of new products and the challenges that can present particularly for OFHEO. In your budget submission there was discussion of a team GSE that you have put together to draw staffing from different areas.

Could maybe we begin by just having you talk a little bit about that team GSE, what are their objectives, how large of an organization is that and what do you hope that they might be able to achieve in the near term?

Secretary MARTINEZ. First of all, let me say that in terms of the GSE regulation, while the OFHEO does the regulating in terms of new programs, it does come into the purview of HUD itself and we do look forward to looking closely at any new product offerings that the GSEs might be interested in. This obviously has come as an issue that has garnered increasing interest, including today, a continuing editorial scrutiny and suggestions of concern.

I think that the GSEs are very important to the housing market and the economic vitality of our country, but also their health and well-being is equally important; so our hope and interest is to continue to allow OFHEO to play the regulatory role it has in the past but perhaps even with an enhanced role as we look forward to what is obviously a very huge part of our economy and a need for appropriate government oversight.

So that is the goal of whatever we are putting together, is to make sure that we are given the resources and the attention necessary to something that has become a real serious concern to many in the country.

Mr. SUNUNU. How big of a group will this team be and will they be the point for reviewing new products?

Secretary MARTINEZ. Why don't you answer?

Dr. WEICHER. Mr. Sununu, the team within HUD draws from the four offices that have some involvement with GSE issues, the Office of Housing, Office of General Counsel, Office of Policy Development and Research, and Office of Fair Housing and Equal Opportunity, and we work together on issues relating to GSEs on a day-to-day basis.

Mr. SUNUNU. Primarily in the area of new product offering or all regulatory issues?

Dr. WEICHER. All issues. The Secretary has general regulatory authority according to the 1992 statute——

Mr. SUNUNU. How does the group interact with OFHEO?

Dr. WEICHER. OFHEO's primary responsibility is for the safety and soundness regulation, a capital standard. We certainly talk to each other but that is their responsibility and not the responsibility of the offices within HUD that are working with the Secretary general regulatory authority.

Mr. SUNUNU. Are there plans for adding staff or expanding the expertise within OFHEO?

Dr. WEICHER. That is——

Secretary MARTINEZ. OFHEO would have to address that issue. I don't think we are in the position to be able to address that.

Mr. SUNUNU. So your goal here is to I guess complement——

Secretary MARTINEZ. Mr. Falcon is here with OFHEO and he has taken the chair rather quickly; so I will allow him to take that opportunity.

Mr. SUNUNU. He has a wealth of experience in understanding how the hearing process works. So please, Mr. Falcon.

Mr. FALCON. Thank you, Mr. Secretary and Congressman Sununu. We do interact with HUD by virtue of our responsibility as the enforcement arm for any violations by the enterprises, whether they fall in the purview of safety and soundness or in the aspects of mission regulation as well and we do this budget—it does include a request for additional resources in the form of 24 additional FTEs.

Mr. SUNUNU. 24 FTEs. And a dollar figure?

Mr. FALCON. Our budget is $27 million this year and it will go to $30.3 million.

PROGRAM AUTHORIZATIONS

Mr. SUNUNU. Thank you very much. Mr. Secretary, there are a couple of new programs relating to homeownership, a quadrupling of the American Dream down payment fund that you presented and the allowance of the Section 8 vouchers to be used for down payment. Will those require reauthorization and what is the sort of the administration's plan for the timing of reauthorization that might be required before we can act as an Appropriations Committee?

Secretary MARTINEZ. Yes, they will require reauthorization and in terms of the timing, was there a timing question? I am sorry.

Mr. SUNUNU. Yes. It is always nice to have the authorization done before we write the appropriations bill——

Secretary MARTINEZ. Right. The legislation has not been brought over yet, but we are working on it. And probably within 10 days it should be here.

CAPITAL FUND

Mr. SUNUNU. Thank you. Last year there were reforms made as part of our bill to the capital fund in the way that that is handled to try to better control the disbursement of funds, prevent unexpended obligations from remaining on the books for 3, 4, 5, 6 years and to reward those housing authorities that were effective in disbursing their capital funds.

Can you provide the committee some information about the implementation of those reforms, what has been completed and what remains?

Secretary MARTINEZ. First of all, let me say I think those reforms were very important and are going to have a long-term positive effect in public housing. Let me ask Secretary Liu to specifically tell you about the implementation of them.

Mr. LIU. Sir, this has been a challenge for us, but we are poised now to act on the QHRWA reforms. We will be later this week discussing potential extensions for those housing authorities that meet the extension requirements as proposed by QHRWA and for those that have not we are in the process of putting together a notice and notification to those housing authorities that 1998 and 1999 funds from the capital fund will be recaptured.

Mr. SUNUNU. I am sorry. The amount of the recapture?

Mr. LIU. The amounts to be recaptured will be approximately $6 million. Now, that could change upon the final review.

PUBLIC HOUSING DRUG ELIMINATION PROGRAM

Mr. SUNUNU. Last year in your budget and in the final conference report, we eliminated funding for the drug elimination grant program. There was a commitment within the administration to try to identify funds within the Department of Justice that might be able to supplant some of the funds that would be removed from programs at the local level in housing authorities that had been effective in achieving their goals. Can you bring us up to date on the utilization of those funds and to what extent have you been able to provide some guidance to Justice regarding the support of those programs that had been using their funding effectively in reducing drug use in public housing?

Secretary MARTINEZ. First of all, I think that some of the funding would have gone into the operating fund of the housing authorities. So a number of those dollars were preserved and not in any way changed. I think, in fact, almost an entire amount of what had been previously budgeted, in addition to that there is a pretty large number of unspent funds in the drug elimination grant funding remains. So there has been no crisis and no programs have stopped because there is still a lot of money in the pipeline.

We have continued to work with the Justice Department and with others to try to come up with a team approach to how we approach public housing drug issues. I should say, by the way, that the "one strike you are out" issue which is so important to enforcement of drug problems in public housing was before the United States Supreme Court about a month ago and I thought that the arguments were very favorable to the legislative position that the

Congress has taken on that issue and I think that will continue to be of some help.

Can you add some specifics to it?

Mr. LIU. We have had a series of meetings with the Department of Justice. The General Counsel and myself have another one scheduled this Friday to discuss the issues of public safety as they are related to public housing. We have committed resources to funding to the Department of Justice weed and seed program and their Notice of Funding Availability does currently include reference to the partnership with HUD in regard to that program. We are having conferences, one coming up on the West Coast in the first part of April, to highlight good practices, successful practices by housing authorities utilizing their operating subsidies and partnerships with local entities to have a broad-based approach to the issue of public safety which the drug problem is certainly part of.

Mr. WALSH. The gentleman's time has expired.

Mr. SUNUNU. Mr. Secretary wanted to add one point——

Secretary MARTINEZ. I wanted to add that there is $531 million unspent in the program as of December 31.

Mr. WALSH. Thank you. Mr. Hobson.

Mr. HOBSON. Mr. Secretary, welcome.

Secretary MARTINEZ. Thank you, sir.

LOAN CLOSING PROCESS

Mr. HOBSON. Let me ask a question, how many people here are from HUD? How many of you have ever attended a HUD loan closing on a residential or commercial property or had one yourself? Not very many out of the group. I think next year what we ought to do is have a loan closing here and see how long it takes and see how many people understand what is going on, and how many people understand the costs for each service and how much competition there is in those services. Then, maybe we could begin to work at some of the problems in loan closings.

I was in the mortgage banking business a long time ago, and I just refinanced my residence. It was not a VA or a HUD loan, but it still took forever because we now have the marketplace where everything has to be sold not for your own portfolio because it is going to go into the marketplace. My wife darn near killed me because I didn't show up and she had to sign twice, once for me and once for her and she said she'll never do that ever again. She has power of attorney. I think we have to look at this. They don't understand the underwriting. They don't understand the credit report or what is on it if they get to see it at all, who did the appraisal, what the cost for it and then all the other disclosures forms. I don't know what they are disclosure for because they are not disclosure for the people in the room, only for the people who prepared them. I have got some other questions I want to ask you but we should have brought a loan package with us today. I think that is a problem in the industry. Another problem is when you get people in that don't have the ability to have their own lawyer and somebody gets ahold of them and starts doing some of these rear-end financing deals and they have no idea, all they know is what my payment is a month, and they hope they know what that is because by the time everything else is added on, it isn't always what they thought

it was going to be and when they get to the closing they are embarrassed to say. It is a problem.

Secretary MARTINEZ. If I may, a little over a year ago I moved and I acquired a new residence up in this part of the world and it was the first time I have been to a house closing in many, many years and as an attorney most of my professional life I was just shocked and astounded at how long it took, how little transparency there was to the process, how little I know about what I was being charged for, and let me say, by the way, the people who handled my closing did everything proper, ethical and fine. We are talking about the process, not about them.

So I want to make that very clear because I have been quoted on this a number of times. The fact is that that sort of spurred me on to the idea we have got to do something about this process. It doesn't make much sense and people kind of say you are the problem now because it is HUD. I think HUD is part of the problem. I think the lending industry needs to take a good look at themselves. I have asked that they do that and have been pretty forceful in some of my statements when I have spoken to the mortgage bankers. I think there are also State and local regulations that need to be addressed because I am told the package this thick is not because of what we do at HUD but partially because of State and local action as well.

So hopefully this mock process we are talking about that will take place a year from now, we will have some things in place that will make that process better, and we are doing it in two ways. One is we are going to continue to go forward, as I said earlier, with the RESPA reform and RESPA review, but in addition to that, so that we can get at the second part of the problem, which is being done by State and local, we are going to bring everyone together and ask for a consortium to come together from State and local so that we can thin out that process. One of the goals that we have is to have early disclosure of fees and all that has to do with the loan process so that before a person is invested in the particular loan, they have an opportunity to shop it and as they shop it between different vendors, I believe that more transparency will come into the process because competition is a wonderful thing.

Mr. HOBSON. I think in the real estate business certain institutions are going to control the whole thing before it is over. And when I was in the mortgage banking business we could not, for example, own the title agency. As a matter of fact when I got my first loan—it was a residential loan and we just did title opinion, didn't have title insurance. Now you have title insurance, but it is a whole different world and it has gotten so complicated that I think the individual is left out. So I am glad you refinanced. It must have been a good yield at that time. It is getting better now, maybe you should do it again.

PUBLIC HOUSING MISMANAGEMENT

Let me ask another question along that line. I talked to your predecessor about a problem in my city and district with the public housing authority and I mentioned this the other day. In 1988, HUD's Inspector General uncovered that the Springfield, Ohio Metropolitan Housing Authority sent over $25,000 to nonexistent com-

panies for building materials, spent $2,000 in expenses not related, and lost $195,000 income over 17 months due to delays in repairing and renting apartments. This was put on the troubled HUD list and they sent some pretty good specialists, I might say, to fix this problem. The problem was when they got in, they found out that no one, not even HUD had authority to rout boards members who didn't do their job or who they wanted to get rid of.

So you can't begin to fix something if you don't have the authority to get in and change the board, and I think you need to figure out how you get the authority to do that and how you get the authority for better control over who nominates people. Some of you people said it was state authority but I would like some paper on how that is done. I am talking about a small city, not a larger community where this is happening. But people who get on these boards have no idea about anything relating to the housing or the authority or what they are supposed to do and when you come in to try to fix it you don't have the authority to do it.

Secretary MARTINEZ. You hit on a very important problem and one that is probably the biggest frustration to me in the past year is to see the continuity of problems in local housing authorities by mismanagement and sometimes worse. I should always point out that this is a very small minority of the housing authorities. The majority are——

Mr. HOBSON. But those are the ones who hit the paper.

Secretary MARTINEZ. But you keep seeing the ones that are a problem. Let me ask Mr. Liu because when we spoke the other day he wasn't with us and he can have some specifics to you on your issue. Mr. Liu.

Mr. LIU. We do have the ability through our contractual arrangements, our ACC agreements to be more aggressive. I think part of the problem in the past has been that HUD has not exercised its authority in regards to our contractual arrangements with the housing authorities to move aggressively when we do discover a myriad of possibilities of noncompliance. One of the areas that we can move on but we have been slow in the past to do so is in the area of conflicts of interest, which is I believe a number of the issues as related to Springfield did relate to that in regards to the authority and the commissioners. We can provide you more detail as to the various avenues of compliance that we can——

Mr. HOBSON. All they wanted to do was to be able to get rid of somebody who is on a board and they couldn't do that and there was one person who stayed on who refused to quit. A lot of people quit. One said I am not quitting and you don't have any way to remove that person.

Mr. LIU. We will take a look at that. We have found in the past that when that opinion has been rendered that we can't do anything. One thing we haven't looked at is the underlying contract that we have with the Housing Authority and their ability to perform, and if they don't perform HUD has wide latitude, extremely wide latitude, to take appropriate action.

FHA DOWN PAYMENT SIMPLIFICATION PROGRAM

Mr. HOBSON. The last thing I want to ask right now in this round is the FHA down payment simplification program makes

FHA loans easier to understand and more affordable for home buyers. The program has been extended twice since its inception as a pilot program and it is going to expire at the end of this year. I know this is one of those authorizing issues but sometimes this committee is forced to deal with those proposals. Do you support the legislative proposals to make the FHA down payment simplification formula permanent and what kind of actions are you going to take?

Secretary MARTINEZ. Housing Commissioner Weicher is going to address it.

Dr. WEICHER. We do support it, Mr. Hobson. We supported the FHA down payment simplification legislation and we will be we hope working with you all to pass it.

Mr. HOBSON. Last, I want to say thank you to you for—I called you about an underwriting decision and fortunately it worked out fine and I appreciate it.

Mr. WALSH. Thank you. Ms. Kaptur.

HUD AND RUSSIA

Ms. KAPTUR. Thanks, Mr. Chairman. Welcome, Mr. Secretary, good to have you here this morning and maybe I will just begin with a statement that I think you have a very important job and unlike the Secretary of Interior or the Secretary of Defense or the Secretary of Energy and many other Secretaries I can mention, you really help average American families gain an economic stakehold and develop real equity and there aren't too many Federal departments that actually do that directly. So I consider the role of the Department of Housing and Urban Development critical in maintaining and expanding an American way of life for all of our people and I have several questions. One is nothing domestic. It is actually a foreign relations issue, and that is I have been meeting for several years now along with some of my colleagues in trying to help the nation of Russia develop a free enterprise system and probably one of the major challenges they face is the development of a mortgage market and some of the officials from Russia have visited some of your folks over at HUD.

I am not sure who, but they have now set up a Federal mortgage agency, which is at the very beginning and they are working with Fannie Mae. I know that the name of their entity there is Gostroy and they would very much like to sign an agreement with HUD much like you have with other countries. It doesn't involve any money. It is just an acknowledgment of where they stand in terms of their current efforts. I am wondering if someone from your office might contact us or if we might put a meeting together to get this thing jump started because time is awasting.

Secretary MARTINEZ. We would be glad to do that.

Ms. KAPTUR. This is a no brainer. It has been done with other countries and it is really important that we get this moving. So I thank you for that.

CDBG

I want to just make an observation if I am reading the materials I have been given properly. The court programs that HUD oper-

ates, Community Development Block Grant program, as I read your submission, there is a $300 million cut that is recommended.

Secretary MARTINEZ. The CDBG program?

Ms. KAPTUR. Yes.

Secretary MARTINEZ. I am sorry. That relates to earmarks and obviously you know OMB's position on that but it relates to the specific earmarks in last year's budget.

Ms. KAPTUR. You are cutting those out?

Secretary MARTINEZ. Right. In other words——

Ms. KAPTUR. So what Congress knows doesn't matter. I hear what OMB is saying and we don't agree with them. We have particularized knowledge. Their processed knowledge sometimes is worse than Velveeta cheese.

Mr. WALSH. If the gentlelady will yield for just 2 seconds.

Ms. KAPTUR. Do they eat Velveeta cheese in Syracuse?

Mr. WALSH. Not at all, but I did notice that there are at least $600 million in executive earmarks in this same bill, so they have more than doubled what we are accused of doing.

Ms. KAPTUR. Thank you, Mr. Chairman. That is very important information to place on the record.

CAPITAL FUND REDUCTION

In the public housing capital fund I read the budget submission as a reduction of $417 million. Is that correct?

Secretary MARTINEZ. That is correct.

SECTION 202

Ms. KAPTUR. Then as our population ages and the very successful section 202 program for the elderly and handicapped in the direct loan program, it is rather curious if my numbers are right that the direct loans appear to be going down. For 2001 we had a direct loan level of $7.804 billion; for 2002, $7.623 billion, and proposed 2003, $7.403 billion, which looks this way to me, along with outlays also going down in each of those years. 2001 there was a reduction of $462 million for outlays, 2002, $484 million, and for 2003, $529 million in outlays.

I just came out of a neighborhood in Chicago over the weekend where I was meeting with a lot of senior citizens and the average senior there gets about $580 a month in their Social Security check and this was a gentrifying neighborhood, and I said to the ladies—most of the people were ladies. I said how much does rent cost in this neighborhood? $600. There is no way—I mean there is no way they are going to make it.

So my concern, Mr. Secretary, and I will just ask specifically on 202 here, how many applications has HUD received for the 202 program in the last fiscal year and how many were able to be funded? Does somebody out there who manages——

Secretary MARTINEZ. Commissioner Weicher will be able to address that.

Dr. WEICHER. Section 202 and 811 are programs within the Office of Housing. They are non-FHA programs. With respect to the direct loan program, what we were reporting in the budget are loan repayments from year to year on the days when we did a direct loan program which we terminated I believe in 1991 or 1992.

Ms. KAPTUR. You are doing guaranteed now——

Dr. WEICHER. We are now making direct grants of $783 million, if I have the number correct, for the 202 program and $251 million for the 811 program and we are holding those levels constant in this year's budget. We are proposing to provide the same level of funding this year as we did last year in each of those two categories separately.

Ms. KAPTUR. In the grant program——

Dr. WEICHER. That is right. Our repayments are showing up larger from year to year because loans are—because the older loans are being repaid. So we bring in $484 million this year and we are expecting to bring in $529 million next year and what you are seeing is essentially an offsetting receipt as these old direct loans continue to be repaid.

Ms. KAPTUR. What were the number of applications just in the 202 that were received and how many were you able to fund? Not the dollar amount but how many groups out there are trying to get help?

Dr. WEICHER. I will have to provide that information for the record. I can tell you the competition is fierce. Whenever we make funds available, and of course we have a scoring system, there is great concern about any change in scoring, even a change in scoring of a point because on a scale of 0 to 100 we have a lot of people clustering at the 90, 85 range and a single point matters a lot.

[The information follows:]

Section 202

FY	Applications Received	Amount** Requested (billion)	Applications Awarded	Amount Awarded (million)	Eligible Applications Not Selected	Amount Needed** To Fund (million)
2001	376	$2.7	157	$604.0	98	$429.5
2000	339	$1.7	161	$596.9	86	$405.3
1999	356	$1.6	163	$633.2	73	$360.3
1998	370	NA*	165	$564.4	87	$409.5
1997	405	NA*	155	$501.3	150	$675.5

* Total amount proposed in all applications received not available.

** Amount reflects application, which may differ from what would have been awarded.

Ms. KAPTUR. I thank you for that. I just want to make the observation that because of the significance of housing and creating equity in this country I think to short-change in this arena is really maybe penny-wise and pound-foolish down the road. So I may hold a different point of view than others on this, but 202 in our community is absolutely successful. Every single group that has done a 202, if you could see and I know you have been in some of those projects, Mr. Secretary, these are win-win-win programs and now with the frail elderly, with the population aging, it seems to me that somebody better take a look at this over there and I was struggling myself in fact in this neighborhood I was in. I said what kind of fraternal sponsors could we have around here? You have got these big empty churches. We could put housing in there, trying to help them out. Ballpark, do you think you get ten applications for every one you fund?

Dr. WEICHER. No. I will have to give you the numbers, but there is not that disparity.

Ms. KAPTUR. Five to one maybe?

Dr. WEICHER. I shouldn't say, Ms. Kaptur. I can't give you that number.

SHELTER PLUS CARE

Ms. KAPTUR. All right. We will submit some questions to the record on that also. I wanted to commend the Secretary for the efforts you are making on an interagency basis on the homeless and particularly those that have severe mental illness, and one of the questions I had in terms of your budget, and I am trying to understand this just to make sure all the parts fit together here, in the Shelter Plus Care program, there appears to be some shortage of funds because of a lack of renewing expiring rent subsidies under that program. Could this adversely impact our ability to meet the incredible need in our country to deal with people who are—homelessness isn't their chief problem. Their chief problem is illness.

Secretary MARTINEZ. Clearly the way we are approaching the budget this year will not result in that. This was a forward funded program, a program that was funded for 2 years. So we are not asking for funds for this year because they were funded in the prior budget year. So what we will do is in the year 2004 we will have to come back to you with probably a request for $190 million to continue funding. The Administration has made a decision not to forward fund programs but deal with them on a year-to-year basis. So while there will be no loss of funding to anyone in the programs this year because it had already been budgeted and funded, we will need to come back to you in the future and it will obviously have to be part of the budget process in the future.

INTERAGENCY COUNCIL ON THE HOMELESS

Ms. KAPTUR. In the interagency group that you are setting up, Mr. Secretary, when will the person be hired?

Secretary MARTINEZ. A person is hired, a person is on board. It is Phillip Mangano and he happens to be here and I would love for you to meet him, so I will ask him to stand.

Ms. KAPTUR. All right, sir. We support your work. We are very interested in it.

Secretary MARTINEZ. We are going to have a real dynamo on our hands and he is going to make a real difference for a lot of families. I am delighted to have him on board. He has got a wonderful record in Boston and he will be a welcomed addition to our team and this whole interagency task force. We are asking for doubling of their budget this coming year and I am delighted the President chose to activate it and to bring Mr. Mangano on board.

Ms. KAPTUR. One of the first bits of information I would appreciate from you, Mr. Secretary, perhaps from Mr. Mangano, would be to provide for the record the current architecture of funding that exists in different agencies to deal with those who are chronically mentally ill who may have a dual diagnosis of substance abuse as well but not only that, and to give us a sense of funding and how you view the current array of Federal programs. That would be very helpful so that as you move forward we all begin from the same song sheet.

Mr. WALSH. The gentlelady's time has expired. Thank you for yielding me those few seconds to make that point on earmarks. I agree with you.

Ms. KAPTUR. Mr. Chairman, could I get my 10 seconds?

Mr. WALSH. You have got 10 seconds. You will have to submit the answer for the record.

Ms. KAPTUR. I am going to ask you for the number of public housing authorities over which you have oversight and in how many of those do you have fully operational credit union programs to help the residents deal with the serious practices of some of these check cashing outfits around this country.

[The information follows:]

ROSS Grantee Credit Union Activities

Grantee Name	Year	Grant Amount	Grant ID
Starkville Housing Authority	1999	$75,000	MS99RSF047P0090
Paterson Housing Authority	1999	$250,000	NJ99RSF021P0104
Philadelphia Housing Authority	1999	$500,000	PA99RSF002P0149
Spokane Housing Authority	1999	$75,000	WA99RSF055P0186
Bremerton Housing Authority	1999	$74,185	WA99RSF003P0181
Vecindario de Esperanza Resident Association	1999	$68,372	NM99RSF007P0112
Hampton Redevelopment and Housing Authority	1999	$75,000	VA99RSF017P0174

Bremerton Housing Authority

The Bremerton Housing Authority is currently providing on-site credit union services to 75 public housing residents and their teenaged children. ROSS-sponsored services include credit services, financial management and budget counseling, and homeownership education. In addition, residents are encouraged to use the credit union to open individual development accounts (IDA). The Housing Authority reports residents note feeling more comfortable using the services of a financial institution, many for the first-time. Local partnerships are noted as the Housing Authority's keys to success.

Philadelphia Housing Authority

The Philadelphia Housing Authority has noted a significant decline of banking services in lower-income neighborhoods throughout the city. In response, the Housing Authority is using its ROSS grant to establish a community-based credit union, among other activities. To date, the Housing Authority reports the development and release of a request for proposals (RFP) to select a financial consultant to develop a strategy for establishing the credit union. When fully realized, the Housing Authority anticipates working with the consultant and residents to secure any needed start-up funding, space and marketing services.

The Paterson Housing Authority

The Paterson Housing Authority is using its ROSS grant to provide job readiness, life skills and substance abuse counseling to both adult and youth residents. In partnership with an area credit union, the Housing Authority provides financial planning workshops, budgeting support, and homeownership counseling. The goal of these services is to increase residents' money

management skills, their likelihood of successful homeownership, and to have them become and use the credit union's banking services.

Vecindario de Esperanza Resident Association

The Vecindario de Esperanza Resident Association is working to use its ROSS grant to hire a program manager to develop a credit union. The area small business development center will provide business development training and help the Association develop a business and marketing plan. Other partners include the local housing authority, colleges, and other businesses.

Starkville Housing Authority

The Starkville Housing Authority is working with the Mississippi Credit Union Association to establish rules and regulations for a resident credit union. Another partner, The Afro-American Cultural Society, will provide childcare services and training to individuals who participate in the development of the credit union.

Hampton Redevelopment and Housing Authority

The Hampton Redevelopment and Housing Authority is establishing a credit union for public housing residents. The grantee faced initially barriers when implementing the credit union on its own, so it established partners and lines of communication with other credit unions in the area. Currently, the grantee has a verbal agreement with one credit union, that, when fully realized would provide homeownership training, budgeting counseling, and micro-enterprise development training.

Spokane Housing Authority

The Spokane Housing Authority is delivering a variety of financial management related services to improve the lives of public housing residents. For example, residents can receive consumer credit counseling, money management training, loans and individual development accounts (IDAs), and homeownership counseling and first-time homebuyers seminars. To date, 10 families have established IDAs, and 24 families have established sufficient credit histories to have loans.

Mr. WALSH. Thank you. Mr. Cramer.

HOPE VI

Mr. CRAMER. I think I should yield more time to Ms. Kaptur. She has done well here. But Mr. Secretary, welcome again before the subcommittee. It is a subcommittee very interested in the work that you and your colleagues do, and our communities depend on you. I want to give you the chance, and some of my questions have been covered by the questions of my colleagues, to talk about the HOPE VI program and I regret that I came in beyond the point where you made your remarks but I scanned your statement to see. How is that program working in the last 2 years? How much money have you spent but, more particularly, how many grants have been awarded? And if you need to provide me with some of this information for the record, I can understand that.

Secretary MARTINEZ. Thank you. Yes, we may have to do just that. I think HOPE VI, as I mentioned, in some frustrations in some of the areas, HOPE VI is one of the great things we do. It has been a very positive program and has done a tremendous amount of good work. We have from its commencement in 1993 to 2001 grant funding totals of approximately $4.55 billion and only $1.7 billion has been spent so far, so there is still an underutilization problem.

Mr. CRAMER. Why is that?

Secretary MARTINEZ. I think because so much has been concentrated in certain parts of our country. The fact is in this new NOFA coming out we are tweaking it ever so slightly to allow perhaps for a broadening of the utilization of the HOPE VI program. This is up for reauthorization this year. We believe it should be a continued program. We will have some recommendations and suggestions on how we can continue to improve the program. There seems to be chronic criticisms of displacement issues, sometimes families that may get displaced during the construction inevitably but also who may not be able to return to the new rebuilt site. So I think we need to keep an eye on the purpose of HOPE VI, we need to continue to ensure that we are providing enough affordable and subsidized housing within the new project so that people are taken care of. But overall it is a great program that has done an awful lot of good and we are delighted.

Mr. CRAMER. Let me jump in here. As I understand it, the funding for the program has remained consistent at $574 million over the last several fiscal years, and I want you to or someone to talk to me more about the process that is involved. I mean we have substantial moneys that are unspent but this is the premier program that allows the communities to demolish and replace severely distressed public housing units. It seems to me from my analysis of it that more of the money goes to the larger urban areas and that the smaller areas, and I happen to represent a smaller area that have stood in line for a number of years in many cases, we can't get our grants awarded and yet you are telling me you are not spending the money but what are you doing with it and how did the process work if it doesn't allow smaller communities to be doing the same thing that the larger communities do?

Secretary MARTINEZ. I am sympathetic to what you say. I think you are precisely right in terms of the history of the program. I believe that in the new NOFA that will be coming out for HOPE VI that you will see something pleasing to you in that regard because we have attempted to do the very thing that you point out needs to be done, which is to allow smaller communities, communities in different parts of the country to have a fair opportunity to compete for the dollars.

I am going to defer to Mr. Liu on the specifics and to answer the other part of your question.

Mr. LIU. Mr. Cramer, we share the concerns that you have raised. We see some great successes in HOPE VI, but when we look at the program from a macro level, as pointed out by the Secretary, when we have over $4 billion over 6 to 10 years which has been allocated and only $1.6 billion which has been obligated or expended, this raises some serious concerns. The process by which we have been monitoring the program has placed HUD in the position of being a developer with the housing authorities and that perhaps is an issue that we are going to reexamine and looking at very closely both in the 2002 NOFA and in issues and implementation should we get reauthorization.

Mr. CRAMER. I want to encourage you to reexamine because it is alarming to me that when my largest housing authority received a very small demolition grant but then for 2 or 3 years has been denied the second phase of that and you have got billions of dollars that are unspent, now I am willing to wait in line and willing to hear if there are reasons why they should not be granted but in my State alone, in the entire State, north to south, Birmingham is the only public housing agency that has been successful with this program, and I think it deserves your complete relook and to make sure that those moneys are more effectively spent.

Mr. LIU. Two things to address this quickly, one, you are right, the program as initially envisioned was designed to deal primarily with the larger housing authorities in a certain part of the country. Number two, as we examine the problems in obligations and expenditures, we do have the ability to recapture funds from those housing authorities, HOPE VI grantees that are not utilizing the moneys, and then reprogramming them back into the HOPE VI program for other grantees.

Mr. CRAMER. Well, either today or probably later for the record, I understand that last year 16 grants were awarded and that included 15 cities. Could you provide me with a dollar amount and where those grants were awarded so that I can help——

Secretary MARTINEZ. We can certainly do that. I know there are major cities in our country that year after year have been receiving HOPE VI grants. You have to understand they were the problem with public housing. We are talking about Chicago, some of the most horrible examples. Now they have received so many public grants that they are having a hard time getting the money out the door and getting the process——

Mr. CRAMER. Other parts of the country sit there with distressed public housing——

Secretary MARTINEZ. Over the past year as we have come into the job, recognizing that misallocation, we have worked with the

NOFA process to ensure a broader distribution of HOPE VI opportunities. So I think what we are doing is going to have the desired effect that you seek and we look forward to providing you with the information you asked.

[The information follows:]

FY 2001 Hope VI
Revitalization Grants

Housing Authority	Development	Amount Of Grant
Atlanta	Capitol Homes	$35,000,000
Boston	Maverick Gardens	$35,000,000
Bridgeton, NJ	Cohansey View	$10,945,944
Chicago	Robert Taylor Homes	$35,000,000
Chicago	Rockwell Gardens	$35,000,000
Hagerstown, MD	Westview Homes	$27,357,875
Jersey City	Lafayette Gardens	$34,140,000
King County, WA	Park Lake Homes	$35,000,000
Macon, GA	Ohlethorpe	$19,282,336
North Charleston	North Park Village	$30,347,921
Philadelphia	Mill Creek	$34,825,000
Phoenix	Matthew Henson Homes	$35,000,000
Portland, OR	Columbia Villa	$35,000,000
St. Louis	Blumeyer Homes	$35,000,000
Tampa	Riverview Terrace/Tom Dyer	$19,937,572
Washington, DC	Arthur Capper/Carollsburg	$34,937,590

TOTAL AMOUNT AWARDED: $491,774,238

TOTAL NUMBER OF GRANTS: 16

Mr. CRAMER. I want to add as well on the issue of the FHA down payment simplification program, it was music to my ears to hear you say that you would advocate that that be made permanent.

Thank you, Mr. Chairman.

Mr. WALSH. Thank you. Mr. Fattah.

HUD'S EFFORTS IN PHILADELPHIA'S NEIGHBORHOODS

Mr. FATTAH. Thank you, Mr. Chairman, and let me welcome the Secretary again to the committee. Let me ask one parochial question and then move to some broader issues. As you know, the City of Philadelphia has launched—a neighborhood transformation initiative that places some $300 million into blight removal, as well as thinking through how the city deals with a whole host of issues that HUD has been intimately involved in over the years in Philadelphia both in terms of vacant structures and new housing development, and how to create more affordable housing in the city. I would like to give you an opportunity on the record to indicate whether you have had internal discussions, and how you see HUD being able to interface with a major city as it attempts to deal with decades of declining neighborhoods.

Secretary MARTINEZ. Well, Congressman Fattah, I think what you are doing in Philadelphia where Main Street is involved is very, very impressive and commendable, and we want to work with you on it because it is obvious that a very serious local partnership has emerged and what we ought to do is try to come in as a facilitator, once this whole cooperative effort between industry, private sector, and government has come together.

I have met with the mayor. As you know, we have been to Philadelphia. I think that, specifically, how we will cooperate, I guess, depends on what programs might be available, but you have my assurance that what is happening in Philadelphia we think is very important and very commendable and it has our fullest support.

Mr. FATTAH. Well, my hope is that maybe the Department, under your direction, could set up an interface with the city in a significant way to look at how the city's $300 million is going to be spent, and to what degree does HUD's programming in Philadelphia, both in terms of public housing and other approaches—can be leveraged in a meaningful way so that this initiative is successful.

We don't have a major city in our country that has been able to tackle these problems with complete success. I think the Philadelphia initiative is the largest that has ever been attempted with the use of local funds. I also think you want to encourage local communities to find resources for this purpose, so it would seem to me that HUD should be an enthusiastic lead partner in this effort.

Secretary MARTINEZ. You are completely right, and I think it is remarkable what has been done locally; and we should be there to help, so I think your suggestion is a good one. We should try to find a way that we can put a little task force together to work with the mayor and continue to be supportive anywhere we can and make sure that—you know, whether it might be our FHA, REO properties, or whether it is through HOPE VI or whatever other means we have available, to make sure that we are working in concert with the city.

HOMELESS PROGRAMS

Mr. FATTAH. I am going to follow up with you, and hopefully we can move aggressively.

Let me ask you about the consolidation of the homeless programs and the reactivation of the council. There is some concern that consolidating the homeless assistance programs, which I know you see as a cost-cutting approach, may diminish some of the specialized focus on some of the populations, for instance, homeless children. If you could, please comment.

Secretary MARTINEZ. We think this consolidation is going to make the program more effective. It is going to get the money out, instead of in 18 months, in 3 months. We think that is all very positive, and frankly we think that at the end of the day, other than the fact that it is a change, it is not going to have an impact on the programs that are currently being funded. That is not the intent. I think the idea is to make the grant process more cohesive and to allow us administratively to do a better job, but it is not intended to have an outcome that would be different than what is currently taking place in the homeless grant communities.

So we believe that it is going to be a positive—but in terms of all the different programs that come under this consolidated effort, we are not seeking to steer the money one place or away from another. Quite the contrary. We want to continue the programs that are there. We want to, in fact, have Mr. Mangano to input what he sees in how we can bring other agencies—you know, HHS may have a children's program that they are trying to do which may have some connection with the homeless issue. And so as we let Mr. Mangano do his work, I think that we will find not only a continuation but maybe even better ways in which we can connect with the grantees in what they are trying to do.

EMERGENCY FOOD AND SHELTER PROGRAM

Mr. FATTAH. Lastly, we note that the FEMA program that deals with people who are displaced through natural emergencies and who are homeless is being shifted to HUD.

Secretary MARTINEZ. That is correct. Again, it is a consolidation of a program that deals with homeless issues, and it didn't make much sense for that to be at FEMA. And I am not sure historically why it ended up at FEMA. You may have a——

Mr. BERNARDI. It is a $153 million allocation for emergency food and shelter, and the thought was to bring all such emergency homeless assistance under one purview at HUD. There is a National Board of Governors that runs that program. There will be no programmatic changes, and once they make the allocation to the various jurisdictions, local boards make the determination as to how the money is spent.

Congressman, if I may, in Philadelphia—Philadelphia is one of the cities that is utilized to the maximum, so there is an awful lot of economic development going on in that great city.

Mr. FATTAH. Well, we are very happy with the development, and we hope to maybe lift those caps so that we could utilize 108 a little bit more.

Thank you.

Secretary MARTINEZ. Congressman, I also wanted to—just as a small commercial advertisement for us, that it is kind of encouraging that OMB would encourage FEMA to shift the program over to HUD. I think that shows a little confidence that may have not been present in the HUD of past.

Mr. FATTAH. Mr. Secretary, a lot of confidence has been placed on you from a lot of different quarters, and I want to thank you for your assistance in Philadelphia with your different approaches. This new initiative, though, I think is something that really deserves your attention, because if it is successful, other local communities might amass significant local resources to attack problems that presently are only being addressed through Federal funds. It could be an opportunity for a real partnership if we can create a success story in the neighborhoods of Philadelphia.

Secretary MARTINEZ. Thank you, sir.

Mr. FATTAH. Thank you. Thank you, Mr. Chairman.

Mr. WALSH. You are welcome, sir.

Mrs. Northup.

HUD/HHS ROLES FOR THE HOMELESS

Mrs. NORTHUP. Thank you. Welcome, Mr. Secretary. We are delighted to have you, and I specifically am delighted to have you. You make an enormous impact on my district. It is an urban district, and we are very eager to look at the emerging programs and to take full advantage of them.

I would like to follow up from some previous years about some questions regarding homeless programs and sort of what the role of HUD is, what the role of Health and Human Services is, and what sort of coordination might be important to better address the challenges of the homeless.

I have looked in my district and looked at—as we know, for many of the homeless, the challenge of mental health, mental illness is an enormous part of their challenge. And while I think we were so right in the 1960s to think of institutionalization as the last resort, we certainly haven't gotten it right yet about how to provide a comprehensive program that better serves the homeless; specifically, those that are mentally ill.

And my concern is that as Health and Human Services programs seem to be less and less effective and adequate, that HUD is being called on to develop those services to provide more and more programs. And while I don't object to those programs, I don't think there will ever be enough dollars in them if we don't start spending Health and Human Services money better.

So I guess what I am asking is: Could you go over there and tell them what they need to do?

Secretary MARTINEZ. Well, you know, when I came into this responsibility that was one of the early decisions that I made, was that, in fact, we were being burdened, and I don't mean that—it is part of our job, but, you know, there was not a fair share of the burden in terms of the homeless problem. So early on, Secretary Thompson and I met, and as a result of our meeting, he was very receptive and to understand that in fact it is a shared responsibility.

A lot of these problems, unless we get the mental health dollars, unless we get the other health dollars available through HHS, a lot of this population is getting missed.

So as a result of that, we began a working group, a task force, between HHS and HUD where we are attempting to do what you just suggested, sometimes successfully, sometimes less successfully. Bureaucracies are very attractable, and that means our bureaucracy. But as a result of that synergy that Secretary Thompson and I created, we went to the White House and asked the President to reactivate the Interagency Council on the Homeless, which has given rise to Philip Mangano, who was introduced a few moments ago, who is going to be the head of that new interagency working group.

As a result of his coming on board—and he has just come on board this week—we will have the opportunity to more closely focus the resources of HUD in the shelter areas where they belong; make sure we are getting the health dollars out of HHS to the homeless population where they can best do what they can; and we can also interact with VA, also look at what other homeless programs there might be.

In the past, we would have been looking at FEMA. Now FEMA has incorporated that into our program. And in doing so, I think we will come up with a much better solution to the problem of homelessness, so much so that I felt encouraged enough to challenge us that in the next 10 years we should end chronic homelessness, that in fact this is an attainable goal and it is something that if we approach it comprehensibly like this, we might be able to make a difference.

And, you know, when I was a former local official in Orange County, Florida—and I am not filibustering you—I think I mentioned this the other morning when we met, is the fact that our jail had so many people in it that were, frankly, mentally ill or addicted.

Mrs. NORTHUP. In our jail.

Secretary MARTINEZ. And so that is a serious, serious problem, and while we may have made some progress in the 1960s, we are a long way to getting it right. What we are doing today is not very compassionate.

COORDINATION OF EFFORTS FOR THE HOMELESS

Mrs. NORTHUP. Well, I asked the question about it because you both talked to Health and Human Services, because I do think that Secretary Thompson is very committed to this.

I would like to raise another area, though, in that you have to effect where the dollars go, and whether they go there effectively, if you are going to change programs. And most of the Federal dollars, I believe, that go to mental health, flow through Medicaid, through the mental health, mental retardation centers, that are the only billing agent in every region for mental health services. And, as there seems to be a broad realization, that they do a lot of cherry-picking. They serve people that show up at 1 o'clock on Wednesday for their appointment, and the homeless don't do this.

So, while the homeless could access the programs, you know, to really serve the homeless, you have to have a much more com-

prehensive approach that, you know, includes going to where they are and providing for their physical needs, too. I am not sure that Medicaid or CMS, is as engaged in this as they need to be, and that if the inadequate portion of this equation—and I have a strong feeling about where the inadequate portion is—is still allowed, their direct billing abilities, without having to become real partners in this, that you don't ever really transfer the money to the most chronic needs, the most serious needs. And, yes, instead we have the problem in our jails. We have families that don't have the answers they need. We have the homelessness. And none of those are a good approach to addressing the challenges of the mentally ill.

Secretary MARTINEZ. Well, I think you have pointed out a very serious problem, and I am delighted that you were able to make that point, because Philip Mangano, as I say, is here with us, and I know Philip will be looking to address that issue. And maybe we should even discuss some of the specifics with you so that we might use it as a laboratory of what may be taking place in many other communities.

Mrs. NORTHUP. Well I would love to work with you and work with you not just for my district, but I do believe that we already have enormous amounts of money in the system and that——

Secretary MARTINEZ. I think we do.

Mrs. NORTHUP. And that——

Secretary MARTINEZ. Yes, $1.1 billion a year is what is in our budget this year. That is a lot of money, and you know——

Mrs. NORTHUP. And that doesn't even include, if you look at the pie chart from the State of Kentucky—I mean, from my district—7 percent come in Federal funds for mental health—the area of mental health, mental retardation, 44 percent come from Medicaid billings.

Secretary MARTINEZ. But, you know, the $1.1 billion doesn't include those monies that should filter at some point to some homeless person, and they typically don't.

Secretary Bernardi wanted to make a comment on this as well.

Mr. BERNARDI. Mrs. Northup, the numbers that are there are approximately all the homeless that are out there; but for 80 percent, it is an episodic occurrence. They go from emergency to transitional to permanent housing. It is that 20 percent that they call chronic homeless or long-time homeless individuals that are out there, those that are mentally ill, those that have substance abuse situations. Of the $1.1 billion that the Secretary mentioned, approximately 50 percent of HUD's funds go for housing, and the other 50 percent for support services.

So I think what the Secretary has initiated with Secretary Thompson, and now with the Interagency Council on the Homeless, is to bring all of the support groups and support services together and make a determination to take a homeless person off the street, provide them with the housing that they need. But then the other services that follow that are so very, very important, whether it is training, whether it is referral because of an addiction, job training, employment. I believe this Interagency Council being reactivated is going to answer a lot of the concerns that we have. Of course, we also have the National Institute of Mental Health at NIH. You know, I would invite you to include them in on this—there are

some innovative approaches to helping people that struggle with this over the course of their lifetime. I am afraid that sometimes the public sector, as I see it right now, is the last to get the word of what the new approaches are, what the possibilities are to intervene more effectively. So I would like to work with you.

Mr. Chairman, have I used up all of my time?

Mr. WALSH. You have 1 additional minute.

HOPE VI IN LOUISVILLE

Mrs. NORTHUP. Okay. Well, let me just take this opportunity, then, to thank you. We have a HOPE VI program in Louisville. We are disappointed we don't have another one. We are still hoping that one will come. But the one we have has been very successful, and, as I understand, it has been fairly flexible. You all have continued the flexibility under which it has started. You know, that has been so important to this district. I invite you to come. I think you would be really pleased to see such an effective program where mixed income—very mixed income, everything from public housing to professionals live in this neighborhood. Their children play on the same ball team together. They are growing up together. The units are sold because it is a very exciting place to live, and I would invite you to come and look at it.

Secretary MARTINEZ. Thank you very much. I will do that.

Mrs. NORTHUP. Thank you, Mr. Chairman.

Mr. WALSH. Thank you. That concludes the first round. I think we will give the witnesses an opportunity to take a break.

Secretary MARTINEZ. Thank you.

Mr. WALSH. We will take a 5-minute recess.

[Recess.]

UNOBLIGATED/UNEXPENDED BALANCES

Mr. WALSH. The Subcommittee will come to order. We ask the witnesses to return to the desk, and we will try to get through this second round with some speed. I will begin, and what I would like to talk a little bit about is some of the unobligated and unexpended balances that HUD has accumulated. Last year we talked at length about the continuing inability of HUD and its partners to spend the money Congress has provided. If we look at fiscal year 2001 spending, it appears no real progress has been made in reducing the backlog of unspent funds.

Excluding Section 8, which we have discussed somewhat, excluding it at the end of fiscal year 2001, HUD and its partners have not yet spent $41.3 billion provided in fiscal year 2001 and prior years, of which $7.7 billion has not yet even been obligated.

I would like to note that this total does not include the $14.5 billion appropriated in fiscal year 2002 programs. So if you add that up, it becomes quite a sum; actually, over $55 billion. Mr. Secretary, that represents a 3-year backlog of unspent funds, and it seems to be the same programs that continue to have the largest backlogs.

Let me give you some examples: $10.1 billion remains unspent in CDBG, $10.1; $6.95 billion in elderly and disabled housing—that is 7 years' worth of funding, including $2.7 billion not yet obligated; $6.8 billion in public housing capital fund; $3.9 billion in homeless

programs, over 3 years' worth of funding, of which $1.4 billion had not yet been obligated; $3.2 billion in the HOPE VI program, 5 years' worth of funding; and $4.5 billion in the HOME program.

With some pipeline of funds expected, the backlog in HUD programs is much greater than I think any of us can or should accept. Every dollar not yet spent represents a need not yet met.

You testified last year that better management by HUD and its partners was the key to solving this problem. You indicated that several program management reviews had been complete, or would be completed shortly and changes would be implemented. What specific management changes has HUD implemented in any of these programs since last year, and how will these changes help reduce the backlog?

Secretary MARTINEZ. Well, Mr. Chairman, I think you point to a very serious and longstanding problem that HUD has in the utilization of funds, and a lot of it, of course, depends on HUD's partners to utilize the funds in a timely fashion.

Clearly, when we talk to some of our partners, we recognize that any funds that have not been properly spent, that ultimately there is a family that hasn't been helped. And we take that very seriously and we recognize that as a serious problem.

What we have been trying to do at HUD is to try to make sure that we have a program that we can measure with each of these areas in terms of management reviews, in terms of follow-up. You have listed basically all of the significant programs that HUD has, with CDBG, elderly, disabled or PIH, homeless, all of the above are programs that obviously have unspent balances that are well beyond what should be anticipated.

I would say that the problem really lies in the ability of HUD's partners to utilize the funds, and I believe that recapture is an option, and that recapture should be a threat, and if that is a real threat—back to what we were discussing with Congressman Mollohan, that that is not necessarily getting the help where it needs to go—I think that threat has to be there, because ultimately it will force local partners to do right or risk the loss of funding and it will be reauthorized to go elsewhere.

So with regards to specifics—I am looking for a little help here. There seems to be a little reluctance to come up. Maybe we can interpret that to be, you know, the lack of a good handle on a very difficult problem.

Mr. WALSH. Well, we need some specifics, whether you can provide them today or provide them in writing. Last year we had a general response, a sympathetic response to the question, but a lack of detail. We really do need some detail on how you are going to deal with these things in an era of shrinking budget surpluses. These funds become very attractive for rescission, and I don't think any of us want to rescind funds that we thought were priorities when we appropriated them. In most cases, you requested those. So we really need some specifics here, and if you can provide those now, that would be great. If not, then we would need them in writing.

Secretary MARTINEZ. Mr. Chairman, I think you are correct in wanting some specific answers, and I think that we should provide those, and I think certainly we can provide and we should provide,

as best we can, in writing. And if we are prepared to do so today, I am happy to call on Secretary Bernardi for CDBG and Secretary Liu for PIH.

CDBG UNEXPENDED BALANCES

Mr. BERNARDI. Mr. Chairman, for CDBG, you are correct, it is about $9 billion. We have implemented a program to bring the grantees into a timeliness factor, and if they have over and above 1½ times their most recent grant 60 days before they are to received another grant, we have a program in place now where we are going to take what they have over, starting at 15 percent, and then each year that they are over, take additional monies away. However, the fact is in a lot of situations, much of that money has been committed. It just hasn't been spent.

But we need to do a better job of tightening that up, and as I mentioned earlier, our untimeliness now has gone from 310 entitlement communities down to about 110. So we are moving in the right direction, but we need to do more.

PUBLIC HOUSING UNEXPENDED FUNDS

Mr. WALSH. Thank you. Mr. Liu.

Mr. LIU. Mr. Chairman, on the Public Housing Capital Fund, as I mentioned earlier, we stand poised to implement QHWRA on the recaptured provisions there. We have laid out a process, step by step, that we will be utilizing in this round as well as for the future. And I will admit that has been quite a process, and we appreciate the assistance that we have received from your staff in working with us on that.

In regards to HOPE VI, as I mentioned, as the Secretary mentioned, the issue of backlog and unobligated and unexpended funds is one of the weaknesses that we see in the program. One of the management tools that we are going to require is that going forward, we want to see project schedules with the application. It is rather astounding to me to find out that up until—well, through the 2001 cycle—project schedules were not required as part of HOPE VI applications. So that grantees, once they got the awards, subsequent to receiving the money, then, quote, "negotiate with HUD on time lines." There was no formal approval process for extensions of those time lines.

We now have that in place. Those are some significant management changes in that program that we are looking at. Also I will mention—without mentioning the specific city—that we are preparing some significant recapture notices to some HOPE VI grantees.

REAUTHORIZATION OF HUD PROGRAMS

Mr. WALSH. My time has expired. Let me just ask you if you could submit it in writing. Many of these programs, including HOPE VI, are up for reauthorization this year, and I would be interested in hearing your thoughts on what changes you would recommend to the authorizing committees to make these programs work better to help to get the money out. And you can submit that in writing.

[AGENCY NOTE: Please refer to the Agency's response to Chairman Walsh's Question #1 submitted for the record following the hearing transcript.]

Mr. WALSH. Mr. Mollohan.

PUBLIC HOUSING REINVESTMENT INITIATIVE

Mr. MOLLOHAN. Thank you, Mr. Chairman, Mr. Secretary.

Capital funds, Mr. Secretary; last year you justified a fairly substantial cut to the capital fund because of the backlogs. What was that cut last year?

Secretary MARTINEZ. Seven hundred million dollars.

Mr. MOLLOHAN. This year you are proposing a $417 million cut based upon your initiation of a new leveraging program to work with the private sector to get project-based refinancing strategies.

Secretary MARTINEZ. Correct.

Mr. MOLLOHAN. There is some support out there for this program but also a lot of concerns, and opposition pending resolution to those concerns. I would like for you to talk about this a little bit. And I guess my first concern is that it is an idea, and I think before it becomes an initiative it should be tested and more fully developed, particularly when you are justifying a $400 million cut to the fiscal year 2003 budget based on it.

Secretary MARTINEZ. I think you make a good point in that regard, and I think it is one of those issues where we are trying to innovate. We think it has a lot of potential positive good, and I don't think that the cut ought to be viewed in any way punitive. In fact, I think the backlog issue we dealt with last year—thanks to your committee's work in a very forceful way—and I think it is going to help us going forward.

So I think the idea is that there will be private financing sources available. If those were not to materialize, I certainly would understand the need for the Committee to appropriately fund the capital fund. It is not intended as a cut in what is needed or what is available to public housing authorities, but it was more of a management tool in order to facilitate moving into this new program.

Mr. MOLLOHAN. Do you think we will be able to make those determinations between now and when this bill is finished?

Secretary MARTINEZ. I think there is some real skepticism about the private financing options, which I don't think are well founded. I think it is going to be successful, and I think we have some good examples that are ready to go on this.

So to the extent we can provide data over the next few weeks on this, that would give you some comfort. But at the same time, I would certainly understand the Committee's view of funding of the Capital Fund.

Mr. MOLLOHAN. Prematurity is the concern we just talked to. The other concern I might have is the evenhandedness of how this might be implemented. I understand it is conceivable that there may be some authorities out there that could implement this program, but there are going to be an awful lot that aren't, and the cut would impact across the board, would it not?

Secretary MARTINEZ. Well, the cut is across the board. The idea, of course——

Mr. MOLLOHAN. So any authority—excuse me, I don't mean to interrupt you, but any authorities that could take advantage of the program fine. But what about those that——

Secretary MARTINEZ. Well, hopefully we would be able to allocate for them with—I mean, if we can bring in $400 million of private money, that would suggest that we don't need $400 million of Government money. So——

Mr. MOLLOHAN. Again, I didn't make my point, or you don't agree with it. I am saying it would be unevenly beneficial. This program would not be beneficial to all of those authorities that are experiencing reductions. So that even if it were successful, even if it were beneficial, it would only be successful for a few authorities, and therefore those that it were not applicable to would definitely be experiencing cuts.

Mr. LIU. Mr. Mollohan, that really depends on the housing authority and where they perhaps may line up in regards to the backlog which was mentioned, anywhere from $7 to $10 billion in capital fund backlog in the aggregate, and many of those housing authorities that may believe they may be suffering also have backlog dollars to spend. And certainly, we understand that this is a tool, not a panacea, to deal with some of the needs of deferred maintenance. We have had a lot of interest from—close to 15 or 20 housing authorities that are ready to——

Mr. MOLLOHAN. Respectfully, you are not saying that in disagreement with my point, are you?

Mr. LIU. No, I am not disagreeing with your point. What I am saying is that there are housing authorities that have, as part of a $7 to $10 billion backlog, have dollars available in their Capital Fund.

Mr. MOLLOHAN. I understand, and we talked at length about this backlog last year and about the spend-out rates. But all things being equal, only some authorities would be able to take advantage of this program, and that assumes you got it up and working within the 2003 cycle—all I am really talking about here is timing. We are not even into the merits of a program, because you haven't brought the program forward in a mature sort of way. I am talking about it being premature. And also if you were to try to implement it, would be very uneven, and to that extent, implementation there are going to be some housing authorities that are going to have less access to Capital Fund money.

These are 2 years running of serious cuts to the Capital Fund. You have proposed to cut—if I add this up, and I am sure I am not doing it right, $1.1 billion.

Secretary MARTINEZ. I would say that, you know, it isn't the intent to further go into the Capital Fund in that way, and that as the Committee goes forward, I suppose we made a proposal and then it is up to the Committee to take it forward from there. I understand the points that you make, and I think they are very valid and legitimate.

Mr. MOLLOHAN. I appreciate the opportunity to talk with you, Mr. Secretary, and your people about these issues. Thank you, Mr. Chairman.

Mr. WALSH. Mr. Knollenberg.

DETROIT HOUSING AUTHORITY AND HOPE VI

Mr. KNOLLENBERG. Chairman, thank you, and welcome, Mr. Secretary. Glad to have you here.

I want to get right quickly into a matter that is focused in Michigan. It is the Detroit housing commission, and I know you are aware of some of the problems there. You will remember that the HUD IG report that was released last year, found that the Detroit Housing Commission cannot account for some $18 million in HUD HOPE VI funds. Subsequent to that, the housing commission has denied many of these allegations and claims it can provide documentation for the $18 million.

I have asked the U.S. attorney in the eastern district of Michigan to step into the matter and look into it. We are going to, in fact, discuss this sometime in April. The HUD OIG recommended that HUD declare the housing commission in default of the HOPE VI grant agreements and place the administration under a receivership.

I noticed this recommendation was included in the IG's semi-annual report to Congress, dated September of 2001. You may not have had time, but somebody on staff has had time to read this report, and I just wonder what your response would be to the recommendation by the IG, and also would you support a move for a receivership, and what is the time frame for this decision?

Secretary MARTINEZ. We have worked with the Inspector General to reach a management decision about the review and closure of each of the audit recommendations that were listed in that audit. HUD has until September 13th of 2002 to close their monetary findings, and March 2003 to act upon the recommendations dealing with possible receivership and sanctions against the former and current executive director of the Detroit Housing Commission.

In the interim, HUD has established a zero threshold for the Detroit Housing Commission that requires that the Detroit Housing Commission send all of its change orders to HUD for review and for approval. So that is where we are.

Mr. KNOLLENBERG. Is that taking place right now, that zero threshold?

Secretary MARTINEZ. Yes.

Mr. KNOLLENBERG. And how long has that been in place?

Mr. LIU. It has been in place since the issuance—about 2 months since the issuance of the IG report.

Mr. KNOLLENBERG. So it has been in effect for several months.

Mr. LIU. Yes, sir.

Mr. KNOLLENBERG. Is that being abided by?

Mr. LIU. To the extent we can get cooperation from the housing authority, yes, it is being abided by.

Mr. KNOLLENBERG. And in light of the coming reauthorization of HOPE VI, what reforms are you considering or suggesting that might be implemented to enhance performance and accountability?

Mr. LIU. We are going to focus in on project readiness. That is, require that the applicants be much more project-ready in regards to financing, project schedules, and all of the elements that go to making a project successful and ready to go.

Currently, for instance, an applicant does not have to have all of its zoning in place. An applicant does not have to have all of its financing in place. An applicant, as I mentioned earlier, does not even have to have its project schedule in with the application. These are basic to any type of successful projects which we are going to require and look for in the future. We are going to require that any extensions of any deadlines provided in that application have to come back to us for approval. It is clearly an open field for the type of problems we see in some of the problem projects where that has not been in place in the past. So those are some of the issues that we are looking at as we move forward in reauthorization, sir.

Mr. KNOLLENBERG. And I appreciate, Mr. Secretary, your working with us on this, and your staff as well. My concern is that maybe the housing directors, don't properly understand the program locally. Would you suggest that is true?

Secretary MARTINEZ. Well, clearly, it is a management breakdown, and I don't think there is any question about that. And now, unfortunately, you know, we can do some things, but I think the drastic steps of receivership are pretty strong, and we prefer to work with the local authorities to the extent possible.

We have done it. In fact, we have done it recently in the case of New Orleans. But it is really a last resort sort of method for the most part.

Mr. KNOLLENBERG. I know you stated last year in your testimony that you are going to try to move forward with some program to decertify people that weren't up to the——

Secretary MARTINEZ. Well, clearly.

Mr. KNOLLENBERG [continuing]. The management level. Is there anything along that line that might be applied here, or would that be a little premature to suggest——

Secretary MARTINEZ. Well it is probably a little premature, but we would look to the IG's guidance on what they find in their investigation as it completes, and then pursue it from there.

Mr. KNOLLENBERG. Thank you. I think my time has probably expired, hasn't it? Yeah. Thank you.

Thank you, Mr. Secretary.

Mr. WALSH. Thank you, Joe.

Mrs. Meek.

Mrs. MEEK. Thank you. Because I have only 5 minutes, Mr. Secretary, I don't want you to answer. Just give me a nod on some of this.

Secretary MARTINEZ. I will give a code like that.

PUBLIC HOUSING DRUG ELIMINATION PROGRAM

Mrs. MEEK. First of all, I am interested in the drug elimination grants that you turn over to the Department of Justice. I don't know what they have done with the money, and have they done anything and have there been results? And if I can get a quick answer on that, I will get to my other one.

Secretary MARTINEZ. We are working on it and we are very encouraged with what we are doing. We are talking about the weed and seed program being involved, and we are doing some things

that are very positive, but we are going to continue to keep you posted on it.

LEAD-BASED PAINT PROGRAM

Mrs. MEEK. And I want to commend you on your lead safety program. It is judged to be an effective program, but it is a big, big problem, Mr. Secretary. And I do know what is being done in terms of your lead-based rules and the children that are involved in all of these public housing projects.

I also want to know what is being done in all of these foreclosed homes that you are selling to low-income people. HUD lets them—there are over 30,000 of them out there being sold to low-income people, and they have all of these lead-based paint hazards.

Secretary MARTINEZ. We are increasing the funding for lead-based abatement. In this budget—I don't have the figure in front of me, but there is a substantial commitment there. Sixteen million dollars is what the request is this year—I am sorry, an increase by $16 million. I didn't have my notes in front of me.

So we think that represents a very strong commitment to, you know, healthy homes, which we are working with EPA on and jointly trying to tackle the issues of not only lead but also mold and other health problems that exist in the home which, frankly, in Florida may be even more relevant than lead-based.

Mrs. MEEK. So you are doing things to see that the children will be protected. What kind of program does HUD have to get the word out that these things do exist? And it is a problem of lack of knowledge in many instances.

Secretary MARTINEZ. Well, we work with the landlords. We work with, you know, all the public housing agencies. I am sure we also do some work through our REO FHA program to make sure that people know of the problem and that the abatement is taking place, that we do the things we need to do to eradicate the problem and make sure that it doesn't continue.

FHA, I know, does some of these things in terms of the rehabilitation that we pay for when we put homes out on the market.

Dr. WEICHER. If we know of a problem, if we know of a lead hazard, we disclose it on any of the properties that we sell. And if we are doing rehabilitation, as the Secretary said, the rehabilitation includes lead testing and abatement.

Mrs. MEEK. And would you submit for the record the number and amount of applications that were submitted by citizen States in the last grants you had for hazard and healthy homes, as well as the number and amount that you funded?

Secretary MARTINEZ. Okay.

Mrs. MEEK. Can you do that?

Secretary MARTINEZ. Yes, ma'am, we can.

[The information follows:]

NUMBER AND AMOUNT OF LEAD HAZARD ABATEMENT GRANTS

Below are the number and amount of lead hazard control grant applications submitted for fiscal year 2001.

Lead Hazard Control Grant Program: 97 applications totaling $219.5 million. Of this, 23 were funded totaling $59 million.

Healthy Homes Program: 84 applications totaling $71.3 million. Of this, 14 were funded totaling $8.1 million.

Mrs. MEEK. Thank you. Have you told the cities and the counties that you aren't going to give any more extensions on the lead paint?

Secretary MARTINEZ. I am told it is a case-by-case basis, and so what we try to do is not have a blanket policy in one direction or the other. We take them one case at a time.

Mrs. MEEK. Do I have another minute?

Mr. WALSH. Yes, you do.

Mrs. MEEK. Okay. So if you find out they are not compliant, what will you do?

Secretary MARTINEZ. Well, you asked me to nod, so I am nodding.

Mrs. MEEK. Okay.

Secretary MARTINEZ. I am going to get back to you. We will have to give you more detail. So I appreciate your interest in this issue, and I think that it is very important, and I don't mean in any way to make light of it, but I think that it would be—I just don't have a good answer for you on that one.

[The information follows:]

Extension Policy on Lead Hazard Abatement Grants

Response: The Office of Healthy homes and Lead Hazard Control makes every effort to encourage grantees to complete their work within the timeframe of the original agreement in order to achieve the primary objective of this program, the protection of children against excessive exposure to lead. However, we recognize that the implementation of the Lead Hazard Control Grant program is often difficult for a variety of reasons and have been receptive to no-cost time extension requests as long as at least one of several criteria are met:

1. The grantee has demonstrated the will and ability to produce lead-safe units in the three years that the grant has been in effect.
2. The grantee has experienced an event beyond its control such as a natural disaster or unanticipated loss of key staff. .
3. The grantee's ability to perform has been impeded by actions of another agency whose actions or inactions compromise the grantee's own implementation schedule.
4. The problems associated with making homes lead-safe are more serious than originally anticipated because of the condition of the housing being treated, lack of available certified contractors, and the need to adjust treatment schedules in order to integrate lead hazard control with rehabilitation activities.

The most critical issue is the first one. As long as we see evidence that a grantee is making a full faith attempt to carry out its grant program, this office has allowed no-cost time extensions, typically a year in length. If, however, a grantee continues to demonstrate an inability to carry out its program, this office reserves the right to terminate the program after exhausting its ability to have the grantee perform. This rarely happens and would occur only after numerous attempts to provide guidance and technical assistance as well as ample warning.

Mrs. MEEK. Thank you, Mr. Secretary. You are such a pleasing person, I won't ask anything that is going to try in any way to make you disgruntled.

Secretary MARTINEZ. I am feeling fine, thank you. You Floridians have to stick together, I think.

Mrs. MEEK. That is right. When will the NOFAs go out, Mr. Secretary?

Secretary MARTINEZ. March 26th.

Mrs. MEEK. Thank you very much. Thank you, Mr. Chairman.

Mr. WALSH. The gentlelady still has an additional minute.

Mrs. MEEK. Oh, that is really great.

Secretary MARTINEZ. It is all that nodding I have been doing.

SECTION 8 FAIR MARKET RENTS

Mrs. MEEK. Mr. Secretary, I am back again on Section 8. If it is at all possible, I think HUD should look a little bit at its inside operation in terms of your fair market rents. It is very difficult for developers to really fit into your fair market rents, and that is why we can't get anyone to build these homes in the places we want them to build for the Section 8 certificates.

If you can in some way look at—tell me how many Section 8 substances, both project-based and tenant-based, do you anticipate the project losing around the country as a result of fair market rents? We are being told that the fair market rents, that is one of the reasons why many developers are not building places where these people can use these Section 8 certificates.

Secretary MARTINEZ. Dr. Weicher is going to provide you with an answer to that.

Dr. WEICHER. With respect to the project-based assistance, of course we are not—we do not have a program of providing project-based assistance for new Section 8 projects. That program has been terminated for some time. In the Office of Multifamily Housing Assistance. Restructuring the fair market rents, the rent levels are being set to encourage preservation of that stock, but within the guidelines established by Congress, so that we are not, in fact, oversubsidizing these projects, many of which were oversubsidized for the first 20 years after they were built.

And we can provide you with a breakdown of how many units we are preserving and how many units are going to market rents.

[The information follows:]

Accomplishments of the Mark-to-Market (M2M) Program

Since inception of the mark-to-market program through February 28, 2002, 1,354 properties, with a total of 105 834 units completed the M2M review process as follows:

- 407 full debt restructurings (32,870 units);
- 270 Actions Other Than Closing (AOTC) (17,686 units). AOTC transactions are comprised of those deals that are financially infeasible, or where the owner refuses to complete the closing, or where a bad owner/bad property is involved;
- 572 lites (47,932 units) (reductions in contract rents that do not require debt restructuring); and
- 105 (7,346 units) comparability reviews

Of these 1,354 properties, 968 properties, with a total of 80,584, received reduced rents, with the remainder still in process, have ultimately been determined to have rents at or below market, or are not eligible for the M2M program. Properties that received rent reductions include the following transactions:

- 407 (32,870 units) full debt restructurings;
- 108 (2,178 units) AOTC; and
- 453 (40,536 units) lites.

Adjusting the rents of these properties to market levels will reduce Section 8 outlays by approximately $88 million annually, achieving discretionary budget savings of approximately $90 per unit per month. The present value of the net savings over 20 years is approximately $806 million. In addition, almost 100,000 units of affordable housing have been preserved through these transactions.

Since inception, 2,023 properties have been assigned to Participating Administrative Entities (PAEs) for restructuring; the active assets pipeline currently consists of 669 assets. In addition, 47 owners with 2,498 total units gave notice to OMHAR that they would opt-out of their project-based Section 8 contracts; 34 owners, accounting for 1,382 total units, have actually done so.

Mrs. MEEK. Well, we want to commend the President for putting more money in the hopper, but more is needed in that the needs of people—people who have needs do need housing, and we do need—we are being told over and over that more money is needed, and the coalition of the—the National AIDS Coalition, with whom I work, is asking for more money, and it is money that is needed. And I do hope that you will take that into consideration.

And my last one has to do with some of the——

Mr. WALSH. The gentlelady's time has expired.

Mrs. MEEK. Thank you, Mr. Chairman. You are nice, too.

Mr. WALSH. I have been accused of the opposite of that sometimes.

Mr. Frelinghuysen.

Mr. FRELINGHUYSEN. Mr. Chairman, Mrs. Meek has a good run on it.

Mr. WALSH. She did.

Mr. FRELINGHUYSEN. It is a pleasure to follow. Good to see this love-in between the Floridians. I am not sure how far it will get you.

Mrs. MEEK. You be careful.

ADA AND OLMSTEAD

Mr. FRELINGHUYSEN. I will. I want to compliment you and the President on the reactivation of the Interagency Council on the Homeless and giving it more money. Is there a similar group addressing the many obligations and expectations required under ADA and the Olmstead decision? I would think that all Federal agencies would be——

Secretary MARTINEZ. There is not——

Mr. FRELINGHUYSEN [continuing]. Into superdrive on these types of issues.

Secretary MARTINEZ. There is a working group, I am told, a White House working group in the implementation of Olmstead. It is not to the level of what the Interagency Council is, because that—you know, that is statutory and all of that. But there is a working group at the White House, I am being told.

Mr. FRELINGHUYSEN. And I understand actually in your budget you have something which might be described as vouchers that relate to the likelihood of the Olmstead decision being, shall we say, the law of the land; as I understand the administration's budget request, $6 million for vouchers tied to State efforts to implement the Olmstead decision and further the goal of moving people with disabilities from institutional settings into the community. A full implementation of Olmstead by the States, is a part of the President's the New Freedom Initiative. Isn't that correct?

Secretary MARTINEZ. That is correct.

Mr. FRELINGHUYSEN. Is HUD proposing to tie allocation of these vouchers directly to planning and nursing home transition grants allocated by the Centers for Medicaid and Medicare at HHS?

Secretary MARTINEZ. Mr. Frelinghuysen, we will have to get back to you on that. I am not sure——

Mr. FRELINGHUYSEN. I think what this underlines is that there are linkages here between HHS and HUD on these issues?

Mr. MARCUS. If I may—thank you, Secretary, Congressman. What I would like to add is that HUD has been involved in the White House's working group, which is a very high-level group coordinating all of the various departments and agencies. And we are working with—talking with HHS to see what we can do here, so it is a very high priority for the White House that we are participating in.

Mr. FRELINGHUYSEN. So there will be linkages between, for instance, housing authorities and Olmstead obligations?

Mr. MARCUS. That is one of the policy areas that we are talking about quite a bit now. Now, as a result, the dialogue has not yet been finalized, but it is certainly something we are looking at.

Mr. FRELINGHUYSEN. And perhaps most important—and I know immediately upon the Secretary being confirmed you did meet with the Consortium for Citizens with Disabilities, and just would like to get from you public assurances as we move in this direction, that advocates and families that are involved will also be allowed to participate, and prior to information in these discussions.

Secretary MARTINEZ. Absolutely. We have had an ongoing dialogue with groups, and they do come, and we welcome them, and their input is appreciated. And I think as it goes forward in this process, that their input would be invaluable to have.

Mr. FRELINGHUYSEN. Thank you very much. Thank you, Mr. Chairman.

Mr. WALSH. Thank you. Mr. Price.

SECTION 202/811

Mr. PRICE. Thank you, Mr. Chairman. Mr. Secretary, I would like to return briefly to the topic you were discussing at length with Mr. Frelinghuysen; namely, housing for the disabled. Maybe you could provide another angle or vision on the level of need there and the extent to which we are meeting the need. And then I would like to discuss with you the proposed transfer of the emergency food and shelter program from FEMA to HUD.

Just quickly on housing for the disabled, and focusing on the Section 811 program, the Administration is requesting $251 million for Section 811. That is an increase of $10 million over fiscal 2002. But when you look at that more closely, you see that the amounts required for renewing project rental assistance contracts and renewing mainstream Section 811 vouchers will increase from $24.3 million to $38 million. That is a difference of $13.7 million. In other words, there is actually a slight cut of about $3.7 million in funding for new Section 811 projects.

I think this needs to concern us, because there is not a single rental housing market in the United States where a person with a disability, trying to live on Federal supplemental security income benefits, can afford to rent a modest one-bedroom apartment. Surveys show that hundreds of thousands of people with disabilities who want housing are unable to find it.

So I want to ask you—and if you can provide this orally, that is good; if not, maybe you can provide it for the record. But I wonder if you could provide the number of Section 811 applications submitted to HUD last year and how many of those actually receive funding.

And then, second, if you could estimate the amount of funding it would take to meet the demand as reflected in meritorious Section 811 applications.

Dr. WEICHER. Mr. Price, I do not have that information as to the number of applications or the funding level that will be required. We can provide that for the record. We can say that we are, in fact, proposing to accommodate both the same level of new grants for Section 811 and the increase required for mainstream voucher renewals within our budget, and we are doing this partly by a reduction in the funding that is transferred to the working capital fund. That is being cut by $700,000.

We are also reducing the appropriations for conversion to assisted living from $50 million to $30 million because that has never—we haven't ever obligated as much as $30 million in past years. This past year we obligated $21 million, and we funded every acceptable proposal. And we are also anticipating $9 million in recaptures, and we have recaptured $10 million or more in each recent year. So we are able to fund all the mainstream voucher renewals, the additional $9 million in mainstream voucher renewals. We are able to fund $54 million in new mainstream vouchers, and we are able to fund $162 million in new grants and PRAC awards for Section 811.

Mr. PRICE. One hundred sixty-two?

Dr. WEICHER. That is $162 million in new capital grants and associated PRAC awards for fiscal year 2003.

Mr. PRICE. Thank you, that is helpful. And if you would provide these figures I requested on the demand for Section 811 funds.

[The information follows:]

Section 811

FY	Applications Received	Amount** Requested (million)	Applications Awarded	Amount Awarded (million)	Eligible Applications Not Selected	Amount Needed** To Fund (million)
2001	244	$427.1	139	$149.8	66	$68.7
2000	234	$328.0	144	$131.7	63	$60.8
1999	233	$238.8	170	$153.2	33	$29.9
1998	236	NA*	161	$133.0	38	$30.3
1997	263	NA*	117	$94.3	113	$99.5

* Total amount proposed in all applications received not available.

** Amount reflects application, which may differ from what would have been awarded.

EMERGENCY FOOD AND SHELTER PROGRAM

Mr. PRICE. Now, for the emergency food and shelter program and its transfer, you know, there has been some discussion about that, and part of that discussion has to do with the efficiency we have seen at FEMA in delivering these funds. My understanding is it has generally taken FEMA 2 months to deliver EFSP funds to recipients once appropriations have been enacted, and that the administrative costs of the program at FEMA have been less than the 3 percent, so that is a pretty good track record.

Do you know what the comparable time frame is for HUD homeless programs, for example, or any other point of comparison? What are the administrative cost percentages are? Obviously, what I am looking for is assurances that we could meet something like those FEMA numbers with this program transfer.

TRANSFER OF FEMA FUNDS TO HUD

It is HUD's intent to allocate Emergency Food and Shelter funds in the same or nearly same, time frames as the current FEMA/National Board process. While the Administration's proposed bill corrects some issues on appointment authority and delegation of decision-making on grants that dates back to President Reagan's signing of the program's initial authorization, we believe that these changes will not significantly alter our goal to maintain the basic delivery mechanism and its rapid delivery of resources to needy clients.

Secretary MARTINEZ. Well, sir, the transfer of these funds to HUD is, I think, in recognition that we do handle all other similar funding in terms of homeless assistance and things of that nature, and while I think the time frames that FEMA has been able to achieve are commendable, I think that certainly the administration feels that HUD is a place where this can be handled in an effective and efficient way.

We can provide you with time frames. I don't know that I can provide you with those right now. Our hope is that—our plan is, for the consolidated grant proposals for homeless, that we will be getting the money out the door in 90 days. So I think that is largely comparable to what FEMA has been doing.

Mr. PRICE. That is comparable to what you would like to achieve for this transfer.

Secretary MARTINEZ. Correct.

Mr. PRICE. Do you have any figures on administrative costs?

Secretary MARTINEZ. No, I don't have any figures on administrative costs. So I will be glad to try to provide those for you as to what—the question would be, more specifically, what is the administrative cost of HUD to administer homeless grant programs.

Mr. PRICE. Well, what administrative cost for this program do you anticipate at HUD, compared to what we have seen at FEMA?

The budget request is $153 million for EFSP in fiscal 03. That is a 9.3 percent increase above the 2002 level and that is a welcome increase. But United Way and some other advocacy organizations, of course, have recommended higher levels, as you know, and I wonder if you have any kind of independent fix on the level of demand for EFSP programs, the degree to which the budget request would meet the demand?

Mr. BERNARDI. Sir, the National Board governs the day-to-day activities, to answer your last question, and they have been doing

it for 19 years and doing it very effectively. With the transfer of this program into HUD auspices, we are not really going to be doing anything differently than what has been done. The program has been transferred, but the National Board, on a day-to-day basis, runs the operation. They provide the funding to the local boards, and the local boards carry out the programs.

I don't have an administrative cost number that would——

Mr. PRICE. Well, do you have any——

Mr. WALSH. The gentleman's time——

Mr. PRICE. My time has expired. I am sorry. If you could provide for the record a rationale for the funding level requested, namely the $153 million requested for 2003. Thank you, Mr. Chairman.

[The information follows:]

RATIONALE FOR $153 MILLION FOR EFSP FUNDING LEVEL

The 9.3 percent increase was based upon a recognition that needs have gone up for emergency assistance during the economic downturn. The increase reflects this increased need.

Mr. WALSH. Thank you. Mr. Goode.

SECTION 8 VOUCHERS

Mr. GOODE. Thank you, Mr. Chairman. First I want to say thanks to HUD for working with Danville, Virginia on our HOPE VI grant. We appreciate being selected last June, and we will work with the city on that.

The second thing I wanted to ask you, I am a firm believer in home ownership and prefer that to rental, although I know there are situations where rental help is the only way you can assist certain families. How is the program coming to utilize Section 8 vouchers to transfer people from renting to home ownership?

Secretary MARTINEZ. Well, we believe that is one great added tool to assist people to become homeowners, in addition to the American Dream Down Payment Initiative which we are also proposing here. The program is essentially just getting going, so there is no track record as such yet that I can tell you. But we believe it is going to be a great tool to allow renters to progress into home ownership.

Do we have any figures on it so far? Michael Liu is our Assistant Secretary of Public Housing.

Mr. LIU. Mr. Goode, the program—which is new—initial information is still coming in. But as of the end of last year, it looks like that across the country, there have been 200 home closings, upwards of 200 home closings under the program. The number of housing authorities that are getting involved are growing all the time. We have very active partnerships with the various GSEs, nonprofit organizations, such as the Neighborhood Reinvestment LISC, Enterprise Foundation, and the program is just going to grow.

Mr. GOODE. If I may, Mr. Chairman, do you have any—I guess it is not—it is too soon to have a track record on how those that are in transition are making payments?

Mr. LIU. Yes. It is much too early right now, sir.

Mr. GOODE. That is all I have, Mr. Chairman. Thank you.

Mr. WALSH. That concludes the second round. I would ask if there are any members who have the need to ask questions of the witness, that they would like to have responses now as opposed to having them submit answers for the record.

Mr. Knollenberg, we will give him an opportunity to ask his question, and we will give Mrs. Meek an opportunity to ask her question and then we will conclude the hearing.

COMMUNITY DEVELOPMENT CORPORATIONS

Mr. KNOLLENBERG. Thank you, Mr. Chairman. My quesiton concerns the Community Development Corporations, the CDCs. I know there have been some local articles about that, primarily by the Washington Post. I think there is a two-part series this last week. And in that report, I know you are well aware of it, HUD was supposed to sell some 50,000 vacant homes nationwide to nonprofit groups who would repair them and in turn, obviously, sell them to moderate-income families. It has been shown that for-profit developers were the ones that were actually benefiting from the situation and not home buyers.

There was an IG audit, and in that audit they stated that HUD should consider eliminating the program. What is your response to that statement and to that report?

Secretary MARTINEZ. I don't think we should eliminate the program. I think what we should do is manage and administer the program in the way it was intended, and I think this particular example in the local area that you speak of that was the subject of the articles, there was a series of waivers that were granted to the not-for-profit which clearly did not have the capacity to undertake the project they were undertaking.

And so these rules are there in terms of experience, in terms of background, to have the demonstrated ability to carry out the project. And when the rules are waived, then inevitably these are the results one can get. The fact is that immediately upon knowing of the problem, HUD moved swiftly to end the project. And, in fact, I would like for Mr. Weicher to give you some details on that, because it was, I think, pretty swift action that we took. But I don't think it should be the end of the program. I think the program is——

Mr. KNOLLENBERG. Before you do that, though, were there any communities around the country who have had similar problems and, if so, how many?

Secretary MARTINEZ. One other?

Dr. WEICHER. One other.

Mr. KNOLLENBERG. Only one?

Dr. WEICHER. It was in New York. I am sorry, it was San Bernadino.

Secretary MARTINEZ. Oh, okay.

Mr. KNOLLENBERG. So there are three?

Dr. WEICHER. No. Two.

Mr. KNOLLENBERG. New York is out. Yes, please.

Dr. WEICHER. In the Washington area, a partner which was a nonprofit did not have the capacity to do the job that we expect a nonprofit to do in rehabilitating and disposing of property, and they hired a for-profit contractor to do the work for them.

Mr. KNOLLENBERG. Why did they do that?

Dr. WEICHER. Why did they do which?

Mr. KNOLLENBERG. Why did they hire a for-profit to—because they weren't able or capable——

Dr. WEICHER. They were not able——

Mr. KNOLLENBERG. Is that something that HUD would allow?

Dr. WEICHER. No.

Mr. KNOLLENBERG. You didn't know?

Dr. WEICHER. No, we did not know. When we learned that they had a disagreement with the for-profit, we suspended them. We learned that they had the agreement—we received the copy of the agreement on October 12th. On October 24th we suspended them. They submitted to us a proposal for how they would do it differently in February. We found that unsatisfactory, and we rejected the proposal, and the original year's agreement expired on March 7th, and they are no longer participating in the program.

Mr. KNOLLENBERG. Do you provide any kind of assistance to groups of that kind, technical assistance, so that they are aware of what they can or cannot do?

Dr. WEICHER. In some areas, the ACA partner was given a $5 million neighborhood improvement grant, which I believe was authorized in the fiscal year 2000 budget. The Washington group applied for that in the previous administration, and was not given the money. They did not have the money for them. They were allowed to participate. They received several waivers in the previous administration. They were allowed to participate if they could find a source of financing in the private sector, and a bank provided them with a line of credit, and it was on that basis that they went forward.

Mr. KNOLLENBERG. So you see this, then, as something that will not happen again?

Dr. WEICHER. Not if we can help it, Mr. Knollenberg.

Mr. KNOLLENBERG. Thank you.

Mr. WALSH. The gentleman's time has expired. The gentlelady from Florida has graciously offered to submit her remaining questions for the record, which would allow us to conclude our hearing today.

We thank the Secretary and his able deputies for their thoughtful responses to our questions. We will submit additional questions for the record. We would appreciate a prompt response, and the hearing is adjourned.

[The information follows:]

Mr. Walsh #1a

Unobligated and Unexpended Balances in Departmental Programs

Question: As discussed at the hearing, unobligated and unexpended balances continue to be a major issue in the Department. It is critical that real progress be made in reducing the backlog of unspent funds.

Please provide a description of each specific management or programmatic change HUD implemented last year to address this problem, and the results expected to be realized from these changes.

Answer: HUD has taken several steps to reduce unobligated and unexpended balances.

1. HUD/CPD has implemented a sanctions policy under which untimely grantees (those with balances of more than 1.5 times their most recent grant, as of the 60-day timeliness test) will be subject to graduated reductions of these "excess" grant funds.
2. Worked closely with the VA-HUD-IA subcommittee to implement major reforms to the Public Housing Capital Fund which resulted in a change in the allocation of funds and the recaptures of unused funds.
3. HUD has sent a clear message to the public housing community that it will initiate the redistribution of Section 8 funds from low performers to high performers and that incremental vouchers will only go to those that are using all their current vouchers.
4. During 2003, HUD is also planning on deobligating funds in the Section 202 and 811 program which where obligated on projects prior to 1997 and have yet to be used.

Mr. Walsh #1b

Unobligated and Unexpended Balances in Departmental Programs

Question: Please provide a list of additional changes HUD plans to make this year, by program, and the results expected from these changes?

Answer: HUD is taking a number of steps to increase the utilization of Section 8 funds. It has proposed to increase the eligible uses of the funds, for example to allow for its use as a downpayment on the purchase of a home. It will also begin to reallocate funds from PHA's that are underutilizing them to these that have the capacity to use additional vouchers.

Mr. Walsh #1c

Unobligated and Unexpended Balances in Departmental Programs

Question: Reauthorization proposals for many HUD programs are about to be considered by the authorizing committees, including HOPE VI and some homeless programs. Is HUD recommending changes to the authorizing committees to increase the use of funds as well as the effectiveness of these programs, and if so what are some of those changes?

Answer: The Administration is currently developing a reauthorization proposal. The reauthorization of HOPE VI and homeless programs will be sent to Congress for action over the summer. HUD is anxious to implement changes that will speed the process and focus the program on the worst cases.

Mr. Walsh #2a

Voucher Utilization/Recaptures

Question: We continue to see huge amounts of funds recaptured each year from unused funds provided for Section 8 vouchers, in large part attributed to continued significant under-utilization of Section 8 vouchers. It is my understanding that HUD's calculation of the national average utilization rate does not represent the actual lease-up rate. Unlike the utilization rate, the lease-up rate represents the actual number of units under payment, thereby the number of families being served.

What was the **actual** national average utilization rate for vouchers in fiscal years 1999, 2000, 2001, and what is the assumed utilization rate for vouchers in fiscal years 2002 and 2003?

Answer: The chart below identifies the actual national average utilization for both annual budget authority and unit lease-up, and the utilization for the same categories adjusted for SEMAP exclusions. SEMAP exclusions are units and budget authority associated with litigation vouchers and units and budget authority that have been in the inventory for less than a full fiscal year.

The assumed utilization rate for fiscal years 2002 and 2003 budgets is 100 percent. Included in the fiscal year 2003 budget assumptions is implementation of the reallocation of vouchers from PHAs that under utilize units and annual budget authority to PHAs with high utilization of units and budget authority.

Based on the utilization levels from 2001, there will be a recapture in fiscal year 2002. However, the recapture amount should be less than the fiscal year 2001 recapture because budget authority utilization is rising.

	FY 1999	FY2000	FY2001
Actual ABA Util	83.1 percent	85.3 percent	87.4 percent
Adj ABA Util	87.7 percent	88.4 percent	91.6 percent
Actual Lease-up	88.5 percent	85.9 percent	84.3 percent
Adj Lease-up	94.0 percent	91.5 percent	90.5 percent

Mr. Walsh #2b

Voucher Utilization/Recaptures

Question: What was the **actual** national average lease-up rate in fiscal years 1999, 2000 and 2001, and what is the assumed lease-up rate for vouchers in fiscal years 2002 and 2003?

Answer: The following chart provides the actual unit lease-up and the lease-up adjusted for SEMAP exclusions SEMAP exclusions are described above. The assumed utilization rate for fiscal years 2002 and 2003 budgets is 95 percent. Included in the fiscal year 2003 assumptions is implementation of the reallocation of vouchers from PHAs that under utilize units and annual budget authority to PHAs with high utilization of units and budget authority.

	FY 1999	FY 2000	FY 2001
Actual Lease-up	88.5 percent	85.9 percent	84.3 percent
Adj. Lease-up	94.0 percent	91.5 percent	90.5 percent

Voucher Utilization/Recaptures

Question: Please explain the difference between the national average utilization rate and the national average lease-up rate. Isn't the lease-up rate a truer measure of the number of families actually being served, and if not, why?

Answer: The national average utilization rate uses the higher of budget authority utilization or unit lease-up for each PHA weighted by the number of units within the PHA. This methodology factors in the volatility of costs in rental markets that when on the rise can inhibit the ability of the PHA to achieve full lease-up within existing budget authority. The national average lease-up rate identifies only the number of vouchers that were leased without taking into consideration market conditions.

The lease-up rate is a true measure of the number of families served at a particular point in time, but used in isolation does not provide a realistic measure of the PHAs performance given the local market conditions

Mr. Walsh #2d

Voucher Utilization/Recaptures

Question: What was the total number of actual units leased vs. the total number of vouchers for which funding was provided in fiscal years 1999, 2000, and 2001?

Answer: The following chart provides the information requested. For SEMAP lease-up, the current methodology compares the SEMAP base to the contracted units in its determination of the lease-up component of utilization. The SEMAP base is adjusted for units associated with litigation and new allocation of units that have been in the PHA inventory for less than one full fiscal year.

	FY 1999	FY 2000	FY2001
Leased Units	1,449,798	1,489,114	1,562,773
SEMAP Adj. Units	1,542,590	1,627,874	1,727,761
Contracted Units	1,638,004	1,734,228	1,853,085
Total Inventory	1,681,774	1,837,428	1,975,614

* Lease-up rates are determined based on PHAs that have reported via HUD approved year end statements. At any given time, there will be PHAs who have not reported lease-up via their year end statement. However, the total inventory values will include those units which have been issued and contracted to those PHAs. Therefore, in order to calculate utilization rates, total inventory must be adjusted to account for PHAs who have not reported through their Year End Financial Statements. This adjustment is reflected in the Adj. Contracted Units value in the table above.

Mr. Walsh #2e

Voucher Utilization/Recaptures

Question: Do the fiscal years 2002 and 2003 estimated for the national average utilization and/or lease-up rates assume any policy changes or improvements in the administration of the voucher program by Public Housing Authorities (PHAs), and if so, please identify those improvements and the results expected as a result?

Answer: Improvements are listed below.

- Incentives for high performing PHAs – In fiscal year 2002, HUD will award Fair-share incremental vouchers only to PHAs with utilization rates of 97 percent or above.

- HUD now reallocates unused vouchers from PHAs that do not achieve 90 percent utilization to high performers (PHAs below 90 percent that receive warning letters must improve to at least 95 percent or lose vouchers), vouchers will be made available in July 2002.

  Units will be taken from PHAs with low utilization (PHA 1) by not renewing the vouchers. The non-renewal removes the vouchers from the inventory of the PHA 1. The PHA with high utilization (PHA 2) will receive a new allocation of units from the inventory of PHA 1 and funding from PHA 1 that was not renewed. In the subsequent budget year the renewal will go to PHA 2.

- PHAs with utilization rates below 95 percent cannot be high performers under SEMAP, low utilization rates puts them in danger of being designated troubled.

- HUD policy removes PHA discretion over the use of administrative fee reserve if they have utilization of less than 95 percent. To use the reserves requires headquarters approval and must be spent on activities to address the utilization problem.

- Increased Fair Market Rents and higher payment standards – PHAs may request HUD field office approval to base payment standards on the 50th percentile FMRs (typically 40th percentile) if their success rates (voucher families that successfully lease units) were below 75 percent.

- HUD conducted a study this fiscal year on under-utilization to examine causes and identify actions necessary to address the problem

The expected results is increased program utilization.

Mr. Walsh #3

Voucher Utilization/Recaptures

Question: It is my understanding that once again, over 50 percent of all recaptures of tenant-based Section 8 continue to be concentrated in less than 4 percent of all Public Housing Authorities (PHAs).

Please provide a breakdown of the top 100 PHAs, identified by PHA name, with the highest concentration of recaptures in the fiscal years 1999, 2000, and 2001 August recapture process.

Answer: A large percentage of the dollar value of recaptures does come from a small percent of PHAs who have the largest number of units and therefore receive the largest amount of budget authority. The chart below provides the top PHAs with the largest recaptures for the years 1999 through 2001. The amounts for 2001 reflect the Department's reduction in the reserve level from 2 months to 1 month.

HA NUM	HA NAME	1999	2000	2001
AL001	HOUSING AUTH OF BIRMINGHAM DIS			$5,337,924
CA002	LOS ANGELES COUNTY HOUSING AU	$23,842,569	$11,969,432	$39,595,292
CA004	CITY OF LOS ANGELES HSG AUTH	$16,266,935	$57,141,214	$47,613,478
CA005	SACRAMENTO HSG & REDEVELOPMENT		$3,027,321	$3,683,008
CA006	CITY OF FRESNO HSG AUTH			$7,008,793
CA007	SACRAMENTO HSG & REDEVELOPMENT	$3,365,159	$3,259,854	$5,427,057
CA008	KERN COUNTY HOUSING AUTHORITY		$1,997,051	
CA011	COUNTY OF CONTRA COSTA HSG AUT	$5,336,859		$9,160,750
CA014	COUNTY OF SAN MATEO HSG AUTH	$23,141,728	$9,172,032	
CA019	SAN BERNARDINO COUNTY HSG AUTH	$7,345,649	$2,682,315	$4,233,322
CA026	COUNTY OF STANISLAUS HOUSING A			$7,036,017
CA027	RIVERSIDE COUNTY HSNG AUTH	$4,857,210		$5,065,879
CA028	COUNTY OF FRESNO HSG AUTH		$3,273,517	$8,238,953
CA030	TULARE COUNTY HOUSING AUTH			$5,562,002
CA058	CITY OF BERKELEY HOUSING AUTHO	$3,427,299	$3,317,453	$5,182,363
CA063	SAN DIEGO HOUSING COMMISSION	$10,326,359		$6,741,372
CA067	ALAMEDA COUNTY HSG AUTH		$2,554,414	$4,122,934
CA068	LONG BEACH HSG AUTH	$11,584,276	$3,517,695	$6,092,668
CA071	COMPTON HOUSING AUTHORITY			$3,840,046
CA072	SANTA CRUZ COUNTY HSG AUTH	$6,810,243	$4,526,965	
CA073	HSG AUTHORITY CITY OF NAPA		$3,021,323	
CA082	INGLEWOOD HOUSING AUTHORITY	$2,783,557	$2,266,992	
CA092	AREA HSNG AUTH OF VENTURA CNTY	$8,848,594	$2,813,764	$6,100,123
CA093	SANTA ANA HOUSING AUTHORITY	$6,108,751		$4,240,904
CA094	ORANGE COUNTY HSG AUTHORITY	$20,176,087	$10,950,868	$7,192,338
CA101	LOS ANGELES COUNTY HSNG AUTH			$7,804,186

CA104	ANAHEIM HOUSING AUTHORITY		$2,168,738	$8,928,241
CA105	BURBANK HOUSING AUTHORITY			$5,838,713
CA108	SAN DIEGO COUNTY HSNG AUTH			$12,133,875
CA111	SANTA MONICA HOUSING AUTHORITY			$5,971,611
CA143	IMPERIAL VALLEY HOUSING AUTHOR		$2,882,657	
CA705	LOS ANGELES COUNTY HSNG AUTH		$3,470,506	
CA913	CALIFORNIA DEPT OF HSG AND COM	$2,916,944	$3,340,170	
CO001	DENVER		$2,617,156	
CO058	ADAMS COUNTY		$2,529,678	
CT001	BRIDGEPORT HOUSING AUTHORITY	$6,921,784	$3,743,049	$4,752,193
CT004	HSG AUTH OF CITY OF NEW HAVEN	$11,362,209	$8,497,716	$10,306,701
CT007	STAMFORD HOUSING AUTHORITY	$3,450,323	$1,858,815	
CT029	WEST HAVEN HOUSING AUTHORITY		$2,271,593	$4,619,188
CT901	CONN DEPT OF SOCIAL SERVICES	$4,823,475	$2,807,920	
DC001	D.C. HOUSING AUTHORITY	$33,283,447	$15,123,300	$15,262,577
DE001	WILMINGTON HOUSING AUTHORITY		$1,952,654	
DE005	NEW CASTLE COUNTY	$3,377,480		$4,012,802
DE901	DELAWARE STATE HOUSING AUTHORI			$4,215,213
FL003	HA TAMPA	$6,245,154		$12,227,491
FL005	MIAMI DADE HOUSING AUTHORITY	$10,064,309	$18,991,196	$23,134,752
FL017	HA MIAMI BEACH	$4,459,719	$2,302,776	
FL020	HA BREVARD COUNTY			$4,440,189
FL062	PINELLAS COUNTY H/A		$2,875,648	
FL079	BROWARD COUNTY HOUSING AUTHORI			$4,711,776
GA006	HA ATLANTA GA	$8,864,579	$6,708,026	$21,114,575
GA237	H/A DEKALB COUNTY			$4,455,083
GA901	DCA	$9,061,612		$12,825,884
HI002	COUNTY OF HAWAII			$3,799,256
HI003	CITY AND COUNTY OF HONOLULU	$7,900,707	$3,074,191	$9,457,219
HI004	COUNTY OF MAUI	$3,233,642	$2,120,120	
HI005	COUNTY OF KAUAI	$3,856,469	$5,135,666	$3,978,470
HI901	HAWAII HSG AND COMM DEV CORP	$7,941,169		$4,617,142
IA020	DES MOINES MUNICIPAL HOUSING A	$3,810,069		$3,665,410
ID901	IDAHO HSG & FINANCE ASSN			$3,732,793
IL025	HSG AUTHORITY OF COOK COUNTY	$4,242,444	$9,436,173	$19,884,852
IL056	HA OF THE COUNTY OF LAKE			$6,232,781
IL092	ELGIN HA			$4,233,185
IL101	DUPAGE HOUSING AUTHORITY	$3,467,158	$6,666,370	$5,049,108
IL900	LEADERSHIP COUNCIL MET		$10,254,170	
IN017	INDIANAPOLIS HOUSING AGENCY	$8,617,685	$3,739,539	
IN901	INDIANA DEPT OF HUMAN SERVICES	$10,012,245	$1,884,792	
KY001	LOUISVILLE HOUSING AUTHORITY			$5,522,614
KY901	KENTUCKY HOUSING CORPORATION			$5,025,260
LA001	NEW ORLEANS HOUSING AUTHORITY	$24,720,748		$22,247,403
LA002	SHREVEPORT HSG AUTHORITY		$2,829,960	

MA002	BOSTON HOUSING AUTHORITY			$40,992,834
MA006	FALL RIVER HSG AUTHORITY		$3,147,418	
MA031	SOMERVILLE HOUSING AUTHORITY		$1,834,012	
MA035	SPRINGFIELD HSG AUTHORITY			$4,004,596
MA901	COMM DEV PROG COMM OF MA.,E.O.	$17,737,751	$5,823,273	$12,334,598
MD004	MONTGOMERY CO HOUSING AUTHORIT	$4,237,579		$15,112,554
MD015	HA OF PRINCE GEORGE'S COUNTY	$4,543,432	$3,459,262	$11,164,688
MD018	ANNE ARUNDEL COUNTY HOUSING AU		$2,449,027	
MD023	HOWARD COUNTY. HSG COMMISSION		$1,838,282	
MD024	CO COMMISSIONERS CHARLES CO		$1,961,000	
MD901	MD DEPT OF HSG & COMMUNITY DEV		$5,196,963	
ME015	WESTBROOK HOUSING AUTHORITY		$2,167,703	
ME901	MAINE STATE HSG AUTHORITY		$3,753,109	$6,334,038
MI001	DETROIT HOUSING COMMISSION	$7,069,473	$3,595,488	$10,776,810
MI901	MICHIGAN STATE HSG. DEV. AUTH	$15,146,395	$6,681,153	$9,005,245
MI902	MICHIGAN STATE HSG. DEV. AUTH.		$2,365,101	$4,715,269
MN001	ST PAUL PHA	$4,077,593		$6,755,411
MN163	METROPOLITAN COUNCIL HRA	$8,231,587	$4,955,428	$8,029,268
MO001	ST. LOUIS HOUSING AUTHORITY	$9,216,329	$11,663,342	$10,298,421
MO002	H.A.K.C.	$7,037,297	$3,226,758	$8,308,549
MO004	ST. LOUIS COUNTY HOUSING AUTHO		$5,085,490	$6,435,934
MT901	MDOC		$2,817,215	
NC001	HA WILMINGTON		$2,658,772	
NC003	HA CHARLOTTE			$4,984,539
NC006	HA HIGH POINT		$6,329,886	
NE002	HOUSING AUTHORITY OF LINCOLN			$10,794,551
NJ002	NEWARK HOUSING AUTHORITY		$6,668,714	$16,352,984
NJ003	ELIZABETH HOUSING AUTHORITY			$4,625,015
NJ009	JERSEY CITY HOUSING AUTHORITY	$3,900,445	$7,477,396	
NJ021	PATERSON HOUSING AUTHORITY	$5,025,588		$8,516,797
NJ022	NEW BRUNSWICK HA			$11,330,459
NJ025	ORANGE CITY HOUSING AUTHORITY		$2,058,089	
NJ050	EAST ORANGE HOUSING AUTHORITY		$1,812,784	
NJ095	MONMOUTH COUNTY HA			$6,791,345
NJ912	NJDCA			$28,408,182
NV001	CITY OF RENO HSG AUTHORITY		$2,198,624	
NY001	HA OF SYRACUSE		$2,890,459	
NY005	NEW YORK CITY HSG AUTHORITY			$105,799,132
NY041	HA OF ROCHESTER			$7,291,909
NY091	TOWN OF AMHERST		$1,806,804	
NY110	THE CITY OF NEW YORK DHPD	$7,654,411	$16,667,424	$28,083,279
NY116	VILLAGE OF PELHAM HSNG AUTH		$2,308,646	
NY121	GLEN COVE CDA		$2,825,961	
NY175	MT VERNON URBAN RENEWAL AGENCY	$5,688,205	$4,841,999	
NY902	NEW YORK STATE HSG FIN AGENCY	$9,155,723		$10,236,018

NY903	NEW YORK STATE HSG FIN AGENCY	$6,950,277	$21,985,215	$23,488,153
OH002	YOUNGSTOWN MHA			$4,614,862
OH004	CINCINNATI METROPOLITAN HSG AU	$4,637,818	$1,846,745	
OH007	AKRON MHA		$3,519,697	
OH012	LORAIN MHA		$2,010,265	$3,981,776
OH031	PORTAGE MHA			$5,581,083
OK073	TULSA			$4,334,714
PA001	HOUSING AUTH CITY OF PITTSBURG	$11,505,850	$6,398,604	
PA002	PHILADELPHIA HOUSING AUTHORITY	$6,671,747		$47,877,790
PA006	ALLEGHENY COUNTY HSG AUTH		$10,590,249	$5,471,108
PA013	ERIE CITY HOUSING AUTHORITY		$1,960,352	
PA051	BUCKS COUNTY HOUSING AUTHORITY	$3,526,850	$1,943,246	$3,863,348
RI011	WARWICK H A		$1,937,641	
RQ006	MUNICIPALITY OF SAN JUAN			$4,401,167
RQ008	MUNICIPALITY OF PONCE		$4,209,466	$3,755,287
RQ020	MUNICIPALITY OF ARECIBO		$2,685,896	
RQ901	PUERTO RICO DEPT OF HOUSING	$13,764,126	$15,214,966	$11,086,203
RQ911	PUERTO RICO HOUSING FINANCE CO		$1,808,763	
TN001	HA MEMPHIS	$6,018,128	$2,862,592	
TN005	METROPOLITAN DEVELOPMNT & HSG		$3,573,848	
TN903	TENNESSEE HOUSING DEV AGENCY		$4,265,540	$3,898,004
TX003	EL PASO		$3,424,140	$4,858,224
TX006	SAN ANTONIO HOUSING AUTHORITY			$6,456,200
TX007	BROWNSVILLE HSG AUTHORITY		$2,367,174	
TX023	BEAUMONT		$2,284,699	
TX559	DALLAS COUNTY		$11,103,907	$7,344,477
VA001	PORTSMOUTH REDEVELOPMENT & H/A	$3,910,111	$2,500,304	
VA003	NEWPORT NEWS REDEVELOPMENT & H	$2,738,894	$4,060,432	$3,776,321
VA006	NORFOLK REDEVELOPMENT & H/A	$4,666,704	$3,565,286	$4,427,065
VA007	RICHMOND REDEVELOPMENT & H/A	$3,944,472	$6,211,555	
VA019	FAIRFAX CO RED AND HNG AUTHORI		$3,962,695	$5,608,582
VT901	VERMONT STATE HOUSING AUTHORIT	$2,749,619		$3,784,225
WA001	HA CITY OF SEATTLE			$11,098,813
WA005	HA CITY OF TACOMA			$4,295,573
WA054	PIERCE COUNTY HA	$2,958,808	$2,409,946	
WA055	HA CITY OF SPOKANE			$4,443,834
WI002	HA OF THE CITY OF MILWAUKEE	$2,991,220		$15,250,579
WI218	MILWAUKEE CO HA		$3,174,012	
AZ001	CITY OF PHOENIX	$2,843,730		
CA001	SAN FRANCISCO HSG AUTH	$21,549,435		
CA021	SANTA BARBARA COUNTY HSG AUTH	$4,842,915		
CA031	OXNARD HOUSING AUTHORITY	$4,193,978		
CA033	COUNTY OF MONTEREY HSG AUTH	$4,010,813		
CA056	SAN JOSE HOUSING AUTHORITY	$7,391,518		
CA059	COUNTY OF SANTA CLARA HOUSING	$2,903,343		

CA066	SUISUN CITY HOUSING AUTHORITY	$4,718,686		
CA114	GLENDALE HOUSING AUTHORITY	$3,762,259		
CA912	CALIFORNIA DEPT OF HSG AND COM	$10,674,612		
DC101	KENILWORTH PARKSIDE RMC	$6,136,822		
FL001	HOUSING AUTH OF JACKSONVILLE	$8,761,281		
FL004	ORLANDO H/A	$4,362,475		
FL068	H/A CITY OF HOMESTEAD	$3,210,757		
FL083	HA DELRAY BEACH	$4,074,223		
IL002	CHICAGO HOUSING AUTHORITY	$44,021,569		
IN011	GARY HA	$4,062,522		
KY131	CITY OF LOUISVILLE HA	$2,749,862		
MA003	CAMBRIDGE HOUSING AUTHORITY	$2,949,552		
MA015	MEDFORD HOUSING AUTHORITY	$4,757,490		
MD002	HSG AUTH OF BALTIMORE CITY	$5,465,649		
MD033	BALTIMORE CO. HOUSING OFFICE	$3,935,294		
MN002	MINNEAPOLIS PHA	$14,590,264		
NJ013	PASSAIC HOUSING AUTHORITY	$2,930,480		
NJ090	PASSAIC COUNTY HA	$2,834,047		
NJ091	PATERSON HOUSING AUTHORITY	$3,659,400		
NV013	COUNTY OF CLARK HOUSING AUTHOR	$3,814,327		
OH003	CUYAHOGA MHA	$7,129,949		
OH005	DAYTON METROPOLITAN HA	$4,307,071		
OK002	OKLAHOMA CITY	$3,666,952		
OK901	OKLAHOMA HOUSING FINANCE AGENC	$3,163,950		
RI001	PROVIDENCE H A	$3,468,210		
TX004	FORT WORTH	$7,625,039		
VA901	VIRGINIA HSG DEVELOPMENT AUTH	$10,233,395		
VA902	VIRGINIA HSG DEVELOPMENT AUTH	$5,403,737		
	TOTALS	$756,816,684	$519,217,606	$1,046,857,579

The 2001 amount includes the reduction in reserves from 2 months to 1 month.

Mr. Walsh #4a

Voucher Utilization/Recaptures

Question: Even with the large amounts of funds recaptured and redistributed or rescinded, there are additional funds provided in prior years for tenant-based Section 8 which are unused but are not recaptured for redistribution or rescinded each year. Instead exceptions to the recapture process are provided to enable Public Housing Authorities (PHAs) to retain these unused prior year funds provided for vouchers tied up in litigation, HOPE VI, Moving-to-Work waivers, and various other categories.

Please provide the total amount of unused funds identified in the fiscal years 1999, 2000, and 2001 recapture process, as compared to the amounts actually recaptured for redistribution and rescission.

Answer: The specific information of recapture exclusions related to 1999 and 2000 cannot be provided. MTW agencies and PHAs with litigation were removed from the recapture database prior to recapture determination as a result of the terms of the MTW agreement. Recaptures for PHAs with litigation do not occur until final settlement of the lawsuit. HOPE VI vouchers are not excluded from recaptures.

The attached chart identifies PHAs excluded in the 2001 recapture and provides a cumulative balance of reserves for the excluded PHAs. Exclusions were allowed for PHAs that have outstanding litigation. Moving to Work agencies that include Section 8 in their agreements are allowed to retain full budget authority, therefore, no reserves are generated.

RECAPTURE EXCLUSIONS

2001 Recapture				
HA Name	**HA Number**	**Program**	**Reason for Exclusion**	**Reserve Balance**
Dallas	TX009	CE/VO	Young Litigation	62,879,850
Minneapolis	MN002	CE/VO	MTW/Hollman Litigation	31,665,537
Baltimore City	MD002	CE/VO	Thompson Litigation	49,168,149
City of Buffalo	NY409	CE/VO	Comer Litigation	7,107,774
City of Buffalo BMHA	NY449	CE/VO	Comer Litigation	0
Town of Amherst	NY091	CE/VO	Comer Litigation	8,227,593
Texarkana	TX014	CE/VO	East Texas Litigation	822,560
Beaumont	TX023	CE/VO	East Texas Litigation	4,043,615
Port Arthur	TX034	CE/VO	East Texas Litigation	3,144,498
Orange	TX037	CE/VO	East Texas Litigation	1,229,965
Jefferson	TX044	CE/VO	East Texas Litigation	263,190
Paris	TX048	CE/VO	East Texas Litigation	876,492
Pittsburg	TX049	CE/VO	East Texas Litigation	184,277
Henderson	TX050	CE/VO	East Texas Litigation	123,826
Center	TX059	CE/VO	East Texas Litigation	74,354
Gilmer	TX071	CE/VO	East Texas Litigation	39,128
Orange County	TX113	CE/VO	East Texas Litigation	561,326
DeKalb	TX137	CE/VO	East Texas Litigation	73,464
Clarksville	TX207	CE/VO	East Texas Litigation	0
Wills Point	TX217	CE/VO	East Texas Litigation	8,737
EdgeWood	TX242	CE/VO	East Texas Litigation	145,008
Alto	TX272	CE/VO	East Texas Litigation	0
Tatum	TX341	CE/VO	East Texas Litigation	70,198
Livingston	TX352	CE/VO	East Texas Litigation	64,813
Rusk	TX372	CE/VO	East Texas Litigation	0
Harrison County	TX438	CE/VO	East Texas Litigation	0
Marshall	TX457	CE/VO	East Texas Litigation	0
Longview	TX459	CE/VO	East Texas Litigation	371,833
Nacogdoches	TX486	CE/VO	East Texas Litigation	809,069
Panola County	TX487	CE/VO	East Texas Litigation	0
Anderson county	TX488	CE/VO	East Texas Litigation	0
Ark-Tex COG	TX499	CE/VO	East Texas Litigation	0
Nacogdoches	TX501	CE/VO	East Texas Litigation	0
Liberty County	TX505	CE/VO	East Texas Litigation	0
Jacksonville	TX516	CE/VO	East Texas Litigation	0
Athens	TX519	CE/VO	East Texas Litigation	0
Troup	TX528	CE/VO	East Texas Litigation	0
Delaware State	DE901	CE/VO	MTW	0

Lawrence	KS053	CE/VO	MTW	0
Louisville	KY001	CE/VO	MTW	0
Cambridge	MA003	CE/VO	MTW	0
High Point	NC006	CE/VO	MTW	0
Lincoln	NE002	CE/VO	MTW	0
Keene	NH010	CE/VO	MTW	0
Portage	OH031	CE/VO	MTW	0
Portland	OR002	CE/VO	MTW	0
Seattle	WA001	CE/VO	MTW	0
Vancouver	WA008	CE/VO	MTW	0
Chicago Housing Authority	IL002	CE/VO	MTW/Litigation	0
Philadelphia Housing Authority	PA002	CE/VO	MTW	0
New Haven Housing Agency	CT004	CE/VO	MTW	0
Pittsburgh	PA001	CE/VO	MTW	0
				171,955,256

Mr. Walsh #4b

Voucher Utilization/Recaptures

Question: Please provide a list of all categories of funds, i.e. litigation, HOPE VI Moving-to-Work waivers, etc., for which exceptions to recapture were provided in fiscal years 1999, 2000, and 2001.

Answer: The categories of funds are as follows:

1. Litigation: Recaptures do not occur until final settlement of the lawsuit.
2. Moving to Work block grant PHAs: Recaptures do not occur as per the MTW agreement providing for fungible use of Public Housing and Section 8 voucher funds.
3. FSS coordinator funds.
4. Counseling funds: Due to difficulties associated with implementation of the Regional Opportunity Counseling (ROC) program, funds were not recaptured.
5. Circumstances where current budget data indicate that the available reserves will be required to cover program costs.

Mr. Walsh #4c

Voucher Utilization/Recaptures

Question: Were these exceptions concentrated in certain Public Housing Authorities (PHAs)? If so, please identify by the top 25 PHAs (by name) receiving the largest dollar amount of exceptions and the categories of those exceptions.

Answer: The following list identifies PHAs excluded from recapture in August 2001. The exclusions are concentrated in PHAs with outstanding litigation.

RECAPTURE EXCLUSIONS

2001 Recapture				
HA Name	HA Number	Program	Reason for Exclusion	Reserve Balance
Dallas	TX009	CE/VO	Young Litigation	62,879,850
Minneapolis	MN002	CE/VO	MTW/Hollman Litigation	31,665,537
Baltimore City	MD002	CE/VO	Thompson Litigation	49,168,149
City of Buffalo	NY409	CE/VO	Comer Litigation	7,107,774
City of Buffalo BMHA	NY449	CE/VO	Comer Litigation	0
Town of Amherst	NY091	CE/VO	Comer Litigation	8,227,593
Texarkana	TX014	CE/VO	East Texas Litigation	822,560
Beaumont	TX023	CE/VO	East Texas Litigation	4,043,615
Port Arthur	TX034	CE/VO	East Texas Litigation	3,144,498
Orange	TX037	CE/VO	East Texas Litigation	1,229,965
Jefferson	TX044	CE/VO	East Texas Litigation	263,190
Paris	TX048	CE/VO	East Texas Litigation	876,492
Pittsburg	TX049	CE/VO	East Texas Litigation	184,277
Henderson	TX050	CE/VO	East Texas Litigation	123,826
Center	TX059	CE/VO	East Texas Litigation	74,354
Gilmer	TX071	CE/VO	East Texas Litigation	39,128
Orange County	TX113	CE/VO	East Texas Litigation	561,326
DeKalb	TX137	CE/VO	East Texas Litigation	73,464
Clarksville	TX207	CE/VO	East Texas Litigation	0
Wills Point	TX217	CE/VO	East Texas Litigation	8,737
EdgeWood	TX242	CE/VO	East Texas Litigation	145,008
Alto	TX272	CE/VO	East Texas Litigation	0
Tatum	TX341	CE/VO	East Texas Litigation	70,198
Livingston	TX352	CE/VO	East Texas Litigation	64,813
Rusk	TX372	CE/VO	East Texas Litigation	0
Harrison County	TX438	CE/VO	East Texas Litigation	0
Marshall	TX457	CE/VO	East Texas Litigation	0

Longview	TX459	CE/VO	East Texas Litigation	371,833
Nacogdoches	TX486	CE/VO	East Texas Litigation	809,069
Panola County	TX487	CE/VO	East Texas Litigation	0
Anderson county	TX488	CE/VO	East Texas Litigation	0
Ark-Tex COG	TX499	CE/VO	East Texas Litigation	0
Nacogdoches	TX501	CE/VO	East Texas Litigation	0
Liberty County	TX505	CE/VO	East Texas Litigation	0
Jacksonville	TX516	CE/VO	East Texas Litigation	0
Athens	TX519	CE/VO	East Texas Litigation	0
Troup	TX528	CE/VO	East Texas Litigation	0
Delaware State	DE901	CE/VO	MTW	0
Lawrence	KS053	CE/VO	MTW	0
Louisville	KY001	CE/VO	MTW	0
Cambridge	MA003	CE/VO	MTW	0
High Point	NC006	CE/VO	MTW	0
Lincoln	NE002	CE/VO	MTW	0
Keene	NH010	CE/VO	MTW	0
Portage	OH031	CE/VO	MTW	0
Portland	OR002	CE/VO	MTW	0
Seattle	WA001	CE/VO	MTW	0
Vancouver	WA008	CE/VO	MTW	0
Chicago Housing Authority	IL002	CE/VO	MTW/Litigation	0
Philadelphia Housing Authority	PA002	CE/VO	MTW	0
New Haven Housing Agency	CT004	CE/VO	MTW	0
Pittsburgh	PA001	CE/VO	MTW	0
				171,955,256

Mr. Walsh #4d

Voucher Utilization/Recaptures

Question: To the extent that these unused prior year funds remain available to the Public Housing Authorities (PHAs) for future use, does the budget request assume full funding for the renewal costs of these unused vouchers? If so, why?

Answer: For PHAs with pending litigation the budget request does assume full funding for the renewal costs of unused vouchers. Until the Department knows the outcome of final legal decisions and the associated financial cost and obligations for remaining vouchers, these PHAs are excluded from recaptures.

The budget request for Moving to Work agencies assumes full funding because the statute allows the merger of program funds, therefore full funding is made available for implemention of the agreement. Reporting requirements for the Section 8 component of the program assume full use of the funds.

Mr. Walsh #5a

Incremental Vouchers

Question: Again in fiscal year 2002, the Congress directed the Department to distribute the new incremental vouchers provided within 90 days of enactment of the appropriation Act. The Department did not meet this directive.

Why was the Department again unable to meet the directive to award these vouchers within 90 days?

Answer: The Department was unable to award the fair share vouchers within 90 days of the enactment of the fiscal year 2002 HUD Appropriations Act which was enacted on November 26, 2001. It is not possible to complete the process in 90 days. The clearance process, publication of NOFA, application, selection, notification processes, and obligation of funds require 8 calendar months.

Mr. Walsh #5b

Incremental Vouchers

Question: By what date does the Department intend to award these vouchers, and by what date will the funds actually be obligated (not committed) to those Public Housing Authorities (PHAs) receiving these vouchers?

Answer: The funding should be obligated for PHA awardees within the HUD systems by July 2002.

Incremental Vouchers

Question: Should the Department be provided additional incremental vouchers in fiscal year 2003, by what date will the Department award these vouchers to the Public Housing Authorities (PHAs)?

Answer: The Department will aim to award and obligate vouchers 8 months after the date that HUD's appropriations has been signed into law.

Mr. Walsh #5d

Incremental Vouchers

Question: Please provide a chart which identifies when incremental voucher funds were actually obligated (not committed) to the Public Housing Authorities (PHAs) for each of the following: fiscal year 1999 funded vouchers; fiscal year 2000 funded vouchers; and fiscal year 2001 funded vouchers?

Answer: See chart below.

Fiscal Year Ended 9/30/99 Vouchers Obligated

Welfare to Work

October-1999	48,719
December-1999	1,281
Total	50,000

Fiscal Year Ended 9/30/00 Vouchers Obligated Fair Share

September-2000	60,000
Total	60,000

Fiscal Year Ended 9/30/01 Vouchers Obligated Fair Share

May-2001	392
June-2001	133
July-2001	54,014
August-2001	24,461
Total	79,000

Mr. Walsh #5e

Incremental Vouchers

Question: What is the average time amount before an incremental voucher is actually used (i.e. unit is leased by a family) once HUD has obligated incremental voucher funds to the Public Housing Authority (PHA)?

Answer: The average time is 128 days.

Mr. Walsh #5f

Incremental Vouchers

Question: Last year, HUD indicated that Public Housing Authorities (PHAs) did not utilize the funds provided in fiscal year 1999 and fiscal year 2000 for incremental vouchers in the year that the funds were appropriated, yet HUD did not recapture the funds. Since renewals of these new incrementals are always fully funded, why weren't these funds recaptured?

Answer: HUD did not utilize the fiscal year 1999 Welfare to Work voucher funding in the year appropriated due to delays in awarding the funds. The funds were carried over and obligated in fiscal year 2000. The term of the contracts was effective in fiscal year 2000. Due to difficulties with initial leasing of Welfare to Work vouchers, contracts were extended. The first renewals have been awarded in fiscal year 2002 for PHAs that achieved 95 percent lease-up. For those PHAs with less than 95 percent lease-up, renewals were provided this year for the number of units actually leased. The unused units are being reallocated this fiscal year to high performing PHAs through a competition.

Fair Share incremental vouchers appropriated in fiscal year 2000 were awarded to PHAs late in the fiscal year (September 2000). This was the first time that incrementals for fair share had been appropriated in six years and the Department required additional time to update processes and procedures. Any unused funds available at the end of the contract term were recaptured in fiscal year 2001.

Mr. Walsh #5g

Tenant Protection Vouchers

Question: Please provide a chart which shows the tenant protection vouchers funded (units and $) vs. actual number (units and $) used in fiscal year 1998, fiscal year 1999, fiscal year 2000, fiscal 2001, estimated fiscal year 2002, and requested amount for fiscal 2003. [Note – the actual number should reflect actual usage, not reservations or obligations since obligated amounts may not actually by used].

Answer: Below is a chart that identifies the vouchers obligated for tenant protection. The Department does not presently track leasing activity at the sub-program level. Each PHA reports leasing activity through a consolidated budget and year end statement. Therefore, actual utilization of the tenant protection vouchers is not available. Obligations are the closest proxy to utilization HUD is able to provide. We are however developing a system based module to capture monthly PHA utilization for the entire program and at the sub-program level.

Section 8 Tenant Protection Program
Enacted /Obligated Units and Funds

Fiscal year	Enacted	a./	Reservation/Obligation b./			
	BA		Units		BA	
FY 1998	$303,000,000		...	d./	$136,132,262	
FY 1999	393,000,000		38,200		333,446,345	
FY 2000	156,000,000	c./	30,945		217,266,234	
FY 2001	265,414,800		41,965		255,174,339	
FY 2002	202,842,000		46,000	(est.)	276,230,000	(est.)

a./ Since FY 1997 there has been no specific unit number enacted in the Appropriation Act for tenant Protection.
b./ Accounts reporting was changed from a reservation basis to an obligation basis in FY 1999.
c./ A rescission of $438 million was enacted in FY 2000.
d./ Actual data not available

Mr. Walsh #5h

Tenant Protection Vouchers

Question: Please provide a chart which shows the amount of new tenant protection funds (not renewals) which were recaptured and/or carried over in fiscal year 1999, fiscal year 2000, fiscal year 2001, and estimated fiscal year 2002.

Answer: The chart below identifies the amount of funding carried over from annual allocations. Recaptured amounts are not identified at the sub-program level. Any funding unused at the end of the PHA fiscal year converts to reserves and is available for recapture.

HOUSING CHOICE VOUCHER PROGRAM NEW TENANT PROTECTIONS CARRYOVER FUNDS	
FY 1999	$ 602,639,089 a./
FY 2000	60,890,217
FY 2001	71,130,678
FY 2002 (est.)	-

a./ A rescission of $438 million was enacted in FY 2000.

Mr. Walsh #5i

Tenant Protection Vouchers

Question: What is the total amount renewals ($ and units) for tenant protection vouchers in the fiscal year 2003 request?

Answer: The estimate of tenant protection vouchers requiring renewal in FY 2003, based on estimated FY 2002 obligations, is approximately 46,000 units and $276,230,000. This includes renewal of units from tenant protection carryover funds.

Mr. Walsh #5j

Tenant Protection Vouchers

Question: Please provided a chart which shows the actual number of units lost through project-based opt outs in fiscal years 1998, 1999, 2000, 2001, estimated 2002, and 2003?

Answer: The Department is in the process of updated and revising its systems for tracking opt-outs in its Real Estate Management System (REMS), including a specific effort to confirm actual opt-outs from the project-based inventory and reconciling this data with public housing records for issuances of tenant protection vouchers for projects that have filed an intent to opt-out. Difficulty has been experienced in tracking these actions because project owners sometimes give formal notice of an intent to opt-out, but are later persuaded to continue with project-based assistance. Another issue is that opt-out data has been combined with counts of Sec. 8 contracts that have been terminated by HUD because the property fails to meet program standards. Preliminary results, however, indicates that approximately 10,000 units in about 230 projects were removed from the project-based inventory in FY 2001 by a decision by a property owner to opt-out of the Sec. 8 project-based program. For FY 2000, our current estimate is 20,000 units were involved in project opt-outs.

Section 8 Administrative Fees

Question: The Housing Certificate Fund includes funds to reimburse Public Housing Authorities (PHAs) for administering tenant-based vouchers, as well as funds to pay contract administrators to administer project-based Section 8 contract.

Tenant-based administrative fees are to be paid based on the actual number of units leased using Section 8. The budget estimates a total of $1.3 billion for tenant-based fees in fiscal year 2003, a $108 million increase over the amount estimated for fiscal 2002, and $370 million over the amount actually paid in fiscal year 2001. This represents a $472 million, or 56 percent increase, above the amount provided in fiscal year 1999, while the tenant-based units leased using Section 8 has only grown by about 16 percent.

Why have fees increased so significantly, and what percentage of the total fund provided for Section 8 is used for administrative fees?

Answer: On-going administrative fees have increased for several reasons; Growth in the number of vouchers between 1998 and 2003 (33 percent, from 1.58 million to estimated 2.1 million vouchers); increased utilization in the program; and local increases in the wage rate factor adjustments from year to year that affect the base rate. The fiscal year 2003 Budget also assumed a utilization rate of 100 percent for the purposes of estimating budget authority requirements.

Mr. Walsh #6b

Section 8 Administrative Fees

Question: What is the total actual amount of administrative fees paid in fiscal years 1999, 2000, and 2001? What is the estimate for fiscal years 2002 and 2003, and do these estimates assume a 100 percent lease-up rate for all vouchers?

Answer: Below is information related to actual administrative fees from 1998 through 2001 for the voucher program. Estimates for fiscal years 2002 and 2003 assume a 100 percent utilization rate.

Administrative Fee Earned	
1998	$772,859,046
1999	$827,036,007
2000	$871,998,068
2001	$930,364,053
Administrative Fee Estimates	
2002	$1,150,000,000
2003	$1,300,000,000

Mr. Walsh #6c

Section 8 Administrative Fees

Question: What is the administrative fee rate paid for tenant-based vouchers as compared to the rate paid for contract administrators who administer project based Section 8?

Answer: A PHA is paid an on-going administrative fee for each unit month for which a dwelling unit is covered by a housing assistance payments contract on the first day of the month. The amount of the monthly per unit fee is calculated from a base year amount determined by a statutory formula, and updated annually by a HUD Federal Register notice adjusting the formula ongoing fee amount for each area (based on changes in wage data or other objective factors affecting cost of program administration). The on-going administrative fees for the first 600 units in a PHA's Housing Choice Voucher Program is an amount that is 7.5 percent of the base amount for the first 600 units, 7.0 percent of the base amount for each additional voucher above 600 units and 3.0 percent of the base amount for a PHA owned unit.

For project-based Section 8 contracts, PHAs operating under a Performance Based Annual Contributions Contract (PB-ACC) may earn monthly administrative fees for a covered unit under an assigned HAP contract on the first day of the month during the ACC term. The fees are calculated using up to a maximum PHA bid of 3% using the two bedroom Fair Market Rate (FMR) for the applicable service area the units are covered under. FMRs are held static for the first two years of the five year PB-ACC contract with years three through five providing for calculations using the current FMR rates.

Similarly, HFAs operating under the "old or non-performance based Annual Contributions Contract (ACC)" may earn monthly administrative fees for a covered unit under an assigned HAP contract on the first date of the month during the ACC term. The fees are calculated using 3% of the current new construction two bedroom FMRs published in the Federal Register each year. HFAs are eligible to requisition a higher administrative fee beginning on the first day of the month following the date when FMRs are revised and published.

Mr. Walsh #6d

Section 8 Administrative Fees

Question: What are the eligible uses of administrative fee funds? Proposals have been floated to allow Public Housing Authorities (PHAs) to take unused Section 8 voucher funds and re-direct them to support outreach and other services related to the Section 8 program. Aren't these activities currently funded through administrative fees?

Answer: HUD may approve administrative fees to the PHA for any of the following purposes:

(a) Ongoing administrative fee;

(b) Costs to help families who experience difficulty finding or renting appropriate housing under the program; and

(c) Extraordinary fees may be approved for costs necessary to cover additional expenses incurred by the PHA to: provide reasonable accommodation for persons with disabilities where the PHA is unable to cover such additional expenses from ongoing administrative fee income or the PHA administrative fee reserve; costs of audit by an independent public accountant; other extraordinary cost determined necessary by HUD Headquarters; preliminary fee for PHAs not administering a tenant-based program prior to October 1, 1999 (the preliminary fee is used to cover expenses the PHA incurs to help families who inquire about or apply for the program, and to lease up new program units); and costs to coordinate supportive services for families participating in the Family Self-sufficiency program.

The PHA ongoing administrative fee is paid for each program unit under HAP contact on the first day of the month. The amount of the ongoing fee is determined by HUD in accordance with Section 8(q)(1) of the United States Housing Act of 1937. PHAs must maintain an administrative fee reserve for the program. The PHA must credit to the administrative fee reserve, the total of:

(1) The amount by which program administrative fees paid by HUD for a PHA fiscal year exceed the PHA program administrative expenses of the fiscal year; plus

(2) Interest earned on the administrative fee reserve.

PHAs must use funds in the administrative fee reserve to pay program administrative expenses in excess of administrative fees paid by HUD for a PHA fiscal year. If funds in the administrative fee reserve are not needed to cover PHA administrative expenses, the PHA may use these funds for other housing purposes permitted by State and local law. However, HUD may prohibit use of the funds for certain purposes.

Administrative fees may be used to support outreach and other services noted above related to the Section 8 program.

Mr. Walsh #6e

Section 8 Administrative Fees

Question: Please provide a breakout of the administrative fees paid in fiscal years 1999, 2000, and 2001, by the following categories: on-going administrative fees; housing conversion fees; preliminary fess; counseling fees; hard-to-house fees for large families; hard-to –house fees for a family with a disabled person; lead-based paint fee for initial clearance test; and lead-based paint risk assessment fee.

Answer: The Department does not currently track exception fee information. Therefore the only data provided is related to on-going administrative fee, preliminary fees, and hard to house fees. We are developing a computer module that will provide the ability to track actual costs at the sub-program level, to include exception fees.

	On-going	HTH	Preliminary
1999	$827,126,158	$5,025,238	$1,027,390
2000	$871,348,053	$5,093,996	$3,375,314
2001	$938,334,879	$5,630,009	$1,315,032

Mr. Walsh #7a

Section 8 Administrative Fees

Question: It is my understanding that any administrative fees that are in excess of the amounts required to administer the tenant-based program may be deposited into an administrative fee reserve.

What is the statutory authority and authorized purposes for which a Public Housing Authority (PHA) may use its administrative fee reserve fund? Does HUD allow PHAs to use these reserve funds to support non-Section 8 activities which are also funded through the operating subsidy account?

Answer: The establishment and use of the administrative fee reserve is not statutorily mandated, but rather is required by program regulations and the annual contributions contract executed by the Department and PHAs. Program regulations require that PHAs use funds in the administrative reserve to pay program administrative expenses in excess of administrative fees paid by HUD for a PHA fiscal year. If funds in the administrative fee reserve are not needed to cover PHA administrative expenses, the PHA may use these funds for other housing purposes permitted by State and local law. Barring any State or local law prohibitions, PHAs may use administrative fee reserves to support activities funded by the operating subsidy account. However, HUD may prohibit use of the funds for certain purposes. PHAs may use the administrative fee reserve for non-Section 8 activities provided those activities are used for other housing purposes permitted by State and local law.

Mr. Walsh #7b

Section 8 Administrative Fees

Question: What was the total amount of administrative reserves available to Public Housing Authorities (PHAs) in fiscal years 1999, 2000, and 2001?

Answer: See below.

1999	$723,329,217
2000	$788,276,617
2001	$862,178,325

Mr. Walsh #7c

Section 8 Administrative Fees

Question: According to HUD Notice PIH 2002-7, a Public Housing Authority (PHA) that has not achieved at least a 95 percent lease up rate is not authorized to use any funds in its reserves by the HUD field office. Is this a new sanction, and if not, how many PHAs not meeting the 95 percent lease up standard were authorized in fiscal year 2001 to use their reserves?

Answer: Yes this is a new sanction for fiscal year 2002 and data has not been collected yet to determine how many PHAs are not meeting the 95 percent lease-up standard.

Mr. Walsh #8a

Section 8 Mortgage Payment Program

Question: Recent statutory changes to the Section 8 voucher program allow Section 8 vouchers to be used as homeownership subsidies. Based on this new authority, HUD has implemented a new Section 8 mortgage payment program and is also proposing to establish a down-payment assistance program.

Most activity in the mortgage payment program has been done through partnerships between a PHA and a Neighborhood Reinvestment Corporation (NRC) local affiliate. The NRC affiliate can provide the necessary housing counseling assistance and alternative mortgage financing. Outside these NRC-PHA partnerships, PHAs have demonstrated little interest or success in administering the mortgage payment program.

Generally speaking, simply allowing Section 8 to be used for a mortgage instead of rent has not proven to be enough to transition families into homeownership. NRC has found that a family needs to have an income level of roughly $24,000, and must be provided long-term counseling, access to alternative mortgage financing, and continued long-term Section 8 assistance.

How many PHAs are currently running mortgage payment programs, and of those, how many are being run in partnership with NRC or similar providers?

Answer: Since implementation of the monthly mortgage payment program is at the option of the PHA, HUD does not currently have statistical data on the number of PHAs that have implemented or are close to implementing the program. Our most recent canvassing indicates that approximately 100 to 150 public housing agencies either have had at least 1 closing or are nearing the final stages of implementing the program. Of these public housing agencies, 26 are partnering with the 21 NeighborWorks organizations affiliated with the Neighborhood Reinvestment Corporation.

Mr. Walsh #8b

Section 8 Mortgage Payment Program

Question: For those PHAs which are not partnering with any outside provider, what steps is the PHA required to take to ensure that families have access to necessary housing counseling and alternative financing?

Answer: The program regulations provide that the family must attend and satisfactorily complete a pre-assistance homeownership and housing counseling program required by the PHA. HUD encourages the PHA to partner with a HUD-approved housing counseling agency. If there are no counseling resources in the jurisdiction, PHA staff or subcontractors will provide the counseling. The regulations provide that if the PHA is not using a HUD-approved housing counseling agency to provide the counseling for families participating in the homeownership option, the PHA should ensure that its counseling program is consistent with the homeownership counseling provided under HUD's Housing Counseling Program.

Most PHAs that are not working with a NRC affiliate work to establish partnerships with lenders in the community. HUD is also working with the community affairs division of various banks, regulated agencies, and Treasury, to link their consumer finance resources and some private financial institutions with PHAs. A number of HUD partners have been active in working with PHAs to expand their use of the program, and Fannie Mae in particular has been very active in helping PHAs to partner with lenders.

Section 8 Mortgage Payment Program

Question: For those Public Housing Authorities (PHAs) which have not partnered with an NRC affiliate, how many families have successfully moved into the mortgage payment program?

Answer: The Department does not at this time have statistical data on the exact number of closings we have had nationwide. However, PHAs not partnered with an NC affiliate have also had success in assisting families to become homeowners under the program, such as Colorado Department of Human Services (19 families), Montgomery County, PA (10 families), and Bernalillo County (9 families), among others.

Section 8 Mortgage Payment Program

Question: Current HUD regulations allow families with incomes as low as $10,300 to participate in this program compared to $24,000 estimated as necessary by NRC. Why is HUD's eligibility so broad and is the Department concerned that we may be raising expectations, and putting people at risk for failure with such low income requirements?

Answer: HUD believes a change to the minimum income requirement is warranted and published a proposed rule to change the minimum income requirement under the housing choice voucher program homeownership option. Under the HUD proposal, PHAs would have the flexibility to adjust the minimum income requirements based on local housing costs and the practices of participating lenders. But we know for a fact that there have been numerous closings involving families with incomes below $20,000. The program can also link with various self-help homeownership programs which can significantly reduce income and cost requirements for homeownership needs. These families can also utilize the lease-purchase programs that mitigate downpayment requirements and mortgages.

Mr. Walsh #9a

Section 8 Downpayment Assistance Program

Question: HUD's fiscal year 2003 budget requests $15 million for 2,500 new incremental vouchers to start the down-payment assistance program. Under HUD's proposed program, a Section 8 renter could opt to take a 1-time lump sum payment of Section 8 and apply those funds toward a downpayment. Once they received that lump-sum payment, they would no longer be eligible for continued Section 8 payments thereby freeing up that voucher for use by another family. While the authorizing statute requires HUD to get approval in the appropriations Act before starting this program, it does not authorize new incremental vouchers to be used for this program. As stated in HUD's proposed regulation, congressional intent behind the program was to provide a mechanism to better target **existing** vouchers to needier families by enabling **current** higher income Section 8 voucher holders to move out of the Section 8 program through homeownership, thereby freeing up that voucher for another family.

Why is HUD proposing new incremental vouchers to start this program, instead of proposing to use existing vouchers, and how will these vouchers be distributed to the Public Housing Authorities (PHAs)?

Answer: The statutory language of Section 8(y)(7)(A) authorizes the down payment grant option "to the extent provided in advance in appropriations Acts." HUD asked for an appropriation of incremental vouchers so that its authority to proceed with the program would be clear. HUD anticipates that any voucher funding appropriated for down payment grants will be distributed through a national competition.

Section 8 Downpayment Assistance Program

Question: What is the minimum income level a family must have in order to participate in the program, and how does that compare to requirements in similar public and private low-income homeownership programs?

Answer: The downpayment grant option and the monthly mortgage assistance option have the same minimum income requirement. Currently, the program regulations provide that the minimum income requirement is the Federal minimum wage multiplied by 2000 hours. HUD has proposed a change to this requirement whereby PHAs would have the flexibility to adjust the minimum income requirements based on local housing costs and the practices of participating lenders. Since this amount will vary, it is not possible to compare it to requirements in similar programs. The Program can also link with various self-help homeownership programs which can significantly reduce income and cost requirements for homeownership needs.

Mr. Walsh #9c

Section 8 Downpayment Assistance Program

Question: Is a one-time subsidy of $6,000 for a downpayment sufficient to enable a low income family to achieve homeownership, or is HUD contemplating changing its proposed rule to provide continued long-term Section 8 assistance to these families?

Answer: The statute does not appear to permit the change contemplated by the question, as Section 8(y)(7) provides that the grant is made in lieu of monthly assistance payments.

Mr. Walsh #10a

Family Self-Sufficiency Coordinators

Question: The fiscal year 2003 budget requests $52 million for family self-sufficiency coordinators (FSS), a $6 million increase.

How much of the funding is for renewals of existing FSS coordinators, and how much is for an expansion of the program to other Public Housing Authorities (PHAs)?

Answer: HUD expects to need approximately $48 million for renewals and the balance, approximately $4 million would be made available to expand the program to additional PHAs.

Mr. Walsh #10b

Family Self-Sufficiency Coordinators

Question: How many Public Housing Authorities (PHAs) had Family Self-Sufficiency coordinators (FSS) in fiscal years 2000, 2001, and estimated 2002, and how many FSS coordinators will the fiscal year 2003 request support?

Answer: In fiscal year 2000, HUD provided FSS program coordinator funding to 618 PHAs (for a total of 618 coordinators). In fiscal year 2001, HUD funded 735 PHAs (1084 FSS program coordinator positions). In fiscal year 2002, HUD expects to fund approximately 750 PHAs (approximately 1095 FSS program coordinators). The amount requested in fiscal year 2003 is estimated to fund 850 PHAs (approximately 1,200 FSS coordinators).

Mr. Walsh #10c

Family Self-Sufficiency Coordinators

Question: Are Public Housing Authorities (PHAs) limited to receiving funding only to support one FSS coordinators under this program:

Answer: Under the fiscal year 2001 FSS NOFA, for the first time, PHAs administering large FSS programs and state and regional PHAs administering FSS programs in more than one part of their jurisdiction were eligible to apply for more than one FSS program coordinator. In fiscal year 2002, HUD will renew coordinator positions funded in fiscal year 2001, including those PHAs that were awarded more than one FSS coordinator position; however, because available funds in fiscal year 2002 are very limited, new PHA applicants will be limited to one coordinator position regardless of their FSS program size or area of operation. If funding levels in future years permit, HUD would like to again allow PHAs with large FSS programs to apply for funding for the salaries of additional FSS program coordinators.

Mr. Walsh #11

Section 8 Amendments

Question: The budget justifications indicate that no funding is requested to pay for Section 8 amendments, but instead this will be funded out of carryovers and recaptures in fiscal year 2003.

What is the total estimated requirement for Section 8 amendments in fiscal year 2003?

Answer: The latest estimate of amendment needs for the project-based inventory for fiscal year 2003 is approximately $603 million.

Mr. Walsh #12a

Community Development Block Grant Program

Question: The budget justifications indicate the Department will be submitting a number of authorization changes to the CDBG program related to Insular Areas, the Colonias, and review of CDBG state programs.

Please provide a detailed explanation and justification for each proposed change.

Answer: Attached are summaries of the proposed changes still under development regarding Insular funding, CDBG timeliness standards, and CDBG formula. The Colonias Gateway Initiative is still being drafted.

AUTHORIZATION FOR INSULAR AREAS FUNDING

DESCRIPTION OF PROPOSED CHANGE:

CDBG funding for Insular Areas (the U.S. territories) is authorized in §107(b) of the HCDA. This proposal would move Insular Areas funding authorization to §106(a)(1). As with the Indian CDBG program, this proposal would identify a specific portion of the CDBG allocation (outside the Entitlement/State formula distribution) for Insular Areas. A concurrent technical change is proposed to delete reference to the Trust Territory of the Pacific as an eligible territory. Palau, the last the Trust Territory of the Pacific, became independent in 1994.

JUSTIFICATION FOR PROPOSED CHANGE:

The Insular Areas are funded out of the "Secretary's Discretionary Funds" portion of the HCDA. In some years' appropriation and authorization bills (or the committee reports accompanying such bills), Congress specifies a funding level for Insular Areas; in other years, no indication is given. (In those years, CPD has continued funding the Insular Areas program at its historical $7 million annual level.) The present legislation contains no language whatsoever regarding the basis for allocating funding among the eligible territories. (Absent the Census data used in the CDBG Entitlement and State distribution formulas, CPD allocates Insular CDBG funding on the basis of relative population.)

Initially, Indian CDBG funding was also authorized under §107; it has since been moved to §106(a)(1). The HCDA specifies a percentage of funding for Indian CDBG "off the top" of the total allocation, and the method to be used by HUD in distributing Indian CDBG funds. This leaves Insular Areas as the only class of CDBG grantees to not enjoy statutory assurance of continued funding. This proposal will:

- Ensure continued annual funding at a predictable level for Insular Areas–something Entitlement and State grantees have always enjoyed—equivalent to their current share of CDBG funding.
- Formalize the current basis for distributing funds among the territories—again providing them with the same predictability enjoyed by Entitlements and States.
- Give HUD the authority to add other statistical factors to a distribution "formula", should Census or other suitable data become available in the future.
- Clarify that Insular Areas are able to participate in the Section 108 Loan Guarantee Program and Economic Development Initiative.
- Remove an obsolete reference to areas that are no longer eligible participants.
- Not compromise in any way our ability to enforce programmatic requirements or to withhold/recapture funds for noncompliance.

TIMELY EXPENDITURE STANDARD FOR STATE CDBG PROGRAM

DESCRIPTION OF PROPOSED CHANGE:

Currently, section 104(e) of the HCDA requires HUD to review entitlement grantees to determine if they are carrying out their activities in a timely manner. This provision requires HUD to review States to determine if they have distributed funds to local governments in a timely manner and for States to review their local governments to determine if the local governments are carrying out their activities in a timely manner. It does not clearly give HUD the authority to review states to determine if they are expending funds in a timely manner. This proposal would add a requirement that HUD review the State program to determine if they are managing the program in a way to ensure that funds are expended timely.

JUSTIFICATION FOR PROPOSED CHANGE:

This addition is needed to clearly give HUD the authority to take action when necessary to ensure that funds do not build up in unreasonable amounts. Some states have over 3 times their grant on hand. Congress is concerned about the CDBG account overall ands HUD needs authority to pursue states who are not managing their program well to get out funds to benefit low and moderate income persons. The proposal would give statutory authority for HUD to establish, by regulation, a timely expenditure performance standard for the State CDBG program. HUD has conferred with states and their interest group over the last several years, and has gained state support for the establishment of a timely expenditure standard.

FORMULA STATUS OF NONENTITLEMENT COMMUNITIES IN HAWAII

DESCRIPTION OF PROPOSED CHANGE:

Since 1982, states have had the option to assume responsibility for CDBG funding for nonentitlement areas, under the State CDBG program. Only Hawaii has not taken the program. In Hawaii there are only 3 eligible applicants (3 counties). HUD currently by regulation distributes funds to the counties by the CDBG formula, and administers the program similar to Entitlement program. While this works fairly well it still causes each program policy to be rethought and published separately for Hawaii. This proposal would statutorily qualify the three Hawaii counties as entitlements. The HUD-Administered Small Cities program) would be eliminated as a separate program. While the 3 Hawaii Counties would be subject to all Entitlement program requirements, their funding would continue to come from the 30 percent nonentitlement share of the CDBG program. So as not to further dilute Entitlement program allocations.

JUSTIFICATION FOR PROPOSED CHANGE:

This change would allow HUD to administer one less program—a program that now accounts for just $5.1 million of the $4.4 billion CDBG funding, and serves only 3 of more than 3000 counties in the U.S. This proposal will make the counties full-fledged participants in the Entitlement program; their administration of funding will be simplified, as they will be subject only to the Entitlement program regulations rather than a combination of Entitlement and Small Cities program regulations. Their funding will continue to come from the 30 percent nonentitlement share of the CDBG program, to preserve their current funding levels and so as not to further dilute Entitlement program allocations.

In 20 years, the State of Hawaii has shown no interest in joining the State CDBG program. However, gubernatorial and legislative elections will be held in Hawaii in November 2002. HUD's proposal will lag the effective date of the change to Entitlement status, to give the next state administration time to decide if they wish to take over nonentitlement funding through the State CDBG program. The legislative change would essentially be nullified if the State takes over the funding before the effective date.

Mr. Walsh #12b

Community Development Block Grant Program

Question: Which of these changes are being sought through the appropriations process, and which are being sought through the authorization process? For those changes being sought through the authorization process, has the Department submitted its legislative proposal to the Congress?

Answer: Legislative proposals are currently being drafted at HUD and will be submitted to the authorizing committees.

Mr. Walsh #13a

Community Development Block Grants

Question: The Community Development Block Grant (CDBG) formula program continues to carry significant unexpended balances. While the Department has made progress in reducing the number of untimely grantees, a total of 145 grantees still do not comply with the timeliness requirements. According to the detailed budget justifications, HUD plans to aggressively pursue and make substantial progress in rectifying the untimeliness issue in the coming year.

What specific steps does HUD plan to take to resolve this issue?

Answer: In November 2001, Assistant Secretary Bernardi issued a sanctions policy that was recently implemented. If, at their next 60-day test for timeliness, currently untimely CDBG entitlement grantees with program year start dates of May 1 and later fail, to meet either the 1.5 standard or the criteria for an exception, their future grant will be subject to a graduated reduction ranging from 15 percent to 30 percent of the amount in excess of 1.5 times their current year grant. Should these same grantees fail either to meet the 1.5 standard at their next 60-day test or qualify for an exception, there will be a reduction of 100 percent of the amount in excess of 1.5 times the current year grant. Currently untimely grantees are heeding the warning. Of the 8 May 1st grantees affected by this new timeliness policy, 5 reached 1.5 at their recent 60-day test and 3 qualified for the exception based on their 12-month spending rate.

Any grantee that newly becomes untimely faces a loss of 100 percent of the amount in excess of 1.5 times the annual grant if it fails its next 60-day timeliness test.

Grantees have been warned repeatedly over the past several years of the importance of conducting their CDBG programs in a timely manner. The Department has provided significant amounts of technical assistance to grantees individually and in peer-to-peer training sessions, resulting in significant reductions in the numbers of grantees in non-compliance and in the dollars in lines-of-credit in excess of 1.5 the annual grant. CPD has furthermore seen considerable improvements in the performance of currently untimely grantees and a downturn in the number of timely grantees becoming untimely. The number of untimely grantees has been reduced from a high of 309 in April 1999, to a current low of 130.

The policies already in place are working to accelerate timely performance and the timely expenditure of CDBG funds.

Mr. Walsh #13b

Community Development Block Grant Program

Question: Please provide a breakout by grantee of the amount of funds which exceed current regulatory timeliness requirements?

Answer: Attached is a chart listing, as of April 2, 2002, the 130 untimely entitlement grantees. The middle column is the grantee's drawdown ratio 60 days prior to the end of the grantee's program year. The next column headed "Amount >1.5 60-day Ratio" is the dollar amount in that grantee's line-of-credit that was in excess of 1.5 times the annual grant. The next column to the right adds each of these figures to reach a cumulative amount in excess of 1.5 totaling $122,262,603 for the program. This figure represents a significant reduction of 66 percent from September 1999, when the dollar amount in excess of 1.5 for the then 273 untimely grantees was $364 million.

It should be pointed out, however, that of the 130 untimely grantees listed, those 33 communities with asterisks beside their name already have a current drawdown ratio of 1.5 or less, and therefore will meet the 1.5 standard when the next 60-day test is next conducted. The last column on the chart is also an indicator of the progress that HUD has made in improving the timely performance of entitlement grantees. This figure projects the next 60-day ratio for each grantee based on its past 12-month spending rate. An additional 28 grantees are projected to reach compliance at their next 60-day test. As indicated above, HUD's outreach efforts, together with a pre-announced sanctions policy, have had a significant effect on improving grantee performance. The Department expects that the number of untimely grantees will continue to be reduced as grantees carry out their programs through the remainder of the fiscal year.

Mr. Walsh #14a

Colonias Gateway Initiative

Question: The budget includes a $16 million legislative proposal for the Colonias Gateway Initiative.

Please provide a detailed explanation of this initiative, including the proposed uses for these funds, eligible recipients of the funds, and the mechanism that will be used to distribute these funds?

The specifics of this initiative, such as eligibility criteria and fund distribution mechanism, are currently being drafted at HUD. Unlike CDBG grant awards to state and local governments, under the Colonias Gateway Initiative (CGI), HUD will contract with a regional intermediary operating in the Colonias to spur housing and economic development. This will be accomplished through: (i) a tripartite governance structure, including representatives from government, the non-profit and the private sector; (ii) a primary focus on neighborhood-level interventions; and (iii) a reliance on a non-governmental, regional intermediary for service delivery, with an explicit methodology of having Colonia's organizations as active partners throughout the life cycle of each CGI investment. CGI will serve as a portal for private sector participants interested in investing under commercial or quasi-commercial terms and conditions in housing and economic development projects. HUD has already forged partnerships with the EPA and USDA to assure that the Colonias resident needs are effectively met at the most fundamental level, such as infrastructure, by close resourcing and coordination efforts in concert with other regional development entities. The Department will provide the full requested details as soon as possible.

Mr. Walsh #14b

Colonias Gateway Initiative

Question: Is the Department proposing that the necessary authorization legislation for this initiative be included in the appropriations bill, and if so, when will that legislation be transmitted?

Answer: The necessary authorization legislation for this initiative is currently being drafted at HUD and once completed, will be transmitted to Authorizing Committees.

Mr. Walsh #14c

Colonias Gateway Initiative

Question: Current law (42 U.S.C. 5306 note) mandates that affected States must set aside up to 10 percent of their State CDBG formula funding for the Colonias. How much did each State set aside for the Colonias in fiscal years 2000 and 2001, and what percentage of each State's total did that funding represent? How will funds provided under the proposed Colonias Gateway Initiative differ from the current set aside program?

Answer: CDBG set-asides for Colonias totaled $13,344,550 in 2000 and $13,888,900 in 2001. The State CDBG set-asides and their percentage of State totals in fiscal years 2000 and 2001 were:

	2000		2001	
Arizona	$1,074,600	10%	$1,125,000	10%
California	$2,211,150	5%	$2,303,500	5%
New Mexico	$1,534,500	10%	$1,600,000	10%
Texas	$8,524,300	10%	$8,860,400	10%
	$13,344,550		$13,888,900	

Unlike CDBG grant awards to state and local governments, under the Colonias Gateway Initiative (CGI), HUD will contract with a regional intermediary operating in the Colonias to spur housing and economic development. This will be accomplished through: (i) a tripartite governance structure, including representatives from government, the non-profit and the private sector; (ii) a primary focus on neighborhood-level interventions; and (iii) a reliance on a non-governmental, regional intermediary for service delivery, with an explicit methodology of having Colonia's organizations as active partners throughout the life cycle of each CGI investment. CGI will serve as a portal for private sector participants interested in investing under commercial or quasi-commercial terms and conditions in housing and economic development projects. HUD has already forged partnerships with the EPA and USDA to assure that the Colonias resident needs are effectively met at the most fundamental level, such as infrastructure, by close resourcing and coordination efforts in concert with other regional development entities.

Mr. Walsh #15

Section 108 and Brownfields

Question: The budget proposes to drop the statutory citation which provided authority to make brownfields grants pursuant to section 108(q).

Should this citation be deleted, under what statutory would brownfields grants be made (please provide the specific citation for this alternative statutory authority)?

Answer: The authority would come under Section 105(a) of the Housing and Community Development Act of 1974, as amended.

Mr. Walsh #16a

Section 108 and Brownfields

Question: The budget also proposes to delete the mandatory requirement that a brownfields grant be coupled with a section 108 loan under Section 108 (q), however the language appears to allow such section 108(q) loans to be coupled with brownfields grants.

Please provide a detailed explanation of this change from current law.

Answer: The principal change from current law makes it no longer mandatory for Brownfields Economic Development Initiative (BEDI) funds to be coupled with Section 108-guaranteed loan funds in the same project; grantees may, however, continue to utilize the 108 loan guarantee if they so choose. All other provisions of Title I of the HCD Act of 1974 would apply, such as eligible activities and requirements for meeting National Objectives.

Mr. Walsh #16b

Section 108 and Brownfields

Question: Would this change allow brownfields funds to be used as collateral for a section 108 loan or will a community still be required to use their Community Development Block Grant (CDBG) formula funds as collateral?

Answer: If Section 108 loans are not used in a brownfield project, there would no longer be any need for collateral for that particular project since there would no longer be a Federal loan involved. If Section 108 loans were used, BEDI grant funds could still be applied, as they are now, to help defray the debt service on the 108 loan in the event the project cash flow is insufficient to service the debt on its own.

Mr. Walsh #17a

Section 108 and Brownfields

Question: The changes proposed by the Department for inclusion in the appropriations bill address issues addressed in H.R. 2941 which is currently being considered by the authorization committee.

How do the Department's proposed changes differ form those included in H.R. 2941, as reported out of the House Subcommittee?

Answer: H.R. 2941 contains as its principal element the same basic provision allowing the de-linking of grant funds from the mandatory use of Section 108 loan funds.

The House bill also includes the establishment of a pilot program to study and administer a common pool of loans for brownfields development projects, the HUD budget does not contain any of these proposals.

Mr. Walsh #17b

Section 108 and Brownfields

Question: How many loans were made under section 108 in fiscal years 2000, 2001, and estimated 2002, how many communities received these loans, and how many of these projects were coupled with a brownfields economic development grant?

Answer: Below is a breakout of Section 108 loans, community recipients and loans coupled with Brownfields Economic Development Initiative (BEDI) grants.

	2000	2001	2002 (est)
Loan Guarantee Awards	88	69	100
Recipients	78	63	90
Related to BEDI grants	11	16	15

Mr. Walsh #18a

Section 108 and Brownfields

Question: Last year, Congress enacted legislation establishing and expanding the Environmental Protection Agency's brownfields program.

How does the Department's program differ form the EPA program in terms of activities funded?

Answer: The Department's program differs from the EPA programs in terms of the different missions of the agencies. HUD's overall community development mandate is to assist localities in community and economic revitalization, particularly in low- and moderate-income and blighted neighborhoods. It's stated mission regarding brownfields per se, is the assistance of activities (whether they be land acquisition, demolition, clearance, site improvements, construction) that focus on redevelopment, especially those activities providing near term results and demonstrable economic benefits, such as job creation and increases in the local tax base.

EPA's assistance to brownfields focuses on assessments of environmental contamination and remediation, wherever they might occur, with no specific authority for redevelopment activities, including that under the legislation passed last year.

Mr. Walsh #18b

Section 108 and Brownfields

Question: What steps has the Department taken to ensure that its activities do not duplicate with those activities traditionally funded by EPA, such as remediation activities?

Answer: HUD has taken several steps to ensure that our programs do not duplicate those activities traditionally funded by EPA. HUD has implemented a number of changes designed to increase local governments' understanding and use of the BEDI grant program. HUD has implemented an outreach effort which emphasizes the redevelopment and revitalization focus of the BEDI program.

As a co-founder and active participant in the Brownfields Federal Interagency Task Force, we consult regularly with EPA to ensure that activities are not duplicated.

Section 108 and Brownfields

Question: The enacted legislation specifically defined eligibility as well as what constituted a brownfield. Does HUD use the same definition of eligibility and brownfield, and if not why?

Answer: Until last year's EPA legislation, both HUD and EPA developed and shared the same definition of brownfields: "abandoned, idled, or under-used real property (including industrial and commercial facilities) where expansion or redevelopment is complicated by real or perceived contamination." The new law provides a very similar general definition of a brownfield site ("real property, the expansion, redevelopment, or reuse of which may be complicated by the *presence or potential presence* [italics added] of a hazardous substance, pollutant, or contaminant"), then refines that definition with a list of excluded sites.

HUD already has language prohibiting the use of grant and/or loan funds for restricted areas in its current, and previous, NOFAs (Notice of Funds Availability), as follows:

BEDI grant funds shall not be used in any manner by grantees to provide public or private sector entities with funding to remediate conditions caused by their own actions, where the public entity (or other known prospective beneficiary of the proposed BEDI grant) has been determined responsible for causation and remediation by order of a court or a Federal, State, or local regulatory agency, or is responsible for the remediation as part of a settlement approved by such a court or agency.

Applicants may not propose projects on sites, which are listed or proposed to be listed on EPA's National Priority List (NPL). Further, applicants are cautioned against proposing projects on sites where the nature and degree of environmental contamination is not well quantified or which are the subject of on-going litigation or environmental enforcement action.

We feel that the existing definition of brownfields in the BEDI program is sufficiently clear to potential applicants and other interested parties as presently written, and the current phrase "real or perceived contamination" to be, if anything, slightly more flexible than the "presence or potential presence" language found in the new EPA law. In addition we believe the NOFA – as the regulatory instrument – rather than the statute, is the appropriate place to provide further delineations regarding eligible and ineligible sites in order to assure that past polluters do not pass along the cleanup costs to the public.

We prefer to maintain our current definition for two reasons: existing language is sufficient to define what brownfields are and are not, and there are already sufficient coordinative mechanisms in place between EPA and HUD to avoid duplication of mission and activity.

Mr. Walsh #19

Empowerment Zones/Enterprise Communities

Question: Please provide a breakout of unobligated and unexpended balances by each Round II urban EZ/EC, delineated by fiscal year (1999, 2000, and 2001).

Answer: All 1999, 2000, and 2001 funds for Round II urban EZs have been obligated. Below are the unexpended balances by zone as of April 4, 2002.

Grantee		State	Authorized & Obligated	Total Disbursed (Drawn Down)	Unexpended Balance	Percent Expended
Boston		MA				
	1999		3,000,000	1,550,249	1,449,751	
	2000		3,666,666		3,666,666	
	2001		12,306,200		12,306,200	
	Total		18,972,866	1,550,249	17,422,617	8 percent
Cincinnati		OH				
	1999		3,000,000	2,707,802	292,198	
	2000		3,666,666		3,666,666	
	2001		12,306,200		12,306,200	
	Total		18,972,866	2,707,802	16,265,064	14 percent
Columbia		SC				
	1999		3,000,000	3,000,000	0	
	2000		3,666,666	863,990	2,802,676	
	2001		12,306,200		12,306,200	
	Total		18,972,866	3,863,990	15,108,876	20 percent
Columbus		OH				
	1999		3,000,000	3,000,000	0	
	2000		3,666,667	1,238,148	2,428,519	
	2001		12,306,200		12,306,200	
	Total		18,972,867	4,238,148	14,734,719	22 percent
Cumberland		NJ				
	1999		3,000,000	3,000,000	0	
	2000		3,666,667	3,444,369	222,298	
	2001		12,306,200		12,306,200	
	Total		18,972,867	6,444,369	12,528,498	34 percent

Grantee		State	Authorized & Obligated	Total Disbursed (Drawn Down)	Unexpended Balance	Percent Expended
El Paso		TX				
	1999		3,000,000	3,000,000	0	
	2000		3,666,667	871,913	2,794,754	
	2001		12,306,200		12,306,200	
	Total		18,972,867	3,871,913	15,100,954	20 percent
Gary/Hammond/E. Chicago		IN				
	1999		3,000,000	3,000,000	0	
	2000		3,666,667	213,354	3,453,313	
	2001		12,306,200		12,306,200	
	Total		18,972,867	3,213,354	15,759,513	17 percent
Huntington/Ironton		WV/OH				
	1999		3,000,000	3,000,000	0	
	2000		3,666,667	3,666,667	0	
	2001		12,306,200	2,407,303	9,898,897	
	Total		18,972,867	9,073,970	9,898,897	48 percent
Knoxville		TN				
	1999		3,000,000	3,000,000	0	
	2000		3,666,667	413,759	3,252,908	
	2001		12,306,200		12,306,200	
	Total		18,972,867	3,413,759	15,559,108	18 percent
Miami/Dade		FL				
	1999		3,000,000	2,431,148	568,852	
	2000		3,666,667		3,666,667	
	2001		12,306,200		12,306,200	
	Total		18,972,867	2,431,148	16,541,719	13 percent
Minneapolis		MN				
	1999		3,000,000	3,000,000	0	
	2000		3,666,666	975,736	2,690,930	
	2001		12,306,200		12,306,200	
	Total		18,972,866	3,975,736	14,997,130	21 percent
New Haven		CT				
	1999		3,000,000	2,982,802	17,198	
	2000		3,666,667		3,666,667	
	2001		12,306,200		12,306,200	
	Total		18,972,867	2,982,802	15,990,065	16 percent

Grantee		State	Authorized & Obligated	Total Disbursed (Drawn Down)	Unexpended Balance	Percent Expended
Norfolk/Portsmouth		VA				
	1999		3,000,000	3,000,000	0	
	2000		3,666,666	3,666,666	0	
	2001		12,306,200	2,421,762	9,884,438	
	Total		18,972,866	9,088,428	9,884,438	48 percent
Santa Ana		CA				
	1999		3,000,000	3,000,000	0	
	2000		3,666,667	3,283,208	383,459	
	2001		12,306,200		12,306,200	
	Total		18,972,867	6,283,208	12,689,659	33 percent
St. Louis/East St. Louis		MO/IL				
	1999		3,000,000	2,755,961	244,039	
	2000		3,666,666		3,666,666	
	2001		12,306,200		12,306,200	
	Total		18,972,866	2,755,961	16,216,905	15 percent
	1999		$45,000,000	$42,427,962	$2,572,038	94 percent
	2000		$55,000,000	$18,637,809	$36,362,190	34 percent
	2001		$184,593,000	$4,829,065	$179,763,935	3 percent
	TOTAL		$284,593,000	$65,894,836	$218,698,164	23 percent

Mr. Walsh #20

Empowerment Zones/Enterprise Communities

Question: Of the Round II urban EZ/EC's, which have also been designated as round III Ezs or renewal communities?

Answer: None of the Round II urban EZ's have been designated as either Round III EZ's or as Renewal Communities.

Mr. Walsh #21

Empowerment Zones/Enterprise Communities

Question: How does the assistance provided to Round II EZ/Ecs differ from assistance provided to Round III EZ/ECs and renewal communities?

Answer: Both Round II and Round III EZs currently share the same tax incentive package, which includes the EZ Employment Credit ($3,000/resident who lives and works in the zone), EZ Facility Tax Exempt Bonds, Work Opportunity Credit, Increased Section 179 Deduction, Non-recognition of Gain on Sale of EZ Assets, and the Partial Exclusion of Gain on Sale of EZ Stock. Round II EZs have also received about $330 million each in grants for the furtherance of their strategic plans.

Renewal Communities (RC) are eligible for the RC Employment Credit ($1,500/resident who lives and works in the RC), the Commercial Revitalization Deduction ($12 million/year), Work Opportunity Credit, Increased Section 179 Deduction, and Zero Percent Capital Gains Rate for the RC Assets.

All EZ and RC designations expire December 31, 2009.

Mr. Walsh #22

Empowerment Zone/Enterprise Communities

Question: What is the specific statutory citation authorization appropriations to be made to provide direct grant assistance for Round II EZ/ECs.

Answer: Authority to make direct grant assistance to Round II EZs is provided in the 1999, 2000, 2001, and 2002 Appropriations Acts (P.L. 105-277, 112 STAT.2681-545; P.L. 106-74, 113 STAT. 1060; P.L. 106-377, 114 STAT.1441A-15; P.L. 106-554, 114 STAT. 2763A-212; and P.L. 107-73, 115 STAT. 664).

Mr. Walsh #23a

Section 202/811 Unobligated and Unexpended Balances

Question: Last year, the Committee raised concerns about the continued large amount of unexpended balances in the Section 202/811 programs, and raised concerns about the continued lag in completion of the projects already funded.

What specific actions has HUD taken in the last year to accelerate the expenditure and completion of already funded projects?

Answer: The Development Cost Limits for fiscal year 2001 were increased by approximately 20-25 percent. This allowed the sponsors to utilize those resources that would have been devoted to find secondary financing, to focus on the development of their projects as well as to reduce the time sponsors and field offices spend waiting on Regulatory waivers and/or amendment funds. The higher limits were published on January 22, 2001.

We held the first Section 202/811 training in several years on May 22-24, and 31 of 2001 to cover the application review process. There is follow-up basic development processing training scheduled for this fiscal year.

To reinforce the importance of the timely initial closing of the Section 202/811 projects, Management Plan goals were changed so that Field Office leadership would focus on this important issue and close the projects within the required time frames.

A lot of effort has been focused on cleaning up the database to insure that accurate information is reflected in the pipeline especially for projects funded in fiscal year 1997 and earlier.

We now have 41 projects in the development pipeline--projects that were initially approved 4 years ago or earlier that haven't closed. This is a substantial reduction from the over 100 projects that were similarly characterized a year ago. HUD also closed on 31 of its oldest projects in the pipeline last year, and all of the remaining older projects are being closely monitored to bring to closing as soon as possible.

Mr. Walsh 23b

Section 202/811 Unobligated and Unexpended Balances

Question: Please provide a chart or charts which provide a breakdown of the following: (1) the amount of the Section 202/811 money appropriated from fiscal years 1994-2001; (2) the amount (fiscal years 1994-2001) which has actually been obligated as of September 30, 2001; (3) the amount (fiscal years 1994-2001) which has actually been expended; (4) the number of elderly units and disabled units for which funding was appropriated in each of fiscal years 1994-2001; and (5) the number of elderly units and disabled units actually completed and occupied with funds appropriations (fiscal years 1994-2001).

Answer: See tables below.

$ 12,576,490,000	Total Appropriation FY91 – FY01
$ 4,062,432,459	Obligated end of the year FY01
$ 2,836,956,582	Unobligated balance carried forward end of year
$ 5,618,068,599	Total expended as of 9/30/01

Total number of elderly and disabled units completed and occupied with those funds (fiscal years 1991-2001) (Based on active rental assistance contracts):

	UNITS	CONTRACTS
PRAC – 202	54,258	1,220
PRAC – 811	16,667	1,460
Subtotal	70,925	2,680
PAC – 202	6,434	220
PAC – 811	707	50
Subtotal	7,141	270
TOTAL, PRAC & PAC	78,066	2,950

Total Units Funded (Awards) by Fiscal Year:

202/811	Units	Appropriated
FY 1991	8,143	$1,337,443,000
FY 1992	7,722	1,193,027,000
FY 1993	11,537	1,309,853,000
FY 1994	10,602	1,545,000,000
FY 1995	10,164	1,666,000,000
FY 1996	10,670	1,088,358,000
FY 1997	7,175	839,000,000
FY 1998	8,213	839,000,000
FY 1999	8,943	854,000,000

FY 2000	8,001	911,000,000
FY 2001	7,611	993,809,000
Total	98,781	12,576,490,000

Total Units Funded vs. Active Units

106,019	Units awarded from FY91 – FY01 (includes 7,238 units of 202/Sec. 8 converted to PRAC)
78,066	Active units under payment as of 2/1/02
27,953	Units in Process or Cancelled

Note: Active units includes 7,238 units in projects originally awarded Section 8 assistance under the old 202 program that were converted to capital grant. These projects were awarded primarily in fiscal years 1988-1990.

Mr. Walsh #23c

Section 202/811 Unobligated and Unexpended Balances

Question: Of the total amount of unexpended balances, how much is for construction cost and how much is for PRAC (please breakout between the elderly and disabled programs and by fiscal year in which funds were appropriated)?

Answer: Please see below.

Preliminary estimates of unexpended Housing for Special Populations funds
Based on Accounting Report as of 3/7/02
$ in Millions

	Disabled 811		Elderly 202		
Source Year	Construction	PRAC	Construction	PRAC	TOTAL
FY96 &Prior	40.8	750.1	103	2473.3	3367.2
1997	26.6	37.8	76.4	140.5	281.3
1998	40	25.7	184.6	118.6	368.9
1999	72	27.3	403.8	97.1	600.2
2000	124.2	19.7	496.6	88.2	728.7
2001	137.6	24.4	553.4	126.7	842.1
	441.2	885	1817.8	3044.4	6188.4

Notes: Amounts include entries identified as Grants or PRAC only.
Excludes amounts allocated for vouchers, inspections, service coord., etc.
Also excluded are amounts not allocated or identified w/ program code.
Accounting reports reduce/augment source year totals by recaptures from original year to year of recapture.

Mr. Walsh #24a

PRAC Renewals

Question: The fiscal year 2003 budget requests a total $21.6 million to renew expiring PRAC contracts for the elderly and disabled programs. Last year, the Committee received an out-year funding track for PRAC renewal costs that indicated that the total fiscal year 2003 renewal requirement was only $13 million to renew 5,899 units.

Why the significant increase from the estimates provided to the Committee last year?

Answer: The per unit costs in the fiscal year 2002 Budget reflected average outlay costs incurred on PRAC contracts. The fiscal year 2003 estimates are reflective of the average budget authority costs associated with current PRAC awards (annualized). The budget authority approach to estimating funding requirements includes an estimate of how much of the operating costs will be covered by tenant contributions. This allows a margin for error in the estimate and would help to reduce the need for amendment funding during the course of the renewal year. The outlay approach allows for no such error and could result in higher amendment requirements. Excess amounts remaining on renewal contracts after the renewal year are subject to recapture or reuse in subsequent fiscal years. The Budget assumes that all PRAC renewals are 1-year renewals.

Mr. Walsh #24b

PRAC Renewals

Question: Please provide a chart which breaks out the annual PRAC/PAC renewal estimates for each of fiscal years 2002-2007 as follows: (1) unit expiring; (2) units renewed; (3) average per unit cost; and (4) 1 year renewal cost.

Answer: See table below:

Outyear PRAC/PAC Renewal Estimates

	Unit Expirations	Unit Renewals	Avg Per Unit Cost	1-yr Renewal BA Costs
FY 2002	2,323	2,323	$1,851	$ 4,300,000
FY 2003	4,037	6,360	3,403	21,641,140
FY 2004	3,570	9,930	3,455	34,307,905
FY 2005	4,429	14,359	3,512	50,435,756
FY 2006	2,977	17,336	3,569	61,873,929
FY 2007	2,236	19,572	3,704	71,122,000

Mr. Walsh #25a

Recaptures

Question: For the first time, the budget assumes the recapture of funds in this account.

Have funds been recaptured in previous years in this account, and if so how much has been recaptured and how were these funds used?

Answer: In fiscal year 2001 a total of $58 million was recaptured. In fiscal year 2000, $37.4 million was recovered from prior year obligations. These recoveries are normally reapportioned for use for the same purposes for which the original obligation was made, although such apportionment may occur in a succeeding year.

Mr. Walsh #25b

Recaptures

Question: When and how does the Department recapture funds under these programs?

Answer: Recaptures normally occur when a field office determines that a project is no longer viable, or upon initial or final endorsement of the project excess funds are identified.

Mr. Walsh #25c

Recaptures

Question: What is the total amount of recaptures estimated to be available in fiscal year 2003, and will these funds be derived from recaptures done in fiscal year 2002 or 2003?

Answer: Based on the Department's aggressive efforts to clear out the development pipeline and the level of prior year recoveries, it is anticipated that more than the $10 million assumed in the budget will be available from recaptures in fiscal year 2003. Some portion of the available recaptures in fiscal year 2003 will likely be in the form of balances carried forward from fiscal year 2002, although additional recoveries in fiscal year 2003 are also expected.

Mr. Walsh #26

Recaptures

Question: It is unclear in the budget justifications on how the Department intends to use the $10 million in recaptures identified. On page A-2, it implies that this $10 million will be used expand the Service Coordinators/Congregate Service program.

Answer: The Budget Request is structured in a manner that makes the $53 million earmarked for Service Coordinators and Congregate Services dependent on the availability of at least $9 million in recaptures. Recaptures in excess of $9 million will be allocated to other eligible purposes in the appropriation account. Generally speaking, amounts recovered from cancellations and recaptures will be made available to augment the same purposes for which they were originally available, however this may depend on the exact wording of the Appropriations Act in which they were provided. It is anticipated that the $53 million proposed in the budget is sufficient to maintain the program in fiscal year 2003 and to allow for some new awards, including those to serve Section 811 projects.

Mr. Walsh #27a

Disabled Tenant-Based Vouchers

Question: Of the total funding for disabled, up to 25 percent is available for tenant-based vouchers for fiscal year 2003.

How many tenant-based vouchers were funded under this account in fiscal year 2001 and estimated for fiscal year 2002?

Answer: Tenant-based vouchers funded under this account (Section 811) in fiscal year 2001 totaled 1,694. The estimated number of vouchers in fiscal year 2002 is 1,900.

Mr. Walsh #27b

Disabled Tenant-Based Vouchers

Question: Are these vouchers being awarded for an initial five year term?

Answer: Yes.

Mr. Walsh #28a

Disabled Tenant-Based Vouchers

Question: The budget also requests $6,000,000 under the Housing Certificate Fund for 1,000 incremental vouchers for disabled living in community-based facilities.

What is the difference between the tenant-based vouchers provided under the Housing for Special Populations account versus the incremental vouchers requested in the Housing Certificate Fund?

Answer: The 25 percent set-aside for tenant-based Vouchers provided under the Housing for Special Populations account are designated to provide supportive housing assistance under Section 811 of the Cranston-Gonzalez National Affordable Housing Act for persons with disabilities. The $6,000,000 for approximately 1,000 incremental vouchers requested under the Housing Certificate Fund are targeted to provided assistance in support of the Olmstead Supreme Court Decision which will assist persons with disabilities to transition from institutions into the community by providing improved access to affordable housing and necessary personal assistance and supportive services.

Mr. Walsh #28b

Disabled Tenant-Based Vouchers

Question: Currently, only Public Housing Authorities (PHAs) are eligible to compete for incremental Section 8 vouchers. How will the $6,000,000 under the Housing Certificate Fund be used for community-based program if only PHAs can be awarded incrementals?

Answer: The $6,000,000 requested under the Housing Certificate Fund will be used to assist persons with disabilities to transition from institutions into the general community in accordance with the Olmstead Supreme Court Decision. To this end, PHAs will issue vouchers to disabled families who wish to live in their local communities versus the nursing homes and similar institutional care facilities where they either currently reside or where they would otherwise reside if not for the vouchers. The vouchers will afford these disabled families the opportunity to live in alternative community-based housing, such as assisted living facilities, group homes, congregate housing, apartments or single-family homes, as well as other types of housing allowable under the Housing Choice Voucher Program. HUD expects to expand the Project Access demonstration begun in 2001. PHAs receive the vouchers, but partner with others including State Medicaid agencies and local nonprofit groups who assist disabled families.

Mr. Walsh #29a

Assisted Living Conversion Grants

Question: The budget proposed a reduction in funding under Assisted Living conversion grants in fiscal year 2003 based on under-utilization of the program.

How many applications were received and how many funded in fiscal years 2000 and 2001?

Answer: See the table below:

	Applications Received	Applications Funded
Fiscal year 2000	29	13*
Fiscal year 2001	22	12*

* All projects that satisfied the minimum requirements were funded.

Mr. Walsh #29b

Assisted Living Conversion Grants

Question: Can HUD determine why these funds are not being more heavily utilized?

Answer: Primarily because of the difficulty in getting State or local commitments for the services required to be reflected in the grant application since the HUD grant does not pay for such services.

Mr. Walsh #30a

Service Coordinators/Congregate Services

Question: The budget requests $53 million for an expanded Service Coordinators/Congregate Services program.

Please describe the proposed expansion assumed in the fiscal year 2003 budget.

Answer: The additional $3 million is for expanding the Service Coordinator program to Section 811 projects. A change in authorizing legislation is required to make disabled projects eligible for the Service Coordinators and is included in Section 205 of the Administrative Provisions in the President's Budget.

Mr. Walsh #30b

Service Coordinators/Congregate Services

Question: Is the use of the Service Coordinators program not a currently authorized use of funds? Is the Department proposing authorization changes to expand the program? If not, why?

Answer: Eligibility of Section 811 projects to participate in the service coordinator grant program is not currently authorized and legislation to permit this is included in the President's Budget.

Mr. Walsh #30c

Service Coordinators/Congregate Services

Question: Does the fiscal year 2003 budget assume any new Congregate Services program grants?

Answer: No.

Mr. Walsh #30d

Service Coordinators/Congregate Services

Question: Please provide a breakout of the funding and number of grants for Service Coordinators and Congregate Service program fiscal years 2001, estimated 2002, and proposed 2003 as follows: (1) renewal of current service coordinators; (2) renewal of existing congregate services: (3) new service coordinators for elderly; and (4) new service coordinators for disabled.

Answer: See tables below:

FY 2001	Funding	Number of Grants
Renewal of current Service Coordinators	$9,708,610	314
Renewal of existing Congregate Services	$7,251,948	63
New Service Coordinators-Elderly (100 percent)	$25,786,952	217
New Service Coordinators-Section 811/Disabled	$0	0

FY 2002 – estimated	Funding	Number of Grants
Renewal of current Service Coordinators	$16,751,990	516
Renewal of existing Congregate Services	$7,700,000	65
New Service Coordinators-Elderly	$25,000,000	210
New Service Coordinators-Section 811/Disabled	$0	0

FY 2003 – estimated	Funding	Number of Grants
Renewal of current Service Coordinators	$20,453,011	600
Renewal of existing Congregate Services	$8,000,000	65
New Service Coordinators-Elderly	$25,000,000	210
New Service Coordinators-Section 811/Disabled	$3,000,000	38

Mr. Walsh #31

Downpayment Assistance Initiative

Question: Increasing homeownership continues to be the major initiative proposed in HUD's budget. Excluding the Section 8 program, the largest increase requested in your budget is for homeownership programs. Again this year, the Department is requesting $200 million to establish a targeted down-payment assistance program under the HOME program. In fiscal year 2002, Congress earmarked $50 million for this initiative contingent upon enactment of the necessary authorization legislation with the caveat that these funds would revert to the regular HOME formula program is the legislation isn't enacted by June 30.

Has the Department submitted its legislative proposal to the Congress, and if no, when will it be submitted?

Answer: Representative Rogers of the Eighth District in Michigan introduced this legislation (HR 4446) on April 16, 2002.

Mr. Walsh #32a

Downpayment Assistance Initiative

Question: Currently HOME funds are distributed as a flexible formula grant program to States and local jurisdictions for a variety of activities as determined by local needs, including down-payment assistance.

How will activities funded by this targeted program differ from the activities currently being funded by States and localities with their regular HOME funds?

Answer: Funds used under the Downpayment Initiative will be used for the same downpayment activities and in the same manner as regular HOME Program funds. However, the legislation would specifically limit assistance to "first-time" homebuyers.

Mr. Walsh #32b

Downpayment Assistance Initiative

Question: Please provide a detailed explanation of how funds provided for this initiative would be distributed as compared to the regular HOME program.

Answer: American Dream Downpayment (ADD) Initiative funds will be allocated by formula to both State and local Participating Jurisdictions (PJs). One pool of funds will be used for all PJs (i.e., the 60/40 formula split used to allocate regular HOME funds will not be used in the ADD formula distribution). The ADD formula will consider both *community need* (i.e., the current HOME formula) and the *past efforts* of PJs in providing downpayment assistance through their regular HOME program funds. (*Past effort* will be measured by dividing each PJ's number of completed homebuyer units by its total number of completed units, resulting in a percentage ranging from 0.0 percent to 100.0 percent. The data for "past efforts" will come from HUD's Integrated Disbursement and Information System (IDIS)).

However, in order to maximize the number of PJs participating in the American Dream Initiative, no PJ would receive more than 2 percent of the ADD appropriation. Funds made available through use of this 2 percent cap would be reallocated to all uncapped PJs. In addition, since PJs that have not done homebuyer projects in the past ten years would be unlikely to start now if their share of ADD funds was less than $25,000, the final step of the allocation determination process is to zero out allocations for PJs where: (1) the adjusted formula allocation amount is less than $25,000; and (2) they have not undertaken any homebuyer activities using regular HOME funds during the life of their program.

Mr. Walsh #32c

Downpayment Assistance Initiative

Question: Can funds for the downpayment initiative be used for difference purposes, or are they targeted differently, than those currently authorized in the HOME statute? If so, please explain the differences.

Answer: No, funds used under the Downpayment Initiative will be used for the same downpayment activities and in the same manner as regular HOME Program funds. However, the legislation would specifically limit assistance to "first-time" homebuyers.

HOME Downpayment Assistance Initiative

Question: Will both States and localities be eligible for these targeted funds, and how will these funds be allocated compare to the regular HOME program?

Answer: The American Dream Downpayment (ADD) Initiative funds will be allocated by formula to both State and local Participating Jurisdictions (PJs). One pool of funds will be used for all PJs (i.e., the 60/40 formula split used to allocate regular HOME funds will not be used in the ADD formula distribution). The ADD formula will consider both *community need* (i.e., the current HOME formula) and the *past efforts* of PJs in providing downpayment assistance through their regular HOME program funds. *Past effort* will be measured by dividing each PJ's number of completed homebuyer units by its total number of completed units, resulting in a percentage ranging from 0.0 percent to 100.0 percent. The data for "past efforts" will come from HUD's Integrated Disbursement and Information System (IDIS).

However, in order to maximize the number of PJs participating in the American Dream Initiative, no PJ would receive more than 2 percent of the ADD appropriation. Funds that are not distributed to PJ's because they would exceed the 27.cap will be reallocated to all uncapped PJs. In addition, since PJs that have not done homebuyer projects in the past ten years would be unlikely to start now if their share of ADD funds was less than $25,000, the final step of the allocation determination process is to zero out allocations for PJs where: (1) the adjusted formula allocation amount is less than $25,000; and (2) they have not undertaken any homebuyer activities using regular HOME funds during the life of their program.

Mr. Walsh #33a

HOME Matching Requirements

Question: As the budget justification indicate, the Housing and Community Development Act of 1992 requires that a participating jurisdiction (PJs) provide a 25 percent non-Federal match for HOME funds, however, this match can be reduced by 50 percent for fiscal and waived entirely for severe fiscal distress.

How many PJs received were allowed reduced match requirements in fiscal years 2000 and 2001? How may PJs received 100 percent waivers in fiscal years 2000 and 2001?

Answer: The numbers are as follows: For local government PJs, 132 (out of a total 537 in 2000 and 542 in 2001) had a 50 percent reduction and 72 had a 100 percent reduction in both years. Of the 52 State government PJs, 11 and 13 had a 50 percent reduction in fiscal years 2000 and 2001, respectively. Six had a 100 percent reduction in both years.

Mr. Walsh #33b

HOME Matching Requirements

Question: What is the process at HUD for determining and granting reduction and waivers?

Answer: The process is described in Notice CPD 01-06, HOME Program – Match Reductions for Fiscal Distress for Fiscal Years 2000 and 2001, and for Presidentially-Declared Disasters.

The HOME statute provides for reduction of the matching contribution requirement due to fiscal distress and when a jurisdiction is located in an area declared a major disaster by the President.

Qualifying criteria for fiscal distress can be: 1) when a jurisdiction's family poverty rate is 125 percent or more of the national average; 2) a jurisdiction's per capita income is less than 75 percent of the national average; and 3) for States only, a personal income growth rate less than 75 percent of the national average.

Jurisdictions meeting one of the criteria are determined to be in fiscal distress, whereupon its match obligation is reduced by 50 percent for the year when the finding is made and the next fiscal year. Jurisdictions meeting 2 of the criteria are determined to be in severe fiscal distress, whereupon its match obligation is reduced by 100 percent for the year when the finding is made and the following fiscal year.

When a jurisdiction is located in an area declared a major disaster by the President, HUD can reduce the matching requirement by up to 100 percent for the year when the declaration was made and the following fiscal year. For States, during this period, the matching requirement can be reduced by up to 100 percent with respect to any funds expended in the declared area.

This notice may be accessed through the HOME Program Web-site at the following URL: http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/notices/index.cfm

Mr. Walsh #34a

Housing Counseling

Question: The budget requests $35 million as a separate appropriation for housing counseling, a 75 percent increase over the amount currently provided as an earmark within the HOME account.

What is the rationale for such a significant increase for counseling, and will these funds be targeted to particular activities?

Answer: Housing counseling is critical to help potential home purchasers, especially first-time homebuyers, realistically evaluate their readiness, to understand their financing options, and to navigate what can be an extremely confusing process. In addition, research by Freddie Mac indicates that housing counseling is a cost-effective way to improve loan performance, reducing default and foreclosure. Freddie Mac's report '*A little Knowledge is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling*' finds that borrowers receiving individual pre-purchase counseling experience a 34 percent reduction in 90-day delinquency rates.

The proposed increase in the housing counseling budget is intended to complement and enhance the Administration's proposed and existing initiatives to promote homeownership, particularly for minority and first-time homebuyers. As mentioned above, housing counseling helps families become homebuyers and stay in their homes. A wide variety of programs offered by HUD require or encourage counseling based on this premise. For example, we believe housing counseling will help individuals successfully utilize new programs like HUD's Section 8 Homeownership Program (see question below for more details), the American Dream Down Payment Fund, and faith-based, self-help housing programs like Habitat for Humanity. Housing counseling will greatly enhance the effectiveness of these programs.

FHA also intends to earmark nearly $2 million of the proposed housing counseling budget to support targeted outreach and education in an effort to prevent defaults by helping potential buyers identify and avoid predatory lending practices. Housing counseling is one of the most cost-effective ways to help unwary borrowers avoid inflated appraisals, unreasonably high interest rates, unaffordable repayment terms, and other conditions which can result in a loss of equity, increased debt, default, and even foreclosure.

Further justifying the proposed increase in housing counseling funds is the fact that the demand for housing counseling resources far exceeds the supply, and the gap is increasing. In recent years, HUD has typically received requests for three times more funding than was available, and that figure is projected to increase in the coming years. Encouraged by the new programs and resources described above, record numbers of immigrants and minorities aspire to homeownership. Moreover, the uncertain economic times have resulted in an increase in the demand for default related counseling. The proposed increase in the housing counseling budget will help housing counseling agencies keep pace with this demand.

Mr. Walsh #34b

Housing Counseling

Question: How much of the increase will be used to support the Section 8 homeownership assistance program, and does the Department intend to make these funds available to existing experienced entities, like the Neighborhood Reinvestment Corporation (NRC), or will these funds be used to establish new programs in the Public Housing Authorities (PHAs)?

Answer: Depending on final funding levels, FHA intends to target as much as $3 million of the proposed fiscal year 2003 housing counseling budget to support counseling related to the Section 8 Homeownership Program. We arrived at this figure after conferring with HUD's Office of Public and Indian Housing, which manages the Section 8 program. They estimate that, in 2004 (when fiscal year 2003 housing counseling appropriations will be spent), as many as 5,700 families would be utilizing their vouchers toward homeownership.

It is our preference to fund experienced groups, like the Neighborhood Reinvestment Corporation (NRC) and other HUD-approved housing counseling intermediaries, HUD-approved local housing counseling agencies, and State Housing Finance Agencies, to provide this critical counseling. As you mention, groups like NRC that are already providing Section 8 counseling services to this particularly vulnerable population are best positioned to deliver all of the counseling services needed. We expect that the types of clients seeking to participate in the program will need a substantial amount of counseling and that this counseling must be of the very highest quality.

These housing counseling resources are critical for the success of the Section 8 Homeownership Program, as Public Housing Authorities (PHAs) are not allocated specific resources to pay for counseling, despite the fact that housing counseling is required of all program participants. Given the resource imbalance, many PHAs may opt not to participate in the program. Others simply refer program participants to local housing counseling agencies, placing a heavy burden on organizations already struggling to stretch limited resources to serve the needs of their communities. Additional funds will allow housing counseling agencies to partner with PHAs and facilitate homeownership for thousands of voucher recipients.

Mr. Walsh #35a

Public Housing Reinvestment Initiative

Question: The budget proposes a major initiative to change the way public housing is managed and funded. The initiative is intended to increase public housing authorities' ability to get private financing for their capital needs, as well as encourage public housing authorities to manage their properties on a property-by-property basis as is done by the private sector. The proposal would to allow PHAs to convert 40,000 public housing units into project-based Section 8 units and shift the subsidy costs for those units from the operating and capital fund account into the Housing Certificate Fund. The rationale is that private lenders would be more willing to loan a PHA funds is those units were subsidized by long-term project-based Section 8 because the Subcommittee always fully funds Section 8 contracts, whereas funding for operating and capital funds is viewed as subject to the vagaries of the annual appropriations process.

To implement this initiative, the budget proposes the following:

- a $417 million reduction in capital funds from the fiscal year 2002 level with the rationale being that private sector financing will make up the difference;
- earmarks totaling $300 million from capital funds, operating subsidies, and HOPE VI to fund the first year costs of conversion to project-based Section 8, with subsequent costs paid for from the Housing Certificate Fund; and
- establishing a new loan-loss reserve fund at the Department to pay for future costs should PHAs default on the loans made by the private sector for modernization activities.

The budget requests that the necessary authorizing legislation be carried in the appropriations bill.

This represents a significant change in the way public housing is subsidized, a change which will have both policy and funding ramifications for the Committee.

Please provide a detailed explanation of how this proposal would work, and how it would differ from private sector financing tools already being used by some public housing authorities?

Answer: The Public Housing Reinvestment Initiative would work as follows:

- PHAs would identify properties suitable for conversion and private financing by preparing a cost analysis to determine the scope of capital improvements and estimating post-renovation market rent levels.
- If market rents were high enough to support project costs, including a loan for the necessary capital improvements, then conversion would be feasible.

- PHAs may also make up-front capital contributions to write down capital costs and make project-based financing feasible.

- The number of housing units receiving project-based assistance after the conversion must equal the number of public housing units converted.

- PHAs would work with lenders to develop conversion proposals.

- Rent levels for converted properties are set at market levels, constrained by applicable payment standards. These rents may be lower than rents set under the standard project-based voucher program, as long as they are sufficient to cover project costs, including operating costs, debt service, and a capital reserve contribution.

- HUD must approve conversions, including rent levels.

- The Secretary could establish a loss reserve account to provide credit enhancement. Participating PHAs could contribute a percentage of their capital, operating, or other eligible funds to fund the loan loss reserve, or could use their funds to obtain other credit enhancement.

- Credit enhancement could be structured either as a pooled nationwide fund to reimburse lenders on an as-needed basis, or as project-by-project reserves.

- The first year of project-based assistance would come from public housing funds.

- Renewals of project-based assistance contracts would come from appropriations for Section 8 vouchers.

- Converted units must be maintained as assisted housing for the same length of time they would be maintained as public housing absent conversion (20 years for modernization and 40 years for development), subject to annual appropriations for voucher renewals.

- When converted units (which are not located in developments for elderly persons or persons with disabilities, or both) become vacant, up to one-third of them may be rented to unassisted families, and a PHA may use the project-based voucher for those units in its tenant-based voucher program. The development, however, would remain fully covered by the Section 8 contract. Additional units later could be re-rented to assisted families, as long as the PHA reduced the number of additional tenant-based vouchers in use.

- To enhance the program's attractiveness to lenders, HUD may provide for termination in the event of foreclosure of the restricted use period requiring units to be maintained as assisted housing. In individual transactions this option may or may not be negotiated by the PHA or be exercised, and the Section 8 contract may or may not continue upon foreclosure. In any event, if the Section 8 contract were terminated, tenants would be protected with enhanced vouchers.

- PHAs could create a subsidiary as a single-purpose entity to be the owner and borrower for each conversion transaction, as is common in other affordable housing financing structures. PHAs may already create such entities for various purposes.

- Replacement housing would be eligible in appropriate cases.

- Provided that the owner/borrower entity is controlled by the PHA, a conversion would not be considered a disposition under public housing rules.

- Converted units would remain subject to the cooperation agreement between the PHA and the local government, which includes exemption from property taxes.

- Converted units would not be included as "tenant-based assistance attached to a structure" for purposes of the 20 percent limitation on the portion of a voucher program that may be project-based.

The proposal differs from the financing tools already being used by some public housing authorities because it provides for financing on an individual property basis typical of multifamily rental financing other than public housing. In these financings, the rents from the property and a mortgage on the property are pledged as security for the loan, and a long-term loan is provided. The Section 8 represents further security.

A few PHAs have received loans or issued bonds based solely on the pledge of repayment from future Capital Fund appropriations. These loans are necessarily limited by lenders' concerns regarding the risk of future Capital Fund appropriations. Thus, lenders generally have not been willing to loan amounts greater than about one third of a PHA's Capital Fund share. By contrast, the proposal could allow PHAs to address the capital needs of substantially more of their housing stock. Loan terms could be better in many circumstances. In addition, property and financial management should be more disciplined, because it would involve lender oversight and have to be done at the property level rather than PHA-wide.

The following example demonstrates how the initiative would work with a fictitious public housing authority that desires to make substantial renovations to one of its developments.

Public Housing Reinvestment Initiative
Example

PLEASANTVILLE HOUSING AUTHORITY (PHA)

Pleasantville

Pleasantville Housing Authority (PHA)

- **10 public housing developments**
- **1,500 total public housing units**
- **$3.4 million annual Capital Fund grant from HUD**

Fairview Terrace

- **One of PHA's 10 public housing developments**
- **200 units (13% of PHA's stock)**
- **Built in 1962, needs substantial capital improvements**
- **Capital needs are approximately $4 million ($20,000 per unit)**

Under current funding system, PHA has two choices:

- **Use all of its capital grant for more than one year ($4 million relative to $3.4 million) to comprehensively improve the 13% of its units at Fairview, substantially reducing funds available for PHA's other 9 developments**

OR

- **Defer most improvements at Fairview and spread capital funds among the most urgent needs at all 10 developments**

Under proposed initiative, PHA could:

- **Convert Fairview to project-based vouchers (using public housing funds for the first year and voucher renewal funds thereafter)**
- **Borrow $4 million from a private lender (plus transaction costs)**
- **Pledge the stream of rents, backed by the voucher contract, to debt repayment**
- **Spend approximately $700,000 in the initial year to finance improvements at Fairview, leaving $2.7 million for PHA's other developments**
- **Initial year costs include $335,000 in debt service and $374,000 first year-only contribution to loan loss reserve (preliminary estimate of 8.9% of $4.2 million loan; initial costs would be lower if loan loss reserve is financed)**

Under proposed financing system, PHA would meet monthly per unit debt obligations and other expenses as follows:

Operating costs (adjusted for vacancy loss and less 5%)	**$395**
Capital replacement reserve ($500 per unit per year)	**42**
Debt service ($4.2 million, 30 years, 7%)	**140**
Debt service coverage factor (15% of debt service)	**21**
Rent needed to support the loan	**$598**

Feasibility of Debt Financing at Fairview

- **Potential lenders would underwrite capital improvement loan at a level not to exceed market rents**
- **HUD would not approve rents above applicable voucher payment standard**
- **Therefore, if market rents for Fairview, and the applicable payment standard, are at or above $598 per unit per month, then a loan of the necessary size could be supported and approved**
- **If market rents are below $598 per unit per month, then a smaller loan could be supported and approved and the PHA could decide to address the remaining capital backlog with Capital Fund or other available funding**

Public Housing Reinvestment and Financial Reform Initiative
Section-by-Section Description

In order to facilitate the financing of capital needs and development-based financial management and accountability in public housing, section 208 of the Administrative Provisions in the fiscal year 2003 HUD Budget would add a new section 9(o) to the U.S. Housing Act of 1937 (the "Act").

Section 9(o)(1) would authorize the Secretary to approve, on a project-by-project basis, requests by public housing agencies for the conversion of public housing developments or portions of developments to project-based voucher assistance. Such assistance may be provided on the site of existing public housing developments, or on other sites, provided that the number of public housing units converted equals the number of units receiving project-based assistance after the conversion and that a loan commitment has been obtained from an approved lender for financing the necessary capital improvements.

Section 9(o)(2) would provide that the initial year of any contract for project-based assistance under this section may be funded with amounts appropriated for the public housing capital fund or operating fund or from other amounts appropriated for this purpose. It would also provide that any renewal of such contracts shall be funded with amounts appropriated for Section 8 vouchers.

Section 9(o)(3) would provide that project-based assistance provided to developments converted from public housing shall be administered under section 8(o)(13) of the Act, which otherwise governs the project-basing of Section 8 vouchers, except as provided in subsections 9(o)(3)(A) through (G).

Subsection 9(o)(3)(A) would provide that subparagraphs (C)(ii) and (D) of Section 8(o)(13), relating to deconcentration of poverty and the percentage of units in a building that may be subsidized, respectively, shall not apply to public housing developments converted to project-based assistance.

Subsection 9(o)(3)(B) would provide that units converted to project-based assistance shall be subject to use restrictions requiring the units to be maintained as assisted housing and provided project-based assistance for the same length of time as they would have been required to be maintained as public housing absent such conversion, subject to the availability of appropriations to renew contracts for assistance payments.

Subsection 9(o)(3)(B) also would provide that, notwithstanding the use restrictions described above, when dwelling units which are receiving project-based assistance pursuant to a conversion under this subsection (and which are not located in developments or portions of developments which house only elderly persons or persons with disabilities, or both) become vacant, then the public housing agency may rent up to one-third of such units to families who do not receive Section 8 assistance. However, HUD may permit the agency under special local circumstances, as determined by HUD, to rent more than one-third of the units to unassisted

families. During the period that any such unit is rented to an unassisted family, the agency may use in its tenant-based voucher program the voucher which otherwise would have been project-based for that unit.

If HUD determines that such action would further the purposes of this subsection, then HUD may provide for termination of the restricted use period in the event that any units converted to project-based assistance are foreclosed upon (or otherwise disposed of pursuant to an instrument in lieu of foreclosure), unless the Secretary determines that the foreclosure is part of an arrangement the purpose of which is to terminate the use restrictions, or a bona fide and reasonable contract acceptable to the Secretary is presented by a person who is willing to continue the use restrictions. If HUD allows termination of the restricted use period, then HUD shall provide enhanced voucher assistance under section 8(t) of the Act to any family occupying an assisted unit at the time of such termination.

Subsection 9(o)(3)(C) would provide that any units converted to project-based assistance shall remain covered by and subject to the provisions in the public housing cooperation agreement entered into between the city and the public housing agency.

Subsection 9(o)(3)(D) would provide that any units converted to project-based assistance shall not be included as tenant-based assistance that is attached to a structure for the purposes of the 20 percent limitation on the portion of an agency's voucher program that may be project-based, as set forth in Section 8(o)(13)(B) of the Act.

Subsection 9(o)(3)(E) would provide that the Secretary may set the rent level for a unit converted to project-based voucher assistance at a level that is lower than that which would be set under the standard project-based voucher program under Section 8(o)(13) of the Act. However, the rent level must be set at a level that is sufficient to cover the cost of the conversion to project-based assistance, including debt service payments on obligations to finance the cost of any necessary rehabilitation, contributions to a capital reserve, amounts necessary for adequate debt service coverage, the cost of the subsequent operation of the housing as project-based assistance, and any other necessary costs.

Subsection 9(o)(3)(F) would provide that where units converted to project-based assistance under this subsection are owned or controlled by the public housing agency, HUD may administer or make alternative arrangements to administer the obligations otherwise required of the public housing agency under the annual contributions contract.

Subsection 9(o)(3)(G) would provide that the Secretary may waive or make alternative arrangements regarding any other provision of law or regulation that the Secretary finds to be inconsistent with achieving the purposes of this provision.

Section 9(o)(4) would provide that the conversion of a public housing development to project-based assistance shall not be considered a disposition under Section 18 of the Act (which applies to the demolition or disposition of public housing), as long as the public housing agency or an entity controlled by that agency retains ownership of the development.

Section 9(o)(5)(A) would authorize the Secretary to establish a common loan loss reserve account to which public housing agencies converting public housing units to project-based section 8 assistance may contribute a percentage of the amounts that are available to it for such conversion. The percentage would be specified by the Secretary. It would also provide that the Secretary may establish the terms and conditions applicable to this loan loss reserve account and any contributions to it, and may select an entity or entities on a competitive or noncompetitive basis to develop, maintain, and administer this account.

Section 9(o)(5)(B) would provide that to the extent that amounts contributed to the loan loss reserve account are available, such amounts may be used, without fiscal year limitation, to reimburse any mortgagor that provides financing to a public housing agency for necessary renovations to any project converted to project-based vouchers if the public housing agency defaults on the repayment of such debt.

Section 9(k) would add to the list of eligible uses of public housing capital funds assistance in the financing of necessary renovations to or other capital expenses for any development receiving project-based voucher assistance under Section 9(o). Eligible uses would include upfront capital contributions to such developments where needed to make financing feasible and the purchase or provision of letters of credit or other credit enhancements, contributions to a common loan loss reserve account, and any contributions that the Secretary may require for the initial administration of subsection (o).

Mr. Walsh #35b

Public Housing Reinvestment Initiative

Question: Given the complexity involved in this new approach, how likely is it that a large number of public housing authorities, particularly smaller public housing authorities, will be able or interested in participating in this initiative in fiscal year 2003?

Answer: A very significant number of public housing authorities will be able and are interested in participating with Fiscal Year 2003 funds. Already, just based on the introduced legislation and reports of it, both large and small PHAs from diverse locations across the Nation have indicated interest to HUD and, in a number of instances, asked if there is any way to begin their participation in the initiative now.

Mr. Walsh #35c

Public Housing Reinvestment Initiative

Question: Since your budget eliminates all funds for backlog modernization needs, in order to finance this new initiative, what impact will this proposal have on high performing Public Housing Authorities (PHAs) which have been spending their capital funds and need additional funds for their backlogged maintenance needs?

Answer: The proposed Capital Fund amount takes into account a number of factors, including coverage of new capital (accrual) needs as well as substantial remaining unobligated and unexpended prior year funds and other priorities. With a capital fund backlog estimated nationally in the $20 billion range, most PHAs have backlog needs for which additional funds are needed. The new initiative will provide PHAs with a means of addressing significantly more of these backlog needs than they otherwise could address with the capital funds made available.

Mr. Walsh #36a

Full Implementation of QHWRA Timeliness Requirement

Question: Last year, there was extensive discussion over the failure of some PHAs to use their capital funds in accordance with the statutory deadline established in Quality Housing and Work Responsibility Act (QHWRA) of 1998. Under QHWRA, all new capital funds are to be withheld from a non-compliant PHA and their old unused funds can be recaptured. Funds withheld and recaptured are then to be redistributed to high performing PHAs who are in compliance with the law. As we discovered, HUD had not been implementing and enforcing the law, rendering the statute meaningless.

To resolve this problem, the Congress, working with the Department, developed language that was included in the fiscal year 2002 appropriations bill to phase in these statutory provisions. This language essentially gave PHAs a one-year transition period before the most severe penalty in the 1998 Act, the complete withholding of all capital funds, took affect. Instead, in fiscal year 2002, all PHAs were allowed to continue to receive funds for their annual maintenance needs, but backlog reduction funds were restricted to those PHAs which met the statutory deadlines. In addition, HUD was required to recapture old funds from non-compliant PHAs and redistribute them to PHAs meeting those deadlines.

What actions has the Department taken to fully implementing the provisions included in the fiscal year 2002 Appropriations Act, including the recapture provision, as Congress intended?

Answer: HUD initially identified 163 grants with approximately $212,608,002 in fiscal year 1998 and 1999 Capital Fund grants for public housing agencies (PHAs) that failed to obligate 90 percent (the QHWRA standard) or more of their grant award by the 24-month obligation deadline in the QHWRA. We later subtracted 49 grants from the 163 grants that were found to be legitimate obligations, as described in the footnote1. As a result of this analysis, the Office of Public and Indian Housing (PIH) identified a total of 117 grants with $126,821,817 of unobligated Capital Funds for the 2 years in question.

For the 117 grants, the HUD Field Offices were asked to provide a justification and supporting documentation for each PHA that failed to obligate in a timely manner. The Department carefully reviewed each case and the justification proposed for compliance with the

[1] Forty-four of those 49 grants, were obligated by September 30, 2001, but for a variety of reasons the PHA did not put the correct numbers in Line of Credit Control System (LOCCS)[1]. Four of the 49 grants were Moving to Work grantees (MTW)[1] that totaled approximately $46 million. One of the 49 grants originally identified was a $6 million grant for the Virgin Islands Housing Authority (VIHA). It was later determined that the $6 million was composed of an emergency loan/grant. Consequently, this grant was excluded from the analysis of recaptures because the 24-month obligation deadline in the statute applies to regular formula grants and not grants for disasters and emergencies. The total for the 49 grants that were excluded is $82,387,814. Finally, four PHAs misreported the amount of unobligated funds. This required a $3 million adjustment in the amount of unobligated funds.

Section 9(j)(2)(A) of the 1937 Act, including cases where the Field Offices had given the PHA an original obligation deadline beyond September 30, 2001, or the PHA had an extension granted by the field office or a self-granted extension.

HUD identified a group of 24 grants that had unobligated balances as of September 30, 2001, that did not have either: (a) a PHA self-extension, or (b) a HUD Field Office approved time-extension in accordance with the Comprehensive Grant Guidebook, 7485.3 G, issued October 1996. PIH determined that these grants should be recaptured. PIH has recently directed the HUD Field Offices to recapture these funds, which total approximately $5.5 million.

HUD identified a second group composed of two parts: (a) 53 grants that were 100 percent obligated as of March 22, 2002, and (b) 19 grants that had time extensions or an original obligation deadline dates after September 30, 2001, but were not known to be 100 percent obligated by March 22, 2002. On March 22, 2002, the Department sent a letter to PHAs[2] that managed 72 grants and requested that, within 5 days, they certify the amount of grant funds unobligated as of the date of the letter. Responses to HUD's March 22, 2002 letters, from the PHAs were received and then tallied. As of April 3, 2002, the total funds unobligated from the 72 grants are $647,499 from 6 PHAs. The remainder of the PHAs obligated 90 percent of their grant funds by March 22, 2002.

The combined total of funds unobligated as of March 22, 2002, is approximately $6.2 million, which the Department plans to recapture.

On April 5, 2002, the Department sent letters to the 6 PHAs in the second group that had funds unobligated as of March 22, 2002 informing them that the funds will be recaptured. On April 11, 2002, the HUD Field Offices were directed to take the appropriate steps to initiate the recapture of funds by amending the Annual Contributions Contract.

Twenty-one of the 117 grants were found to have justifications for extensions that met the requirements of Section 9(j)(2)(A) of the Act, and have been recommended to the Deputy Secretary for time extensions. We anticipate publishing a Notice in the *Federal Register* shortly, which will identify grants by PHA where unobligated funds will be recaptured, as well as the 21 grants that have been recommended to the Deputy Secretary for time extensions. This action by the Deputy Secretary is pending. (The exact date of publication of the Federal Register Notice is not known at this time.)

PIH plans to take strong measures to implement additional procedures to closely monitor obligations and expenditures. Specifically, PIH plans to require a new monthly obligation and expenditure report, which will replace the current quarterly reporting system. Implementing a monthly reporting system will enable the Department to implement Section 9(j)(3) of the Act, Penalty for Slow Expenditure of Capital Funds, a 1/12-month penalty for failure to obligate Capital Funds within 24 months. We anticipate that the monthly reporting system will be implemented in eLOCCS October 1, 2002 in time to address the fiscal year 2003 Capital Formula Grant distribution.

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[2] There were a total of 67 PHAs that managed the 72 grants. Five of the PHAs had a grant from FY 1998 as well as FFY 1999.

HUD is preparing to distribute Capital Grant funding for fiscal year 2002. The statutory penalty for not obligating funding within the QHWRA deadlines will be implemented beginning in fiscal year 2003.

HUD is also providing extensive guidance to the field concerning how to manage and comply with the deadlines in QHWRA and on how to work with PHAs to help them meet these deadlines.

Mr. Walsh #36b

Full Implementation of QHWARA Timeliness Requirement

Question: Will HUD apply the full sanctions required in the 1998 Act against PHAs not meeting the statutory deadlines which is the complete withholding of all capital funds in fiscal year 2003? If not, why?

Answer: HUD will apply the sanctions in fiscal year 2003 as prescribed by the Act.

Mr. Walsh #36c

Full Implementation of QHWRA Timeliness Requirement

Question: Will HUD also continue to recapture funds old funds from those PHAs in fiscal year 2003 and redistribute them to high performing PHAs? If not, why?

Answer: HUD will fully implement the requirements of Section 9(j) in fiscal year 2003. As such there should not be a need to recapture funds from prior years that remain unobligated beyond statutory deadlines. As you know, HUD is required to withhold new funding for any month in any fiscal year in which the public housing agency has funds unobligated in violation of the statutory deadlines. Any recaptures made available to HUD will be redistributed in accordance with Section 9(j), the Capital Grant Formula regulation and directives contained in HUD's Appropriations Act, and/or accompanying Committee/Conference Reports.

Question: Please describe the Department's process, including the procedures and deadlines established, to consider a PHA's waiver request from these timeliness requirements?

Answer: Pursuant to existing guidance, public housing agencies (PHAs) are required to establish benchmarks for obligation and three years for expenditure of funds. PHAs are responsible for taking the actions necessary to obligate/expend funds in a timely manner, recording obligations in HUD's systems and requesting extensions from the local Field Office when necessary. If the PHA cannot meet the benchmarks, they must request from the local Field Office revised benchmarks that do not exceed the statutory deadlines. The extent to which the PHA cannot meet the statutory deadlines, the PHA must submit a request for an extension to the local Field Office, justifying the extension based on the criteria in the Act. The Field Offices will forward the request to Headquarters with its recommendation and the Deputy Secretary will approve or reject the request.

Capital Fund

Question: Will the Department allow PHAs to provide their own self-extensions to these statutory deadlines? And if not, will the Department clarify its regulations to specifically prohibit this questionable practice?

Answer: HUD issued a directive on February 5, 2002, to HUD Field Offices and public housing agencies prohibiting self-extensions of obligation and expenditure deadlines. Authorization to grant self-extensions is contained only in a HUD guidebook. It is not reflected in the regulations. As a result, no regulatory amendment is required.

Mr. Walsh 36f

Capital Fund

Question: Last year, when the Committee raised concerns at the hearing that the Department had not yet issued final regulations to implement section 9(j) of QHWRA of 1998 related to timely obligation and expenditure of funds, almost 3 years after the law was passed, the Department responded that the final regulations would be issued during 2001. Has the Department issued final regulations? If not, when will they be issued and when will they take effect?

Answer: HUD drafted a proposed rule and transmitted it to OMB in August 2001. HUD has been discussing the rule with OMB since that time. HUD hopes to conclude discussions with OMB in the near future and proceed with publishing the proposed rule for public comment.

Mr. Walsh #36g

Capital Fund

Question: What impact would the Department's failure to issue regulations have on the Department's ability to fully implement the sanctions in section 9(j) in fiscal year 2003, namely the complete withholding of all capital funds from non-compliance PHAs?

Answer: The provisions of section 9(j) of the U.S. Housing Act are sufficiently clear to be self-implementing. HUD plans to fully implement these provisions in fiscal year 2003 whether or not the final rule is issued.

Mr. Walsh #37a

Public Housing Assessment System

Question: Pursuant to congressional directive, in December of 2000, the National Academy of Public Administration (NAPA) completed its review of various options for evaluating PHAs, including HUD's Public Housing Assessment System. While NAPA concluded that HUD needed to expeditiously resolve a number of issues to improve the system's operational capacity and its credibility among the PHAs, NAPA concluded that PHAS should be continued. While NAPA recommended that HUD consider other systems to supplement PHAS, those systems should not be a replacement to PHAS.

The Department indicated that it would use stakeholder consultations followed by a rulemaking to make improvements in the system. The Department stated its belief that PHAS, when improved, will provide a sound basis for evaluating PHAs. HUD also indicated that PHAS would be fully implemented for all PHAs in fiscal year 2002, using all four indicators to score whether a PHA was designated as troubled. The Committee is aware that some public housing industry groups have proposed a new system be used as a replacement to PHAS to be implemented in fiscal year 2003.

Is the Department fully implementing PHAS in fiscal year 2002 for all PHAs, and does this include using all four indicators (physical, financial, management, and resident service and satisfaction) as the basis for a PHA's score?

Answer: Yes we are. Scores are currently based on four components (physical, financial, management, and resident service & satisfaction). For the physical component, PHA scores are calculated based on only 2 out of the 5 possible indicators.

Mr. Walsh #37b

Public Housing Assessment System

Question: When will the Department complete PHAS scoring for all PHAs for fiscal year 2002?

Answer: Federal fiscal year 2002 runs from 10/1/01 to 9/30/02. PHAs have their own fiscal years. PHAS assessments are conducted at the end of the PHA fiscal years.

The first group of PHAs to be assessed in Federal fiscal year 2002 were those whose PHA fiscal year began on October 1, 2001. The last group of PHAs to be assessed in Federal fiscal year 2002 is those whose PHA fiscal year will begin on July 1, 2002.

PHAS scores are generally released within three months of the end of the PHA fiscal year. Therefore, the Department plans to complete PHAS scoring for all PHA's for Federal fiscal year 2002 by September 30, 2002.

Mr. Walsh #37c

Public Housing Assessment System

Question: Does the Department intend to continue to use PHAS as its assessment system for public housing authorities in fiscal year 2003?

Answer: Yes, the Department plans to use PHAS as its assessment system in fiscal year 2003. At that time, there may be further improvements in the system.

Public Housing Assessment System

Question: Is the Department considering alternatives to replace, rather than supplement, PHAS? If so, why has the Department changed its position on replacing PHAS?

Answer: The goal is to produce effective indicators to assess the management performance of PHAs and resident management corporations. Improvement of PHAS is probably the most viable course in the immediate term. To the extent that other indicators or methodologies may be proposed, we are willing to consider them, but only if these proposals have been researched and analyzed critically before their submission to HUD.

Question: What options is the Department considering and what is process and timeline for HUD to evaluate alternatives to PHAS?

Answer: This Administration has stated its willingness to listen to those who object to the current PHAS, and to hear all reasonable alternatives for assessing the performance of public housing agencies. In 2001, the Department began meeting with public housing stakeholders (including representatives of public housing agencies, residents, housing advocacy representatives, governmental representatives, and other groups) to discuss specific PHAS concerns and possible solutions.

Following those meetings, HUD published a notice in the Federal Register on November 26, 2001, which stated that the Department expects to give extensive consideration to potential improvements in PHAS, and that this consideration might lead to further changes in PHAS.

In response to our invitation for interested parties to submit their suggestions for improving PHAS, the National Association of Housing and Redevelopment Officials (NAHRO) has submitted a proposal that they are continuing to refine. Public Housing Authorities Directors Association (PHADA), Council of Large Public Housing Authorities (CLAPHA) and National Organization of African Americans in Housing (NOAH) have also indicated that they may submit recommendations. We also have started to meet with Congressional staff for their input.

The Department has asked that all proposals and areas for research be submitted as soon as possible. HUD will then review those proposals and develop strategies for implementing those which would meet the stated goal of improving the assessment of public housing. The Department hopes to have a model of an improved public housing performance evaluation system by December 31, 2002 or sooner.

Mr. Walsh #37f

Public Housing Assessment System

Question: Should the Department consider replacing PHAS in fiscal year 2003, will the Department continue to use PHAS until a new system is brought on line? If not, what impact would this have on the Department's ability to fully implement the sanctions in QHWRA which are contingent upon an assessment system being in place?

Answer: The Department plans to continue using PHAS prior to implementation of any new system.

Mr. Walsh #37g

Public Housing Assessment System

Question: How much has the Department spent to date to develop and implement PHAS?

Answer: To date, $89,386,453 has been spent to date to develop and implement PHAs. This amount reflects expenses since 1998. The cost reflects both IT and non-IT costs.

Question: How much is included in the fiscal year 2003 budget for PHAs implementation, and how does that compare to fiscal years 2001 and 2002?

Answer: The following is the funding for the requested years:

- Funding for fiscal year 2001: $21,727,097
- Funding for fiscal year 2002: $9,675,823
- Budget request for fiscal year 2003: $25,838,533

The fiscal year 2001 funding of $21.7 million reflects the amount utilized for both IT projects and all other contracting needs, such as inspections, in order to conduct PHAs assessments. For fiscal year 2002, PHAs and its related systems were put in a maintenance mode due to pending changes to the PHAs rule, which are expected this summer. Therefore, no funding for system enhancements is being authorized. Thus, the sharp decline in the funding amount compared to fiscal year 2001. The fiscal year 2003 funding of $25.8 million anticipates the costs of changes to the PHAs rule and their impact on all of REAC's subsystems.

Mr. Walsh #37i

Public Housing Assessment System

Question: The Department recently undertook a reorganization whereby REAC and TARC were placed back under Public and Indian Housing, instead of reporting directly to the Secretary. Will this reorganization action in any way diminish the importance or authority of REAC or TARC? Does the Department intend to continue to use the REAC and the TARC in the same manner as it was used in the past, or does the Department intend to reduce these functions? If so, why?

Answer: The TARCs were originally formed as a part of PIH and have remained the responsibility of the Assistant Secretary for PIH. They never reported directly to the Secretary. Each of the two TARCs was organized with a Center Director who reported to the Deputy Assistant Secretary (DAS) for the Office of Troubled Agency Recover (OTAR). The DAS reported to the Assistant Secretary.

The reorganization of REAC was essentially a change in which REAC no longer operates as a separate office/center of the Department where it reported to the Secretary and Deputy Secretary, but now operates as a part of PIH (a center within PIH), reporting to the Assistant Secretary of PIH. This changes REAC's authority in that it is no longer an independent operation of the Department, but now a support center within PIH. However, the functions performed at REAC have continued, with REAC providing risk management and data collection support to the Offices of Housing and PIH. Those functions continue to be important given that they provide services that enable the Department to meet statutory and regulatory requirements. As the Department conducts further assessments of its resources and services in an effort to better manage its operations and to determine the best way to meet the needs of its clients, it is possible that changes will occur in the manner in which current REAC services are delivered.

The Office of Troubled Agency Recovery (OTAR) which the TARCS are part of has always been an office within PIH reporting directly to the Assistant Secretary for PIH. The Department is exploring incorporating the functions and staff of the OTAR into PIH's Office of Field Operations but final decisions regarding this have not been made as of yet. The functions of REAC and the TARCs are of critical importance to the Department and will continue to be provided.

Mr. Walsh #38

Public Housing Operating Study

Question: The fiscal year 2000 conference report directed HUD to delay publishing a new rule until an independent congressional-mandated study is completed which identifies the actual costs incurred in running a well-managed PHA. The Harvard Design School developed a study approach using the Section 8 project-based inventory as a baseline for establishing reasonable housing costs, while adding in costs that are unique to the public housing inventory. Last year, in response to questioning at the hearing, the Department indicated that it was comfortable with this methodology.

Does the Department continue to support the methodology being used, and if not please explain why the Department has changed its position?

Answer: In April 2001, the Graduate School of Design (GSD) of Harvard University published a document entitled *Discussion of Research Issues and Initial Recommendations for Review*. In this report, GSD recommended that the non-utility cost to operate public housing be benchmarked to the cost of operating Federally assisted multifamily rental housing with mortgages insured by the Federal Housing Administration (FHA). For purposes of the Cost Study, GSD had assembled data on 11,000 properties with approximately 1 million units that were insured with FHA and assisted with project-based Section 8 assistance, a mortgage interest reduction program, or a rental assistance program. GSD believes that FHA-assisted housing is sufficiently similar to public housing to build a reasonable costing model. GSD is specifically benchmarking to assisted housing operated by non-profit owners. Controlling for other property characteristics, GSD found that non-profit ownership is associated with a 9 percent greater cost than for-profit ownership.

Following the publication of the April report, GSD solicited responses to its benchmarking approach through public meetings, written comments, and discussions with industry groups. These responses were discussed in GSD's report *Draft Research Design* published in July 2001. GSD reaffirmed its earlier recommendation for benchmarking to FHA-assisted operating costs and accepted requests that industry and related groups be given greater participation and input to study protocols.

The Department continues to provide data to GSD and has a working group of program, policy, and research staff that meets periodically with GSD to review reports and provide feedback. The benchmarking concept recommended by GSD still needs to incorporate the results of field testing and case studies that will be used to adjust the model-predicted costs for differences or discrepancies in regulatory and operating environments between public and FHA-assisted housing. The Department is working with GSD and the industry groups to develop the protocols for these case studies.

Mr. Walsh #39a

Public Housing Operating Study

Question: Congress specifically mandated that this study be conducted by an independent, outside party.

Does the Department intend to use the study's findings as the basis for developing a new formula for operating subsidies as Congress intended?

Answer: The recommendation s of the GSD study will be used to inform the Department in the development of a final rule.

Mr. Walsh #39b

Public Housing Operating Study

Question: What is the process and the timeline for incorporating the study's findings into the development of a new operating subsidy formula?

Answer: The Department expects that GSD will issue its final report in early fiscal year 2003. After review of the recommendations, the Department would follow the procedures of the Negotiated Rulemaking Act of 1990 and initiate steps to undertake regulatory negotiations to develop a final rule. Potential participants in the negotiations would be informed that the GSD recommendations would be used as a starting point for development of a final rule and would be asked if they could negotiate in good faith on that report. Action to develop a final rule is expected in fiscal year 2003.

Mr. Walsh #40a

Public Housing Operating Study

Question: Despite congressional direction to delay implementing a new operating subsidy formula until this study is complete, HUD went forward and implemented six changes to the formula as an interim rule in fiscal year 2000.

Please describe each of the 6 changes implemented in fiscal year 2000.

Answer: In July 2000, the Department issued a proposed rule for public comment describing a new formula for the allocation of operating subsidies. The rule was the product of successful regulatory negotiations that had begun in March 1999. In March 2001, the Department issued an interim rule with policies and procedures to govern the distribution of operating subsidies to public housing agencies (PHAs) until a final rule, reflecting the recommendations of the GSD study, was developed and published. The new formula was effective for PHAs with fiscal years beginning on or after January 1, 2001. The following is an extract from the interim rule published in the Federal Register of March 29, 2001, which describes the most significant changes that were made:

1. modify the method by which "small PHAs" are funded in order to assure an adequate minimum level funding, based on nationally averaged operating costs for multifamily housing projects insured by the Federal Housing Administration (FHA), adjusted for unit size differences and locational cost differences;
2. implement statutory changes permitting PHAs to retain certain rental and non-rental income without offset against operating subsidy;
3. retain the current method of estimating utility expenses, require that the comparison of actual and estimated utility costs be reported to HUD within 45 days after the end of the fiscal year, but then have the PHA incorporate the adjustment into the operating subsidy calculation for the second, rather than the first PHA fiscal year following the year being adjusted;
4. in order to encourage energy efficiency, replace the current 50-50 split of savings or increase in cost due to changes in utilities consumption to a 75-25 split between PHAs and HUD, respectively;
5. require each PHA to include in its operating subsidy calculation, $25 per occupied unit per year for resident participation activities as an add on expense component for subsidy eligibility; and
6. include flood insurance costs in the computation of the Allowable Expense Level (AEL) by permitting a one-time permanent adjustment to reflect this cost.

Mr. Walsh #40b

Public Housing Operating Study

Question: Were any additional changes implemented during fiscal year 2001, and if so please describe each change?

Answer: The changes described in the previous response were actually implemented in fiscal year 2001.

Mr. Walsh #40c

Public Housing Operating Study

Question: Are any additional changes being contemplated or implemented during fiscal years 2002 or 2003, and if so please describe each change?

Answer: The Department expects to take action on a final rule in fiscal year 2003. Until such action takes place, the six steps identified in the previous question are in effect. There will be no changes until a negotiated rule-making committee comes together to develop the final rule.

Mr. Walsh #41a

Reauthorization

Question: The HOPE VI program was authorized as a demonstration based upon the recommendations of the National Commission on Severely Distressed Housing. In 1996, the Department announced its plans to demolish and replace with hard units or vouchers 100,000 units of severely distress housing by the end of fiscal year 2003. That 100,000 unit number was similar to the recommendation included in the National Commission's report. According to the Department, that goal will be met by the end of fiscal year 2003. Last year, the Department indicated that it would be reviewing the program and planned to submit a reauthorization proposal to make changes and improvements in the program.

Has the Department submitted its proposal, and if not, when will it be submitted?

Answer: No, the Department has not submitted its proposal. The legislation will be transmitted shortly.

Mr. Walsh #41b

Reauthorization

Question: Given that according to the Department, the goal of 100,000 will not only be met, but exceeded, what is the justification for continuation and reauthorization of the HOPE VI program?

Answer: There is a substantial remaining demand for the HOPE VI program as reflected both in the volume of recent applications and in studies of public housing capital needs.

Mr. Walsh #41c

Reauthorization

Question: What are the Department's proposed new goals for the reauthorized HOPE VI program (e.g. the number of additional units demolished and replaced), what proposed changes is the Department proposing and what are the justifications for these changes?

Answer: First and foremost, HUD believes that program improvements are needed, including improved project readiness, increased accountability, and a more even playing field both within states and across the country. HUD is also working to streamline implementation, for example, by providing model development agreements for use by awardees. With improvements, realistic and specific qualification goals can be developed.

Mr. Walsh #42a

Status and Costs

Question: Last year, the Department indicated that the original 100,000 demolition goal included 70,000 units demolished under HOPE VI, and 30,000 units demolished using non-HOPE VI funds. As indicated in the budget justifications, demolitions funded from non-HOPE VI funds have met their goal (29,732 demolitions have been completed), but HOPE VI has not. To date, 47,268 HOPE VI demolitions have been completed, leaving 22,732 additional units to be demolished to reach the goal.

Does the Department expect to meet the goal of 70,000 under HOPE VI by the end of fiscal year 2003? If not, why?

Answer: No, the Department did not set a discreet goal for demolitions under the HOPE VI program. The Department set a goal to demolish 100,000 units inventory-wide by the end of fiscal year 2003. The 70,000 units refer to what the HOPE VI Revitalization grantees plan to demolish over the course of their grants. Including the fiscal year 2001 grantees, that number now stands at 78,000.

Mr. Walsh #42b

Status and Costs

Question: Does this "goal" represent actual completion of the projects (i.e. actual demolition and replacement (hard units or vouchers) or does this represent approval to begin the projects?

Answer: HOPE VI Revitalization grantees anticipate actually demolishing 65,000 units by the end of fiscal year 2003. The balance of the 100,000 units will be demolished through other programs. We are confident that we will reach the goal of demolishing 100,000 distressed public housing units by the end of fiscal year 2003.

Mr. Walsh #42c

Status and Costs

Question: Have grant awards already been made for demolition of these 22,732 units? If not, how will these be funded (from which fiscal year appropriation)?

Answer: Ostensibly, all units approved by HUD have identified resources to carry out the demolition. There are three primary sources of funding that Public Housing Authorities may use to carry out demolition activities: HOPE VI Revitalization Grants, HOPE VI Demolition Grants, and Capital Funds. In fiscal year 2001 alone, approximately $132 million was allocated to fund demolition activities ($44 million from HOPE VI Revitalization Grants; $75 million from HOPE VI Demolition Grants and $13 million from the Capital Fund).

Mr. Walsh #43a

Status and Costs

Question: This year's budget indicates that 135,000 units have been approved for demolition (up from 113,000 approved last year). While the number of units approved continues to grow and exceeds the original 100,000 goal, the number of units to be demolished under HOPE VI does not grow. In fact, while the number approved for demolition has increased by 35,000 over the goal, only 7,000 of these 35,000 are to be done under HOPE VI, with the remainder being done under Section 18.

Since the Department intends to reauthorize HOPE VI, and has requested fiscal year 2003 appropriations to continue the program, why haven't more of these units been planned for demolition under HOPE VI?

Answer: The HOPE VI program is a major source of funding for demolition activity. The HOPE VI program has two separate grant award categories: Revitalization and Demolition. In fiscal year 2001, $75 million of the HOPE VI appropriation went specifically to Demolition grants. Those grants provide funding for the demolition of 10, 293 units. Approximately $44 million of the funding through HOPE VI Revitalization grants will be used to demolish 7,923 units. Therefore, in 1 year alone, the Department used HOPE VI funding to provide $119 million to demolish 18,216 units.

Mr. Walsh #43b

Status and Costs

Question: What is the average cost of a non-HOPE VI demolition vs. a HOPE VI demolition? What is the average cost of a Section 18 rehabilitation/replacement unit vs. a HOPE VI rehabilitation/replacement unit?

Answer: Demolition There should not be a significant difference in the cost of demolition between funding sources because all demolition contracts are competitively bid according to public housing procurement regulations regardless of the funding source. Variations will reflect regional cost differences and inflation. Section 18 is simply one statutory authority under which HUD approves the demolition of public housing units. There are no funds associated with Section 18. The costs by individual programs are not precise because each includes different amounts of indirect costs associated with demolition activities. Only the HOPE VI Quarterly reports provide information on direct demolition costs. According to the December 31, 2001 HOPE VI Quarterly Report, the average expenditure from all funding sources per unit demolished to date equals $5,500.

Replacement The primary replacement mechanism for demolished units is the HOPE VI program. In addition, PHAs can use Public Housing Development funds and or convert unused Capital funds to Public Housing Development funds. In all cases, any public housing units developed are required to comply with the development regulations at 24 CFR 941 and the Department's Total Development Cost limitations. Therefore, there should be no difference in the costs of new replacement units constructed with funds from different sources. No units are constructed or rehabilitated under Section 18.

Rehabilitation Because the Capital Fund program provides funds for piecemeal modernization based on life cycle replacement of major building components, there is no way to absolutely determine the cost of a fully modernized unit and compare it to a newly constructed HOPE VI replacement unit.

Status and Costs

Question: Of the total 135,000 units approved for demolition, how many will be replaced with new or rehabilitated units?

Answer: Demolished units are only replaced with newly constructed units. The primary replacement mechanism for demolished units is the HOPE VI program. Among all HOPE VI grantees, the total number of new ACC/public housing replacement units planned is 38,722. In addition, they will rehabilitate an existing 8,495 public housing units. The grand total of all units planned through the HOPE VI Revitalization program, including Low Income Housing Tax Credit units, other affordable units and market rate units, is 84,000.

Mr. Walsh #43d

Status and Costs

Question: Of the 135,000 units approved for demolition, how many were vacant and how many were occupied?

Answer: The Department's experience through the HOPE VI Revitalization demolitions shows that approximately 56,500 (72 percent) of the units are occupied at the time of HUD approval and 21,500 (28 percent) are vacant. We believe these numbers are reflective all demolitions carried out among the three funding sources.

Mr. Walsh #44a

Status and Costs

Question: Please complete the following chart based on the most recent HOPE VI quarterly report (for fiscal year 2003, assume current funding levels):

Award Year	1998 and prior	1999	2000	2001	2002	2003	Total 1993-2003
Demolitions: Planned Approved Demolished							
Relocation: Planned Actual-to-date							
ACC Construction: Planned Actual-to-date							
ACC Rehabilitation: Planned Actual-to-date							

Answer: The chart cannot be filled out given its current configuration. However, we are able to provide the following information and will work with the Committee staff to provide any additional information requested.

HOPE VI Activity by Grant Award Year
(Funded and Actual-to-Date)
As of December 31, 2001

Award Year		**1998 and Prior**	**1999**	**2000**	**2001**	**Total 1993-2001**	**2002**	**2003**
Demolition	Planned	52,868	9,718	8,232	7,923	78,741	8,000	8,000
	Approved	51,290	6,166	3,596	NA	61,052		
	Demolished	44,586	3,891	766	NA	49,243		
Relocation	Planned	36,546	7,475	6,500	6,046	56,567	6,000	6,000
	Actual-to-Date	33,334	5,981	1,356	NA	40,671		

ACC Construction	Planned	24,047	4,964	4,340	5,371	38,722	5,500	5,500
	Actual-to-Date	8,397	47	45	0	8,489		
ACC Rehabilitation	Planned	8,230	80	161	24	8,495	50	50
	Actual-to-Date	4,265	0	0	0	4,265		

Estimates for 2002 and 2003 assume current funding levels.

Also, see attached summary statements from the most recent HOPE VI Quarterly Report for each year of the HOPE VI Revitalization program.

HOPE VI REVITALIZATION GRANT PROGRAM: QUARTERLY PROGRESS REPORT

Award Year: 1993 — Number of Grants: 13

Reporting Period: October - December, 4QCY2001 (1QFY2002)

Financial Information

	Total Project Estimates		Actual - to - Date	
Grant Information	HOPE VI Awarded:	$566,131,263	HOPE VI LOCCS Disbursed (As of 12/31/2001) :	
			HOPE VI Obligated:	$516,698,575
Funding Source	HOPE VI Budgeted:	$566,131,263	HOPE VI Expended:	$502,052,020
Leveraged Funds	Other Public Housing Budgeted:	$125,176,076	Other Public Housing Expended:	$94,469,820
Leveraged Funds	Other Federal Funds Budgeted:	$30,061,671	Other Federal Funds Expended:	$28,037,604
Leveraged Funds	All Non-Federal Funds Budgeted:	$303,425,796	All Non-Federal Funds Expended:	$224,528,646
Leveraged Funds	SUB-TOTAL (Leveraged Funds)	$458,663,543	SUB-TOTAL (Leveraged Funds) :	$347,036,068
	Total Funds Budgeted (All Sources)	**: $1,024,794,806**	**Total Funds Expended** (All Sources)	**: $849,088,088**

Production Information

	PH	Section 8	Other *	Total	PH	Section 8	Evicted	Other	Total
Relocation	2,547	1,507	1,083	5,137	2,489	1,507	291	792	5,079

Demolished Units		
Planned:	7,139	6,989
Approved:	7,139	

Constructed Units	Rental ACC	Rental Non-ACC	Home Owner ACC	Home Owner Non-ACC	SUB-TOTAL
New	3,417	1,064	182	320	4,983
Rehab	1,454	10	0	0	1,464
SUB-TOTAL	4,871	1,074	182	320	6,447

Constructed Units	Rental ACC	Rental Non-ACC	Home Owner ACC	Home Owner Non-ACC	SUB-TOTAL
New	2,612	809	26	189	3,636
Rehab	1,343	10	0	0	1,353
SUB-TOTAL	3,955	819	26	189	4,989

Total Occupancy	2,383	1,726
Total Occupancy	6,447	4,895

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

*OTHER includes actual evictions. Evictions cannot be planned, but are included in the total number of relocations as they include households initially designated for relocation.

Q8 ATTACHMENTS

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1993																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
1993		0	74	74	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1994		0	342	416	0	0	0	0	0	0	0	30	30	0	0	0	0	0	0
1995		0	604	1,020	0	389	389	0	0	0	0	35	65	0	0	0	0	0	0
1996		0	712	1,732	0	1,058	1,447	0	0	0	0	59	124	0	0	0	0	93	93
1997		0	1,416	3,148	0	1,506	2,953	0	343	343	0	102	226	0	105	105	0	237	330
1998		0	1,197	4,345	0	1,022	3,975	36	572	915	0	643	869	0	337	442	0	1,211	1,541
1999		0	355	4,700	0	1,078	5,053	170	1,202	2,117	0	276	1,145	0	452	894	0	1,179	2,720
2000	1	0	101	4,801	0	215	5,268	65	322	2,439	0	24	1,169	0	138	1,032	65	451	3,171
	2	0	77	4,878	0	120	5,388	16	130	2,569	0	18	1,187	0	111	1,143	16	375	3,546
	3	0	138	5,016	0	122	5,510	10	148	2,717	0	137	1,324	0	140	1,283	10	296	3,842
	4	13	20	5,036	228	228	5,738	456	342	3,059	27	27	1,351	146	97	1,380	448	270	4,112
2001	1	27	36	5,072	553	318	6,056	246	121	3,180	0	2	1,353	112	68	1,448	337	173	4,285
	2	30	5	5,077	416	758	6,814	179	162	3,342	2	0	1,353	77	108	1,556	219	291	4,576
	3	58	0	5,077	260	110	6,924	268	195	3,537	55	0	1,353	188	118	1,674	227	182	4,758
	4	**0**	**2**	**5,079**	**65**	**65**	**6,989**	**551**	**99**	**3,636**	**0**	**0**	**1,353**	**89**	**52**	**1,726**	**291**	**137**	**4,895**
2002	1	58	0	5,137	50	0	7,039	489	0	4,125	0	0	1,353	364	0	2,090	566	0	5,461
	2	0	0	5,137	100	0	7,139	172	0	4,297	45	0	1,398	111	0	2,201	217	0	5,678
	3	0	0	5,137	0	0	7,139	24	0	4,321	45	0	1,443	25	0	2,226	63	0	5,741
	4	0	0	5,137	0	0	7,139	37	0	4,358	21	0	1,464	21	0	2,247	44	0	5,785
2003	1	0	0	5,137	0	0	7,139	84	0	4,442	0	0	1,464	30	0	2,277	73	0	5,858
	2	0	0	5,137	0	0	7,139	111	0	4,553	0	0	1,464	34	0	2,311	149	0	6,007
	3	0	0	5,137	0	0	7,139	18	0	4,571	0	0	1,464	0	0	2,311	12	0	6,019
	4	0	0	5,137	0	0	7,139	178	0	4,749	0	0	1,464	40	0	2,351	100	0	6,119

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1993																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
2004	1	0	0	5,137	0	0	7,139	82	0	4,831	0	0	1,464	32	0	2,383	176	0	6,295
	2	0	0	5,137	0	0	7,139	80	0	4,911	0	0	1,464	0	0	2,383	80	0	6,375
	3	0	0	5,137	0	0	7,139	0	0	4,911	0	0	1,464	0	0	2,383	0	0	6,375
	4	0	0	5,137	0	0	7,139	0	0	4,911	0	0	1,464	0	0	2,383	0	0	6,375
2005	1	0	0	5,137	0	0	7,139	0	0	4,911	0	0	1,464	0	0	2,383	0	0	6,375
	2	0	0	5,137	0	0	7,139	0	0	4,911	0	0	1,464	0	0	2,383	0	0	6,375
	3	0	0	5,137	0	0	7,139	0	0	4,911	0	0	1,464	0	0	2,383	0	0	6,375
	4	0	0	5,137	0	0	7,139	56	0	4,967	0	0	1,464	0	0	2,383	56	0	6,431
2006	1	0	0	5,137	0	0	7,139	0	0	4,967	0	0	1,464	0	0	2,383	0	0	6,431
	2	0	0	5,137	0	0	7,139	0	0	4,967	0	0	1,464	0	0	2,383	0	0	6,431
	3	0	0	5,137	0	0	7,139	16	0	4,983	0	0	1,464	0	0	2,383	16	0	6,447
	4	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
2007	1	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
	2	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
	3	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
	4	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
2008	1	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
	2	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
	3	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
	4	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
2009	1	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
	2	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
	3	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447
	4	0	0	5,137	0	0	7,139	0	0	4,983	0	0	1,464	0	0	2,383	0	0	6,447

This Quarterly report is based on self-reported data for the period ending 12/31/2001.
* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: FINANCIAL SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1993										
		HOPE VI Budgeted	HOPE VI Obligated	HOPE VI Expended	HOPE VI % Expended	Leveraged Budgeted	Leveraged Expended	Leveraged % Expended	All Sources Budgeted	All Sources Expended	All Sources % Expended	H6 % All Sources Budgeted	H6 % All Sources Expended
Planning / Professional Services	Proj. Mgmt.	$6,720,214	$6,712,638	$6,712,637	100%	$2,458,441	$2,458,441	100%	$9,178,655	$9,171,078	100%	73%	73%
	Const. Mgmt.	$1,621,690	$1,472,464	$1,472,464	91%	$282,316	$130,000	46%	$1,913,908	$1,602,464	84%	85%	92%
	Arch. / Eng.	$38,499,217	$35,818,491	$35,206,586	91%	$8,939,559	$7,738,993	87%	$47,438,776	$42,945,558	91%	81%	82%
	Legal Fees	$5,605,305	$5,484,781	$5,454,395	97%	$3,879,470	$3,483,597	90%	$9,284,776	$8,937,993	96%	60%	61%
	Other Fees	$16,152,366	$15,085,283	$14,009,280	92%	$7,745,801	$6,178,146	80%	$22,697,867	$20,187,426	89%	68%	69%
	Sub-Total:	*$67,598,693*	*$64,573,655*	*$62,855,343*	*93%*	*$23,115,286*	*$19,989,175*	*86%*	*$90,713,979*	*$82,844,519*	*91%*	*75%*	*76%*
Demolition / Remediation	On-site Units Repl.	$30,160,257	$29,002,256	$28,402,416	94%	$18,653,851	$18,653,851	100%	$48,814,108	$47,056,267	96%	62%	60%
	On-site Not Repl.	$1,803,008	$1,803,008	$1,726,758	96%	$0	$0	/0	$1,803,008	$1,726,758	96%	100%	100%
	Sub-Total:	*$31,963,265*	*$30,805,264*	*$30,129,174*	*94%*	*$18,653,851*	*$18,653,851*	*100%*	*$50,617,116*	*$48,783,025*	*96%*	*63%*	*62%*
New or Rehab Construction	Acquisition	$7,074,177	$6,874,177	$6,874,177	97%	$18,494,851	$18,494,651	100%	$25,568,828	$25,368,828	99%	28%	27%
	Site Improv.	$50,333,740	$47,214,676	$45,616,767	91%	$32,975,059	$22,005,679	67%	$83,308,799	$67,882,446	81%	60%	68%
	DU Const.	$283,303,042	$256,330,997	$250,824,165	89%	$260,664,487	$198,567,071	76%	$543,967,528	$449,391,236	83%	52%	56%
	DU Equipment	$1,837,877	$1,421,593	$1,270,762	69%	$513,516	$129,448	25%	$2,351,393	$1,397,209	59%	78%	91%
	Non-DU Const.	$23,316,748	$21,055,055	$19,672,768	84%	$18,522,565	$15,597,735	84%	$41,841,313	$35,270,503	84%	56%	56%
	Non-DU Equip.	$2,599,574	$2,332,347	$2,317,536	89%	$451,277	$420,361	93%	$3,050,851	$2,737,896	90%	85%	85%
	Sub-Total:	*$368,467,157*	*$335,238,844*	*$326,836,174*	*89%*	*$331,621,554*	*$255,211,943*	*77%*	*$700,088,711*	*$582,048,117*	*83%*	*53%*	*56%*
Extraordinary Site Costs		$0	$0	$0	/0	$0	$0	/0	$0	$0	/0	/0	/0
Relocation / Re-Occupancy		$11,572,207	$10,954,320	$10,320,751	89%	$3,239,563	$2,354,069	73%	$14,811,769	$12,664,849	86%	78%	81%
Leveraged Finance	Tax Credit Cost	$0	$0	$0	/0	$4,670,325	$4,255,114	91%	$4,670,325	$4,255,114	91%	0%	0%
	Developer Fees	$0	$0	$0	/0	$21,493,851	$16,211,886	75%	$21,493,851	$16,211,886	75%	0%	0%
	Other Costs	$0	$0	$0	/0	$7,122,456	$6,298,229	88%	$7,122,456	$6,298,229	88%	0%	0%
	Reserves	$0	$0	$0	/0	$13,630,336	$7,935,158	58%	$13,630,336	$7,935,158	58%	0%	0%
	Sub-Total:	*$0*	*$0*	*$0*	*/0*	*$46,916,778*	*$34,700,387*	*74%*	*$46,916,778*	*$34,700,387*	*74%*	*0%*	*0%*
Community / Support Services	Mgmt. Improv.	$36,605,147	$32,060,610	$31,122,168	85%	$9,033,186	$8,818,964	98%	$45,638,342	$39,941,132	88%	80%	78%
	Other Services	$7,371,386	$2,987,942	$2,987,942	41%	$7,807,453	$200,684	3%	$15,178,839	$3,188,626	21%	49%	94%
	Sub-Total:	*$43,976,533*	*$35,048,552*	*$34,110,110*	*78%*	*$16,840,649*	*$9,019,648*	*54%*	*$60,817,182*	*$43,129,758*	*71%*	*72%*	*79%*
Admin	Mgmt. Improv.	$8,161,059	$7,726,261	$6,590,612	81%	$223,216	$36,463	16%	$8,384,275	$6,627,075	79%	97%	99%
	General	$34,392,349	$32,351,680	$31,209,855	91%	$3,425,860	$3,033,715	89%	$37,818,209	$34,243,571	91%	91%	91%
	Sub-Total:	$42,553,408	$40,077,940	$37,800,467	89%	$3,649,076	$3,070,178	84%	$46,202,484	$40,870,645	88%	92%	92%
Sub-Total:		*$566,131,262*	*$516,698,575*	*$502,052,019*	*89%*	*$444,036,757*	*$343,009,282*	*77%*	*$1,010,168,019*	*$845,051,301*	*84%*	*56%*	*59%*
In-Kind Services		$0	$0	$0	/0	$14,626,786	$4,026,786	28%	$14,626,786	$4,026,786	28%	0%	0%
Grand Total:		**$566,131,262**	**$516,698,575**	**$502,052,019**	**89%**	**$458,663,543**	**$347,036,068**	**76%**	**$1,024,784,805**	**$849,088,087**	**83%**	**55%**	**59%**

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

HOPE VI REVITALIZATION GRANT PROGRAM: QUARTERLY PROGRESS REPORT

Award Year: 1994 — Number of Grants: 14

Reporting Period: October - December, 4QCY2001 (1QFY2002)

Financial Information

		Total Project Estimates	Actual - to - Date
Grant Information		HOPE VI Awarded: $516,138,089	HOPE VI LOCCS Disbursed (As of 12/31/2001): HOPE VI Obligated: $350,317,292
Funding Sources		HOPE VI Budgeted: $516,138,089	HOPE VI Expended: $296,386,408
	Leveraged Funds	Other Public Housing Budgeted: $87,540,280	Other Public Housing Expended: $24,116,839
		Other Federal Funds Budgeted: $165,546,307	Other Federal Funds Expended: $69,461,851
		All Non-Federal Funds Budgeted: $343,789,525	All Non-Federal Funds Expended: $108,103,768
		SUB-TOTAL (Leveraged Funds): $596,876,110	SUB-TOTAL (Leveraged Funds): $201,682,457
		Total Funds Budgeted (All Sources): **$1,113,014,200**	**Total Funds Expended** (All Sources): **$498,068,865**

Production Information

		Total Project Estimates					Actual - to - Date				
Relocation		PH	Section 8	Other *		Total	PH	Section 8	Evicted	Other	Total
		3,754	1,054	492		5,300	3,274	1,021	167	324	4,786
Demolished Units		Planned: 8,661					7,981				
		Approved: 8,401									
Construction Units		Rental		Home Owner			Rental		Home Owner		
		ACC	Non-ACC	ACC	Non-ACC	SUB-TOTAL	ACC	Non-ACC	ACC	Non-ACC	SUB-TOTAL
	New	3,285	964	129	1,789	6,167	1,227	77	65	251	1,620
	Rehab	1,636	0	0	0	1,636	947	0	0	0	947
	SUB-TOTAL	4,921	964	129	1,789	7,803	2,174	77	65	251	2,567
Re-Occupancy		2,763					1,254				
Occupancy		7,803					2,263				

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

*OTHER includes actual evictions. Evictions cannot be planned, but are included in the total number of relocations as they include households ineligible/displaced for relocation.

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1994																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
1993		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1994		0	564	564	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1995		97	895	1,459	0	816	816	0	0	0	0	0	0	0	0	0	0	0	0
1996		127	744	2,203	416	1,172	1,988	0	0	0	0	30	30	0	30	30	0	30	30
1997		0	648	2,851	0	2,128	4,116	0	222	222	0	181	211	0	275	305	0	403	433
1998		30	810	3,661	0	1,339	5,455	0	491	713	0	153	364	0	459	764	0	644	1,077
1999		30	370	4,031	4	526	5,981	0	137	850	12	252	616	8	215	979	8	362	1,439
2000	1	10	233	4,264	4	12	5,993	0	0	850	12	18	634	4	18	997	4	18	1,457
	2	10	127	4,391	0	0	5,993	0	94	944	12	80	714	4	29	1,026	4	62	1,519
	3	10	100	4,491	0	122	6,115	0	122	1,066	12	0	714	5	57	1,083	5	95	1,614
	4	59	75	4,566	304	182	6,297	243	189	1,255	21	6	720	99	11	1,094	272	143	1,757
2001	1	115	98	4,664	1,293	984	7,281	214	65	1,320	91	70	790	110	110	1,204	186	177	1,934
	2	39	32	4,696	567	520	7,801	132	69	1,389	50	0	790	75	18	1,222	205	154	2,088
	3	67	38	4,734	78	172	7,973	532	211	1,600	64	24	814	109	27	1,249	284	98	2,186
	4	**164**	**52**	**4,786**	**75**	**8**	**7,981**	**154**	**20**	**1,620**	**78**	**133**	**947**	**71**	**5**	**1,254**	**204**	**77**	**2,263**
2002	1	39	0	4,825	132	0	8,113	119	0	1,739	192	0	1,139	163	0	1,417	338	0	2,601
	2	255	0	5,080	122	0	8,235	631	0	2,370	95	0	1,234	166	0	1,583	562	0	3,163
	3	44	0	5,124	65	0	8,300	492	0	2,862	44	0	1,278	256	0	1,839	603	0	3,766
	4	16	0	5,140	0	0	8,300	628	0	3,490	56	0	1,334	282	0	2,121	747	0	4,513
2003	1	20	0	5,160	0	0	8,300	268	0	3,758	20	0	1,354	192	0	2,313	482	0	4,995
	2	24	0	5,184	337	0	8,637	200	0	3,958	24	0	1,378	48	0	2,361	170	0	5,165
	3	16	0	5,200	0	0	8,637	295	0	4,253	16	0	1,394	86	0	2,447	370	0	5,535
	4	16	0	5,216	0	0	8,637	77	0	4,330	16	0	1,410	36	0	2,483	99	0	5,634

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1994																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
2004	1	24	0	5,240	12	0	8,649	202	0	4,532	166	0	1,576	38	0	2,521	393	0	6,027
	2	24	0	5,264	0	0	8,649	47	0	4,579	24	0	1,600	24	0	2,545	95	0	6,122
	3	12	0	5,276	12	0	8,661	12	0	4,591	12	0	1,612	12	0	2,557	24	0	6,146
	4	24	0	5,300	0	0	8,661	22	0	4,613	24	0	1,636	24	0	2,581	103	0	6,249
2005	1	0	0	5,300	0	0	8,661	358	0	4,971	0	0	1,636	42	0	2,623	358	0	6,607
	2	0	0	5,300	0	0	8,661	46	0	5,017	0	0	1,636	4	0	2,627	46	0	6,653
	3	0	0	5,300	0	0	8,661	109	0	5,126	0	0	1,636	12	0	2,639	109	0	6,762
	4	0	0	5,300	0	0	8,661	10	0	5,136	0	0	1,636	0	0	2,639	10	0	6,772
2006	1	0	0	5,300	0	0	8,661	681	0	5,817	0	0	1,636	82	0	2,721	681	0	7,453
	2	0	0	5,300	0	0	8,661	0	0	5,817	0	0	1,636	0	0	2,721	0	0	7,453
	3	0	0	5,300	0	0	8,661	0	0	5,817	0	0	1,636	0	0	2,721	0	0	7,453
	4	0	0	5,300	0	0	8,661	0	0	5,817	0	0	1,636	0	0	2,721	0	0	7,453
2007	1	0	0	5,300	0	0	8,661	350	0	6,167	0	0	1,636	42	0	2,763	350	0	7,803
	2	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803
	3	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803
	4	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803
2008	1	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803
	2	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803
	3	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803
	4	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803
2009	1	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803
	2	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803
	3	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803
	4	0	0	5,300	0	0	8,661	0	0	6,167	0	0	1,636	0	0	2,763	0	0	7,803

This Quarterly report is based on self-reported data for the period ending 12/31/2001.
* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: FINANCIAL SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1994											
		HOPE VI Budgeted	HOPE VI Obligated	HOPE VI Expended	HOPE VI % Expended	Leveraged Budgeted	Leveraged Expended	Leveraged % Expended	All Sources Budgeted	All Sources Expended	All Sources % Expended	HS % All Sources Budgeted	HS % All Sources Expended
Planning / Professional Services	Proj. Mgmt.	$21,104,047	$19,248,295	$15,688,282	74%	$9,455,787	$5,255,855	56%	$30,559,834	$20,944,137	69%	69%	75%
	Const. Mgmt.	$9,812,204	$7,821,585	$7,452,681	76%	$10,413,133	$1,028,047	10%	$20,225,337	$8,480,728	42%	49%	88%
	Arch. / Eng.	$29,544,684	$23,914,608	$21,654,056	73%	$14,229,282	$2,875,532	19%	$43,773,967	$24,329,588	56%	67%	89%
	Legal Fees	$1,610,684	$1,402,462	$1,400,365	87%	$1,813,905	$748,239	41%	$3,424,588	$2,148,823	63%	47%	65%
	Other Fees	$5,990,404	$5,795,586	$5,246,338	88%	$5,415,132	$4,515,046	83%	$11,405,536	$9,761,384	86%	53%	54%
	Sub-Total:	*$68,062,023*	*$57,982,749*	*$51,441,742*	*76%*	*$41,327,239*	*$14,222,719*	*34%*	*$109,389,262*	*$65,664,461*	*60%*	*62%*	*78%*
Demolition / Remediation	On-site Units Repl.	$9,372,598	$8,621,940	$7,897,467	84%	$27,603,128	$22,667,516	81%	$37,275,684	$30,555,003	82%	25%	26%
	On-site Not Repl.	$2,862,972	$2,862,972	$2,862,972	100%	$7,009,434	$5,324,434	76%	$9,872,406	$8,187,406	83%	29%	35%
	Sub-Total:	*$12,235,526*	*$11,484,912*	*$10,760,459*	*88%*	*$34,912,562*	*$27,991,950*	*80%*	*$47,148,090*	*$38,752,409*	*82%*	*26%*	*28%*
New or Rehab Construction	Acquisition	$32,982,106	$13,682,404	$13,503,422	41%	$39,262,648	$9,410,256	24%	$72,244,752	$22,913,678	32%	46%	59%
	Site Improv.	$53,372,440	$46,975,579	$32,558,199	61%	$37,814,236	$20,698,590	55%	$91,186,676	$53,256,788	58%	59%	61%
	DU Const.	$228,168,282	$135,333,485	$107,343,203	47%	$332,578,989	$100,338,938	30%	$570,745,271	$207,680,141	36%	42%	52%
	DU Equipment	$1,412,741	$1,051,149	$823,464	58%	$1,161,704	$260,722	22%	$2,574,445	$1,084,186	42%	55%	76%
	Non-DU Const.	$25,840,059	$22,070,182	$20,215,000	78%	$7,785,766	$3,443,999	44%	$33,725,825	$23,658,999	70%	77%	85%
	Non-DU Equip.	$2,650,641	$1,367,302	$1,368,344	52%	$243,883	$41,651	17%	$2,894,504	$1,409,996	49%	92%	97%
	Sub-Total:	*$354,526,269*	*$220,480,100*	*$175,811,631*	*50%*	*$418,845,205*	*$134,192,156*	*32%*	*$773,371,474*	*$310,002,787*	*40%*	*46%*	*57%*
Extraordinary Site Costs		$0	$0	$0	/0	$0	$0	/0	$0	$0	/0	/0	/0
Relocation / Re-Occupancy		$6,540,728	$5,092,626	$5,054,589	77%	$2,766,171	$2,261,466	82%	$9,306,869	$7,316,033	79%	70%	69%
Leveraged Finance	Tax Credit Cost	$0	$0	$0	/0	$1,833,744	$1,133,744	62%	$1,833,744	$1,133,744	62%	0%	0%
	Developer Fees	$0	$0	$0	/0	$22,607,010	$2,805,436	12%	$22,607,010	$2,805,436	12%	0%	0%
	Other Costs	$0	$0	$0	/0	$43,887,924	$4,668,236	11%	$43,887,924	$4,668,236	11%	0%	0%
	Reserves	$0	$0	$0	/0	$9,339,875	$705,973	8%	$9,339,875	$705,973	8%	0%	0%
	Sub-Total:	*$0*	*$0*	*$0*	*/0*	*$77,668,554*	*$9,334,389*	*12%*	*$77,668,554*	*$9,334,389*	*12%*	*0%*	*0%*
Community / Support Services	Mgmt. Improv.	$41,160,361	$31,976,391	$30,553,765	74%	$1,487,597	$998,157	68%	$42,627,957	$31,551,932	74%	97%	97%
	Other Services	$6,226,798	$2,675,799	$2,655,489	43%	$4,991,101	$78,942	2%	$11,217,899	$2,734,431	24%	56%	97%
	Sub-Total:	*$47,387,158*	*$34,652,190*	*$33,209,254*	*70%*	*$6,458,698*	*$1,077,109*	*17%*	*$53,845,857*	*$34,286,363*	*64%*	*88%*	*97%*
Admin	Mgmt. Improv.	$3,618,975	$2,335,202	$2,335,202	65%	$1,320,281	$1,310,769	99%	$4,939,286	$3,645,971	74%	73%	64%
	General	$23,767,407	$18,289,612	$17,773,350	75%	$3,541,476	$1,255,976	35%	$27,308,893	$19,028,526	70%	87%	93%
	Sub-Total:	$27,386,382	$20,624,814	$20,108,753	73%	$4,861,756	$2,566,745	53%	$32,248,139	$22,674,497	70%	85%	89%
Sub-Total:		*$516,138,089*	*$350,317,292*	*$296,386,408*	*57%*	*$686,840,185*	*$191,646,532*	*28%*	*$1,702,978,274*	*$489,032,940*	*44%*	*47%*	*61%*
In-Kind Services		$0	$0	$0	/0	$10,035,925	$10,035,925	100%	$10,035,925	$10,035,925	100%	0%	0%
Grand Total:		**$516,138,089**	**$350,317,292**	**$296,386,408**	57%	**$696,876,110**	**$201,682,457**	34%	**$1,113,014,199**	**$498,068,865**	45%	46%	60%

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

HOPE VI REVITALIZATION GRANT PROGRAM: QUARTERLY PROGRESS REPORT

Award Year: 1995 — Number of Grants: 13

Reporting Period: October - December, 4QCY2001 (1QFY2002)

Financial Information

		Total Project Estimates	Actual - to - Date
Grant Information		HOPE VI Awarded: $475,256,018	HOPE VI LOCCS Disbursed (As of 12/31/2001): HOPE VI Obligated: $373,156,150
Funding Source		HOPE VI Budgeted: $475,256,017	HOPE VI Expended: $310,524,277
	Leveraged Funds	Other Public Housing Budgeted: $195,926,492	Other Public Housing Expended: $52,629,814
	Leveraged Funds	Other Federal Funds Budgeted: $64,190,031	Other Federal Funds Expended: $26,081,516
	Leveraged Funds	All Non-Federal Funds Budgeted: $380,976,862	All Non-Federal Funds Expended: $174,817,258
		SUB-TOTAL (Leveraged Funds): $641,093,384	SUB-TOTAL (Leveraged Funds): $253,528,586
		Total Funds Budgeted (All Sources): **$1,116,349,402**	**Total Funds Expended** (All Sources): **$564,052,863**

Production Information

		PH	Section 8	Other *	Total	PH	Section 8	Evicted	Other	Total
Relocation		2,697	899	415	4,011	2,697	899	79	336	4,011
Demolished Units	Planned:	7,055				5,937				
	Approved:	6,626								

Construction Units		Rental ACC	Rental Non-ACC	Home Owner ACC	Home Owner Non-ACC	SUB-TOTAL	Rental ACC	Rental Non-ACC	Home Owner ACC	Home Owner Non-ACC	SUB-TOTAL
	New	2,964	904	585	793	5,246	1,544	651	175	249	2,619
	Rehab	2,739	129	17	0	2,885	585	101	7	0	693
	SUB-TOTAL	5,703	1,033	602	793	8,131	2,129	752	182	249	3,312
New Occupancy		1,926					1,173				
Occupancy		8,131					3,208				

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

*OTHER includes actual evictions. Evictions cannot be planned, but are included in the total number of relocations as they include households initially designated for relocation

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1995																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
1993		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1994		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1995		0	250	250	0	40	40	0	0	0	0	0	0	0	0	0	0	0	0
1996		0	1,212	1,462	0	1,403	1,443	0	0	0	0	84	84	0	56	56	0	56	56
1997		0	1,219	2,681	0	1,277	2,720	0	166	166	0	245	329	0	278	334	0	302	358
1998		0	759	3,440	0	928	3,648	0	411	577	0	154	483	0	318	652	0	401	759
1999		0	343	3,783	0	1,503	5,151	0	600	1,177	0	112	595	0	331	983	0	940	1,699
2000	1	0	4	3,787	0	356	5,507	0	230	1,407	0	12	607	0	55	1,038	0	200	1,899
	2	0	56	3,843	0	0	5,507	0	168	1,575	0	3	610	0	1	1,039	0	172	2,071
	3	0	28	3,871	0	169	5,676	0	50	1,625	0	6	616	0	7	1,046	0	143	2,214
	4	20	10	3,881	151	0	5,676	149	74	1,699	429	29	645	7	3	1,049	369	105	2,319
2001	1	43	120	4,001	270	0	5,676	238	118	1,817	969	8	653	64	1	1,050	897	63	2,382
	2	0	10	4,011	211	261	5,937	276	261	2,078	1,169	19	672	95	26	1,076	1,235	104	2,486
	3	0	0	4,011	37	0	5,937	287	82	2,160	1,649	10	682	127	61	1,137	1,648	304	2,790
	4	**0**	**0**	**4,011**	**0**	**0**	**5,937**	**711**	**459**	**2,619**	**11**	**11**	**693**	**109**	**36**	**1,173**	**533**	**418**	**3,208**
2002	1	0	0	4,011	37	0	5,974	472	0	3,091	14	0	707	138	0	1,311	354	0	3,562
	2	0	0	4,011	240	0	6,214	241	0	3,332	1,792	0	2,499	197	0	1,508	2,025	0	5,587
	3	0	0	4,011	212	0	6,426	135	0	3,467	0	0	2,499	53	0	1,561	205	0	5,792
	4	0	0	4,011	354	0	6,780	640	0	4,107	14	0	2,513	19	0	1,580	604	0	6,396
2003	1	0	0	4,011	0	0	6,780	100	0	4,207	0	0	2,513	0	0	1,580	152	0	6,548
	2	0	0	4,011	0	0	6,780	71	0	4,278	191	0	2,704	46	0	1,626	320	0	6,868
	3	0	0	4,011	107	0	6,887	114	0	4,392	181	0	2,885	45	0	1,671	273	0	7,141
	4	0	0	4,011	168	0	7,055	140	0	4,532	0	0	2,885	35	0	1,706	134	0	7,275

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1995																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
2004	1	0	0	4,011	0	0	7,055	60	0	4,592	0	0	2,885	25	0	1,731	88	0	7,363
	2	0	0	4,011	0	0	7,055	131	0	4,723	0	0	2,885	75	0	1,806	155	0	7,518
	3	0	0	4,011	0	0	7,055	99	0	4,822	0	0	2,885	46	0	1,852	137	0	7,655
	4	0	0	4,011	0	0	7,055	79	0	4,901	0	0	2,885	14	0	1,866	59	0	7,714
2005	1	0	0	4,011	0	0	7,055	104	0	5,005	0	0	2,885	0	0	1,866	77	0	7,791
	2	0	0	4,011	0	0	7,055	21	0	5,026	0	0	2,885	5	0	1,871	28	0	7,819
	3	0	0	4,011	0	0	7,055	20	0	5,046	0	0	2,885	30	0	1,901	66	0	7,885
	4	0	0	4,011	0	0	7,055	21	0	5,067	0	0	2,885	25	0	1,926	59	0	7,944
2006	1	0	0	4,011	0	0	7,055	72	0	5,139	0	0	2,885	0	0	1,926	70	0	8,014
	2	0	0	4,011	0	0	7,055	26	0	5,165	0	0	2,885	0	0	1,926	20	0	8,034
	3	0	0	4,011	0	0	7,055	27	0	5,192	0	0	2,885	0	0	1,926	17	0	8,051
	4	0	0	4,011	0	0	7,055	30	0	5,222	0	0	2,885	0	0	1,926	21	0	8,072
2007	1	0	0	4,011	0	0	7,055	15	0	5,237	0	0	2,885	0	0	1,926	26	0	8,098
	2	0	0	4,011	0	0	7,055	9	0	5,246	0	0	2,885	0	0	1,926	11	0	8,109
	3	0	0	4,011	0	0	7,055	0	0	5,246	0	0	2,885	0	0	1,926	11	0	8,120
	4	0	0	4,011	0	0	7,055	0	0	5,246	0	0	2,885	0	0	1,926	11	0	8,131
2008	1	0	0	4,011	0	0	7,055	0	0	5,246	0	0	2,885	0	0	1,926	0	0	8,131
	2	0	0	4,011	0	0	7,055	0	0	5,246	0	0	2,885	0	0	1,926	0	0	8,131
	3	0	0	4,011	0	0	7,055	0	0	5,246	0	0	2,885	0	0	1,926	0	0	8,131
	4	0	0	4,011	0	0	7,055	0	0	5,246	0	0	2,885	0	0	1,926	0	0	8,131
2009	1	0	0	4,011	0	0	7,055	0	0	5,246	0	0	2,885	0	0	1,926	0	0	8,131
	2	0	0	4,011	0	0	7,055	0	0	5,246	0	0	2,885	0	0	1,926	0	0	8,131
	3	0	0	4,011	0	0	7,055	0	0	5,246	0	0	2,885	0	0	1,926	0	0	8,131
	4	0	0	4,011	0	0	7,055	0	0	5,246	0	0	2,885	0	0	1,926	0	0	8,131

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: FINANCIAL SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1995										
		HOPE VI Budgeted	HOPE VI Obligated	HOPE VI Expended	HOPE VI % Expended	Leveraged Budgeted	Leveraged Expended	Leveraged % Expended	All Sources Budgeted	All Sources Expended	All Sources % Expended	HS % All Sources Budgeted	HS % All Sources Expended
Planning / Professional Services	Proj. Mgmt.	$25,087,619	$21,424,437	$18,702,884	75%	$3,901,656	$2,808,469	72%	$28,989,285	$21,511,453	74%	87%	87%
	Const. Mgmt.	$2,798,792	$2,798,792	$1,799,425	64%	$8,945,600	$324,400	4%	$11,744,392	$2,123,825	18%	24%	85%
	Arch. / Eng.	$26,473,014	$22,748,558	$20,704,654	78%	$12,989,505	$8,778,697	68%	$41,462,518	$29,483,351	71%	69%	76%
	Legal Fees	$5,055,842	$3,740,515	$3,679,028	73%	$1,305,448	$738,022	57%	$6,361,290	$4,417,050	69%	79%	83%
	Other Fees	$9,235,890	$7,579,138	$6,226,076	67%	$5,603,591	$3,410,272	61%	$14,839,482	$9,636,348	65%	62%	65%
	Sub-Total:	*$70,651,157*	*$58,291,439*	*$51,112,167*	*72%*	*$32,745,810*	*$16,058,860*	*49%*	*$103,396,967*	*$67,172,027*	*65%*	*68%*	*76%*
Demolition / Remediation	On-site Units Repl.	$23,761,143	$21,469,812	$21,019,819	88%	$28,658,035	$14,132,268	49%	$52,419,178	$35,152,188	67%	45%	60%
	On-site Not Repl.	$1,377,506	$0	$0	0%	$0	$0	/0	$1,377,506	$0	0%	100%	/0
	Sub-Total:	*$25,138,649*	*$21,469,812*	*$21,019,819*	*84%*	*$28,658,035*	*$14,132,268*	*49%*	*$53,796,684*	*$35,152,188*	*65%*	*47%*	*60%*
New or Rehab Construction	Acquisition	$8,036,201	$4,886,491	$3,652,031	45%	$1,591,176	$1,087,974	67%	$9,627,377	$4,720,005	49%	83%	77%
	Site Improv.	$55,777,548	$47,213,834	$33,918,791	61%	$50,924,452	$13,970,849	27%	$106,701,998	$47,889,639	45%	52%	71%
	DU Const.	$203,799,468	$162,839,235	$144,671,887	71%	$385,926,971	$160,463,185	42%	$589,726,437	$305,135,071	52%	35%	47%
	DU Equipment	$1,770,524	$1,269,873	$1,187,002	67%	$566,472	$566,472	100%	$2,336,996	$1,753,474	75%	76%	68%
	Non-DU Const.	$36,983,585	$25,084,348	$10,956,945	30%	$41,888,307	$12,321,711	29%	$78,871,892	$23,278,656	30%	47%	47%
	Non-DU Equip.	$2,679,943	$1,889,370	$1,408,046	53%	$143,413	$142,565	99%	$2,823,356	$1,550,611	55%	95%	91%
	Sub-Total:	*$309,047,269*	*$243,183,150*	*$195,794,700*	*63%*	*$481,040,792*	*$188,532,755*	*39%*	*$790,088,055*	*$384,327,456*	*49%*	*39%*	*51%*
Extraordinary Site Costs		$1,545,000	$770,000	$770,000	50%	$431,500	$0	0%	$1,976,500	$770,000	39%	78%	100%
Relocation / Re-Occupancy		$5,903,946	$5,040,629	$4,886,596	83%	$751,750	$544,100	72%	$6,655,696	$5,430,695	82%	89%	90%
Leveraged Finance	Tax Credit Cost	$0	$0	$0	/0	$4,033,883	$832,063	21%	$4,033,883	$832,063	21%	0%	0%
	Developer Fees	$0	$0	$0	/0	$25,897,080	$12,738,036	49%	$25,897,080	$12,738,036	49%	0%	0%
	Other Costs	$0	$0	$0	/0	$25,315,590	$10,999,905	43%	$25,315,590	$10,999,905	43%	0%	0%
	Reserves	$0	$0	$0	/0	$18,931,886	$5,405,323	29%	$18,931,886	$5,405,323	29%	0%	0%
	Sub-Total:	*$0*	*$0*	*$0*	*/0*	*$75,178,439*	*$29,975,327*	*40%*	*$75,178,439*	*$29,975,327*	*40%*	*0%*	*0%*
Community / Support Services	Mgmt. Improv.	$39,001,762	$27,161,329	$20,905,951	54%	$18,947,081	$3,815,622	20%	$57,948,844	$24,722,573	43%	67%	85%
	Other Services	$5,893,908	$2,738,268	$2,520,383	43%	$2,609,953	$205,032	8%	$8,503,861	$2,725,415	32%	69%	92%
	Sub-Total:	*$44,895,670*	*$29,899,597*	*$23,426,334*	*52%*	*$21,557,034*	*$4,021,654*	*19%*	*$66,452,704*	*$27,447,988*	*41%*	*68%*	*85%*
Admin	Mgmt. Improv.	$1,944,197	$1,507,297	$1,505,452	77%	$0	$0	/0	$1,944,197	$1,505,452	77%	100%	100%
	General	$16,130,135	$12,994,427	$12,008,109	74%	$491,721	$179,319	36%	$16,621,856	$12,188,428	73%	97%	99%
	Sub-Total:	$18,074,332	$14,501,724	$13,514,561	75%	$491,721	$179,319	36%	$18,566,053	$13,693,880	74%	97%	99%
Sub-Totals		*$475,256,018*	*$373,156,151*	*$310,524,278*	*65%*	*$640,855,080*	*$253,345,283*	*40%*	*$1,116,111,097*	*$563,869,561*	*51%*	*43%*	*55%*
In-Kind Services		$0	$0	$0	/0	$238,303	$183,303	77%	$238,303	$183,303	77%	0%	0%
Grand Total:		**$475,256,018**	**$373,156,151**	**$310,524,278**	**65%**	**$641,093,383**	**$253,528,586**	**40%**	**$1,116,349,400**	**$564,052,884**	**51%**	**43%**	**55%**

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

HOPE VI REVITALIZATION GRANT PROGRAM: QUARTERLY PROGRESS REPORT

Award Year: 1996

Number of Grants: 19

Reporting Period: October - December, 4QCY2001 (1QFY2002)

Financial Information

	Total Project Estimates		Actual - to - Date	
Grant Information	HOPE VI Awarded:	$383,313,070	HOPE VI LOCCS Disbursed (As of 12/31/2001):	
			HOPE VI Obligated:	$127,233,966
Funding Source	HOPE VI Budgeted:	$383,313,070	HOPE VI Expended:	$113,254,313
Leveraged Funds	Other Public Housing Budgeted:	$196,806,205	Other Public Housing Expended:	$115,710,238
Leveraged Funds	Other Federal Funds Budgeted:	$123,923,781	Other Federal Funds Expended:	$50,197,207
Leveraged Funds	All Non-Federal Funds Budgeted:	$903,323,423	All Non-Federal Funds Expended:	$80,704,090
	SUB-TOTAL (Leveraged Funds):	$1,224,053,406	SUB-TOTAL (Leveraged Funds):	$246,611,535
	Total Funds Budgeted (All Sources) :	**$1,607,366,479**	**Total Funds Expended** (All Sources) :	**$359,865,847**

Production Information

		PH	Section 8	Other *	Total	PH	Section 8	Evicted	Other	Total
Relocation		3,255	2,326	1,651	7,232	2,820	2,120	547	1,100	6,587
Demolished Units	Planned:	11,066				9,973				
	Approved:	10,801								
Construction Units		Rental		Home Owner			Rental		Home Owner	
		ACC	Non-ACC	ACC	Non-ACC	SUB-TOTAL	ACC	Non-ACC	ACC	Non-ACC	SUB-TOTAL
	New	3,723	3,225	83	2,677	9,708	810	349	0	244	1,403
	Rehab	744	126	0	3	873	519	0	0	3	522
	SUB-TOTAL	4,467	3,351	83	2,680	10,581	1,329	349	0	247	1,925
Re-Occupancy		3,079				584				
Occupancy		10,581				1,763				

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

*OTHER includes actual evictions. Evictions cannot be planned, but are included in the total

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1996																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
1993		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1994		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1995		0	298	298	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1996		0	723	1,021	0	106	106	0	0	0	0	14	14	0	0	0	0	14	14
1997		0	1,745	2,766	0	933	1,039	0	0	0	0	39	53	0	18	18	0	39	53
1998		0	2,007	4,773	0	2,161	3,200	0	122	122	0	183	236	0	155	173	0	304	357
1999		0	784	5,557	0	2,358	5,558	0	434	556	0	61	297	0	89	262	0	331	688
2000	1	0	165	5,722	0	659	6,217	0	177	733	0	18	315	0	29	291	0	239	927
	2	0	92	5,814	0	928	7,145	0	65	798	0	9	324	0	0	291	0	26	953
	3	0	90	5,904	0	220	7,365	0	39	837	0	198	522	0	191	482	0	237	1,190
	4	173	79	5,983	566	704	8,069	174	89	926	0	0	522	31	16	498	112	83	1,273
2001	1	354	455	6,438	0	479	8,548	334	119	1,045	0	0	522	93	50	548	459	228	1,501
	2	75	112	6,550	1,490	767	9,315	146	72	1,117	0	0	522	35	19	567	144	93	1,594
	3	6	19	6,569	658	658	9,973	135	121	1,238	12	0	522	24	10	577	130	91	1,685
	4	**0**	**18**	**6,587**	**128**	**0**	**9,973**	**286**	**165**	**1,403**	**48**	**0**	**522**	**57**	**7**	**584**	**252**	**78**	**1,763**
2002	1	67	0	6,654	40	0	10,013	300	0	1,703	0	0	522	157	0	741	364	0	2,127
	2	8	0	6,662	40	0	10,053	428	0	2,131	13	0	535	36	0	777	273	0	2,400
	3	4	0	6,666	178	0	10,231	160	0	2,291	33	0	568	23	0	800	275	0	2,675
	4	0	0	6,666	101	0	10,332	391	0	2,682	33	0	601	88	0	888	390	0	3,065
2003	1	29	0	6,695	0	0	10,332	294	0	2,976	35	0	636	76	0	964	403	0	3,468
	2	29	0	6,724	0	0	10,332	495	0	3,471	0	0	636	94	0	1,058	376	0	3,844
	3	71	0	6,795	43	0	10,375	479	0	3,950	40	0	676	193	0	1,251	377	0	4,221
	4	110	0	6,905	0	0	10,375	1,276	0	5,226	166	0	842	378	0	1,629	1,347	0	5,568

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1998																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
2004	1	58	0	6,953	0	0	10,375	312	0	5,538	31	0	873	86	0	1,715	393	0	5,961
	2	58	0	7,021	0	0	10,375	416	0	5,953	0	0	873	228	0	1,943	447	0	6,408
	3	14	0	7,035	110	0	10,485	577	0	6,530	0	0	873	69	0	2,012	370	0	6,778
	4	56	0	7,091	110	0	10,595	1,184	0	7,714	0	0	873	364	0	2,376	1,062	0	7,840
2005	1	57	0	7,148	120	0	10,715	280	0	7,994	0	0	873	116	0	2,492	526	0	8,366
	2	14	0	7,162	120	0	10,835	201	0	8,195	0	0	873	107	0	2,599	296	0	8,662
	3	14	0	7,176	0	0	10,835	251	0	8,446	0	0	873	63	0	2,662	291	0	8,953
	4	14	0	7,190	231	0	11,066	452	0	8,898	0	0	873	153	0	2,815	538	0	9,491
2006	1	14	0	7,204	0	0	11,066	236	0	9,134	0	0	873	70	0	2,885	276	0	9,767
	2	14	0	7,218	0	0	11,066	135	0	9,269	0	0	873	152	0	3,037	279	0	10,046
	3	14	0	7,232	0	0	11,066	185	0	9,454	0	0	873	25	0	3,062	158	0	10,204
	4	0	0	7,232	0	0	11,066	139	0	9,593	0	0	873	17	0	3,079	96	0	10,300
2007	1	0	0	7,232	0	0	11,066	30	0	9,623	0	0	873	0	0	3,079	125	0	10,425
	2	0	0	7,232	0	0	11,066	25	0	9,648	0	0	873	0	0	3,079	71	0	10,496
	3	0	0	7,232	0	0	11,066	30	0	9,678	0	0	873	0	0	3,079	30	0	10,526
	4	0	0	7,232	0	0	11,066	30	0	9,708	0	0	873	0	0	3,079	20	0	10,546
2008	1	0	0	7,232	0	0	11,066	0	0	9,708	0	0	873	0	0	3,079	15	0	10,561
	2	0	0	7,232	0	0	11,066	0	0	9,708	0	0	873	0	0	3,079	20	0	10,581
	3	0	0	7,232	0	0	11,066	0	0	9,708	0	0	873	0	0	3,079	0	0	10,581
	4	0	0	7,232	0	0	11,066	0	0	9,708	0	0	873	0	0	3,079	0	0	10,581
2009	1	0	0	7,232	0	0	11,066	0	0	9,708	0	0	873	0	0	3,079	0	0	10,581
	2	0	0	7,232	0	0	11,066	0	0	9,708	0	0	873	0	0	3,079	0	0	10,581
	3	0	0	7,232	0	0	11,066	0	0	9,708	0	0	873	0	0	3,079	0	0	10,581
	4	0	0	7,232	0	0	11,066	0	0	9,708	0	0	873	0	0	3,079	0	0	10,581

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE. Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: FINANCIAL SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1996											
		HOPE VI Budgeted	HOPE VI Obligated	HOPE VI Expended	HOPE VI % Expended	Leveraged Budgeted	Leveraged Expended	Leveraged % Expended	All Sources Budgeted	All Sources Expended	All Sources % Expended	HB % All Sources Budgeted	HB % All Sources Expended
Planning / Professional Services	Proj. Mgmt.	$9,089,140	$5,399,229	$4,837,157	53%	$7,490,699	$3,717,793	50%	$16,579,839	$8,554,949	52%	55%	57%
	Const. Mgmt.	$3,175,953	$1,284,874	$1,248,704	39%	$5,101,677	$551,078	11%	$8,277,630	$1,799,782	22%	38%	69%
	Arch. / Eng	$18,993,710	$9,118,014	$8,594,116	45%	$22,018,525	$6,259,365	28%	$41,012,237	$14,853,681	36%	46%	58%
	Legal Fees	$3,034,837	$1,390,667	$1,210,887	40%	$6,522,080	$1,910,158	29%	$9,555,917	$3,121,044	33%	32%	39%
	Other Fees	$13,428,202	$4,494,693	$4,051,987	30%	$33,726,399	$1,861,412	6%	$47,154,601	$5,913,399	13%	28%	69%
	Sub-Total:	*$47,721,843*	*$21,667,477*	*$19,942,851*	*42%*	*$74,859,381*	*$14,300,003*	*19%*	*$122,581,224*	*$34,242,854*	*28%*	*39%*	*58%*
Demolition / Remediation	On-site Units Repl.	$8,791,825	$8,164,467	$8,152,299	70%	$63,715,808	$38,537,259	72%	$62,507,532	$44,689,558	71%	14%	14%
	On-site Not Repl.	$1,285,052	$1,285,052	$1,285,052	100%	$8,921,646	$8,398,231	85%	$11,206,698	$9,683,283	86%	11%	13%
	Sub-Total:	*$10,076,877*	*$7,449,519*	*$7,437,351*	*74%*	*$63,637,253*	*$46,935,490*	*74%*	*$73,714,230*	*$54,372,841*	*74%*	*14%*	*14%*
New or Rehab Construction	Acquisition	$26,166,179	$12,017,475	$9,414,736	37%	$27,372,232	$10,041,990	37%	$52,538,411	$19,456,727	37%	48%	48%
	Site Improv	$32,752,674	$9,610,127	$6,965,393	21%	$76,467,053	$21,846,354	28%	$109,219,728	$28,811,746	26%	30%	24%
	DU Const.	$172,680,535	$41,203,293	$39,845,769	23%	$777,160,172	$101,446,363	13%	$949,840,708	$141,292,132	15%	18%	28%
	DU Equipment	$1,265,714	$326,553	$326,532	26%	$1,606,826	$425,389	26%	$2,872,540	$751,941	26%	44%	43%
	Non-DU Const.	$9,896,154	$4,407,217	$4,213,311	43%	$83,966,320	$27,156,314	42%	$73,862,474	$31,369,625	42%	13%	13%
	Non-DU Equip.	$1,832,089	$485,665	$423,056	23%	$136,000	$46,000	34%	$1,968,089	$469,056	24%	93%	90%
	Sub-Total:	*$243,593,345*	*$68,050,351*	*$61,188,807*	*25%*	*$946,708,603*	*$160,762,409*	*17%*	*$1,190,301,948*	*$221,951,217*	*19%*	*20%*	*28%*
Extraordinary Site Costs		$0	$0	$0	/0	$1,470,383	$0	0%	$1,470,383	$0	0%	0%	/0
Relocation / Re-Occupancy		$8,870,363	$4,966,483	$3,023,794	34%	$6,573,651	$3,277,351	50%	$15,444,014	$6,301,146	41%	57%	48%
Leveraged Finance	Tax Credit Cost	$0	$0	$0	/0	$2,617,425	$925,910	33%	$2,617,425	$925,910	33%	0%	0%
	Developer Fees	$0	$0	$0	/0	$54,862,658	$7,183,798	13%	$54,862,658	$7,183,798	13%	0%	0%
	Other Costs	$0	$0	$0	/0	$31,167,646	$4,325,802	14%	$31,167,646	$4,325,802	14%	0%	0%
	Reserves	$0	$0	$0	/0	$24,970,366	$2,198,257	9%	$24,970,366	$2,198,257	9%	0%	0%
	Sub-Total:	*$0*	*$0*	*$0*	*/0*	*$113,818,094*	*$14,633,767*	*13%*	*$113,818,094*	*$14,633,767*	*13%*	*0%*	*0%*
Community / Support Services	Mgmt. Improv.	$40,363,512	$10,539,288	$9,261,103	23%	$5,687,112	$2,389,885	42%	$46,070,624	$11,651,088	25%	88%	79%
	Other Services	$7,380,636	$3,279,552	$2,767,080	38%	$2,522,931	$37,836	1%	$9,883,567	$2,804,916	28%	74%	99%
	Sub-Total:	*$47,744,149*	*$13,818,850*	*$12,028,182*	*25%*	*$8,210,043*	*$2,427,821*	*30%*	*$55,954,191*	*$14,456,003*	*26%*	*85%*	*83%*
Admin	Mgmt. Improv.	$2,586,811	$672,619	$549,954	21%	$125,921	$0	0%	$2,712,732	$549,954	20%	95%	100%
	General	$22,719,584	$10,608,468	$8,083,473	40%	$4,737,680	$3,478,400	73%	$27,457,245	$12,561,873	46%	83%	72%
	Sub-Total:	$25,306,395	$11,281,088	$8,633,427	38%	$4,863,601	$3,478,400	72%	$30,169,977	$13,111,727	43%	84%	73%
Sub-Total:		*$383,313,071*	*$127,233,966*	*$113,254,313*	*30%*	*$1,220,140,990*	*$245,815,242*	*20%*	*$1,603,454,061*	*$359,069,555*	*22%*	*24%*	*32%*
In-Kind Services		$0	$0	$0	/0	$3,912,418	$796,292	20%	$3,912,418	$796,292	20%	0%	0%
Grand Total:		**$383,313,071**	**$127,233,966**	**$113,254,313**	**30%**	**$1,224,053,408**	**$246,611,534**	**20%**	**$1,607,366,479**	**$359,865,847**	**22%**	**24%**	**31%**

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

HOPE VI REVITALIZATION GRANT PROGRAM: QUARTERLY PROGRESS REPORT

Award Year: 1997 — Number of Grants: 23

Reporting Period: October - December, 4QCY2001 (1QFY2002)

Financial Information

		Total Project Estimates	Actual - to - Date
Grant Information		HOPE VI Awarded: $496,621,634	HOPE VI LOCCS Disbursed (As of 12/31/2001): HOPE VI Obligated: $300,575,573
Funding Source		HOPE VI Budgeted: $496,621,633	HOPE VI Expended: $228,921,941
	Leveraged Funds	Other Public Housing Budgeted: $55,260,301	Other Public Housing Expended: $29,331,899
	Leveraged Funds	Other Federal Funds Budgeted: $90,174,244	Other Federal Funds Expended: $51,967,294
	Leveraged Funds	All Non-Federal Funds Budgeted: $651,484,481	All Non-Federal Funds Expended: $150,653,205
		SUB-TOTAL (Leveraged Funds) $796,919,027	SUB-TOTAL (Leveraged Funds) $231,952,399
		Total Funds Budgeted (All Sources) : **$1,293,540,659**	**Total Funds Expended** (All Sources) : **$460,874,339**

Production Information

		PH	Section 8	Other *	Total	PH	Section 8	Evicted	Other	Total
Relocation		2,841	2,368	1,761	6,970	2,393	2,247	438	1,246	6,324
Demolished Units	Planned:		9,238				6,867			
	Approved:		9,153							

Construction Units		Rental ACC	Rental Non-ACC	Home Owner ACC	Home Owner Non-ACC	SUB-TOTAL
	New	3,680	1,887	1,113	1,114	7,794
	Rehab	209	8	20	0	237
	SUB-TOTAL	3,889	1,895	1,133	1,114	8,031

Construction Units		Rental ACC	Rental Non-ACC	Home Owner ACC	Home Owner Non-ACC	SUB-TOTAL
	New	1,252	530	328	46	2,156
	Rehab	172	0	0	0	172
	SUB-TOTAL	1,424	530	328	46	2,328

Re-Occupancy	2,906	777
Occupancy	8,031	1,945

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

*OTHER includes actual evictions. Evictions cannot be planned, but are included in the total number of relocations as they include households initially designated for relocation

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1997																		
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
1993		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1994		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1995		0	0	0	0	0	0	0	100	100	0	0	0	0	0	0	0	100	100
1996		0	0	0	0	0	0	0	0	100	0	0	0	0	0	0	0	0	100
1997		0	337	337	0	117	117	0	0	100	0	91	91	0	91	91	0	91	191
1998		26	1,770	2,107	63	697	814	0	66	166	0	0	91	0	66	157	0	66	257
1999		0	2,368	4,475	63	1,953	2,767	0	12	178	0	0	91	0	4	161	0	4	261
2000	1	0	331	4,806	0	482	3,249	0	38	216	0	0	91	0	13	174	0	28	289
	2	0	333	5,139	0	1,049	4,298	0	116	332	0	0	91	0	31	205	0	94	383
	3	0	316	5,455	0	701	4,999	0	271	603	0	0	91	0	53	258	0	147	530
	4	267	358	5,813	285	237	5,236	399	260	863	0	0	91	156	102	360	401	326	856
2001	1	221	103	5,916	1,122	986	6,222	424	217	1,080	47	47	138	98	7	367	385	108	964
	2	273	106	6,022	184	134	6,356	284	138	1,218	13	26	164	123	67	434	394	217	1,181
	3	198	141	6,163	850	133	6,489	583	294	1,512	12	0	164	274	129	563	591	271	1,452
	4	**223**	**161**	**6,324**	**620**	**378**	**6,867**	**910**	**644**	**2,156**	**17**	**8**	**172**	**255**	**214**	**777**	**546**	**493**	**1,945**
2002	1	111	0	6,435	717	0	7,584	469	0	2,625	12	0	184	295	0	1,072	606	0	2,551
	2	169	0	6,604	653	0	8,237	325	0	2,950	9	0	193	162	0	1,234	393	0	2,944
	3	71	0	6,675	322	0	8,559	700	0	3,650	5	0	198	157	0	1,391	449	0	3,393
	4	102	0	6,777	210	0	8,769	980	0	4,630	0	0	198	263	0	1,654	755	0	4,148
2003	1	23	0	6,800	50	0	8,819	492	0	5,122	0	0	198	264	0	1,918	661	0	4,809
	2	23	0	6,823	146	0	8,965	397	0	5,519	5	0	203	170	0	2,088	631	0	5,440
	3	10	0	6,833	112	0	9,077	371	0	5,890	0	0	203	97	0	2,185	292	0	5,732
	4	44	0	6,877	100	0	9,177	644	0	6,534	0	0	203	288	0	2,473	716	0	6,448

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1997																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
2004	1	0	0	6,877	0	0	9,177	296	0	6,830	11	0	214	50	0	2,523	338	0	6,786
	2	61	0	6,938	0	0	9,177	140	0	6,970	6	0	220	93	0	2,616	332	0	7,118
	3	0	0	6,938	0	0	9,177	259	0	7,229	11	0	231	0	0	2,616	160	0	7,278
	4	0	0	6,938	61	0	9,238	127	0	7,356	6	0	237	6	0	2,622	264	0	7,542
2005	1	22	0	6,960	0	0	9,238	166	0	7,522	0	0	237	123	0	2,745	161	0	7,703
	2	10	0	6,970	0	0	9,238	145	0	7,667	0	0	237	70	0	2,815	83	0	7,786
	3	0	0	6,970	0	0	9,238	67	0	7,734	0	0	237	55	0	2,870	99	0	7,885
	4	0	0	6,970	0	0	9,238	60	0	7,794	0	0	237	36	0	2,906	132	0	8,017
2006	1	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	14	0	8,031
	2	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	3	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	4	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
2007	1	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	2	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	3	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	4	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
2008	1	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	2	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	3	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	4	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
2009	1	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	2	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	3	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031
	4	0	0	6,970	0	0	9,238	0	0	7,794	0	0	237	0	0	2,906	0	0	8,031

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: FINANCIAL SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1997											
		HOPE VI Budgeted	HOPE VI Obligated	HOPE VI Expended	HOPE VI % Expended	Leveraged Budgeted	Leveraged Expended	Leveraged % Expended	All Sources Budgeted	All Sources Expended	All Sources % Expended	HS % All Sources Budgeted	HS % All Sources Expended
Planning / Professional Services	Proj. Mgmt.	$16,860,724	$14,623,491	$12,737,204	75%	$4,220,720	$2,786,418	66%	$21,181,444	$15,533,622	73%	80%	82%
	Const. Mgmt.	$4,453,586	$3,800,431	$1,397,685	31%	$9,033,352	$2,010,263	22%	$13,486,938	$3,407,947	25%	33%	41%
	Arch. / Eng.	$24,019,012	$18,921,952	$16,953,931	69%	$9,505,316	$5,958,428	63%	$33,584,328	$22,512,359	67%	72%	74%
	Legal Fees	$8,778,849	$8,690,219	$8,297,769	71%	$5,205,382	$2,929,428	56%	$13,984,230	$9,197,197	66%	63%	66%
	Other Fees	$18,852,979	$12,111,886	$10,105,243	54%	$29,358,256	$8,283,899	28%	$48,211,234	$18,389,142	38%	39%	55%
	Sub-Total:	*$73,125,149*	*$56,118,086*	*$47,061,838*	*64%*	*$57,323,025*	*$21,978,436*	*38%*	*$130,448,174*	*$68,040,274*	*53%*	*56%*	*69%*
Demolition / Remediation	On-site Units Repl.	$42,894,018	$27,344,769	$26,399,650	62%	$22,382,602	$13,260,199	59%	$65,286,621	$39,659,848	61%	66%	67%
	On-site Not Repl.	$0	$0	$0	/0	$192,672	$11,622	6%	$192,672	$11,622	6%	0%	0%
	Sub-Total:	*$42,894,018*	*$27,344,769*	*$26,399,650*	*62%*	*$22,555,274*	*$13,271,721*	*59%*	*$65,449,293*	*$39,671,370*	*61%*	*66%*	*67%*
New or Rehab Construction	Acquisition	$23,882,112	$16,882,087	$16,005,058	67%	$22,171,432	$5,188,408	23%	$46,053,545	$21,203,466	46%	52%	75%
	Site Improv.	$46,495,919	$30,529,069	$14,329,967	31%	$67,489,539	$17,281,495	26%	$113,985,457	$31,591,461	28%	41%	45%
	DU Const.	$227,312,200	$119,439,184	$87,088,884	38%	$412,760,073	$113,895,182	28%	$640,092,273	$200,984,046	31%	36%	43%
	DU Equipment	$661,478	$648,820	$230,220	27%	$782,626	$331,814	42%	$1,444,102	$562,034	34%	52%	41%
	Non-DU Const.	$11,059,668	$4,671,060	$1,370,480	12%	$38,050,715	$20,755,821	55%	$49,110,383	$22,126,301	45%	23%	6%
	Non-DU Equip.	$1,332,461	$502,565	$490,608	37%	$1,096,900	$383,336	35%	$2,429,361	$873,944	36%	55%	56%
	Sub-Total:	*$310,943,836*	*$172,388,805*	*$119,524,197*	*38%*	*$542,380,285*	*$157,826,056*	*29%*	*$853,324,121*	*$277,360,251*	*33%*	*36%*	*43%*
Extraordinary Site Costs		$32,439	$0	$0	0%	$1,000,000	$0	0%	$1,032,439	$0	0%	3%	/0
Relocation / Re-Occupancy		$11,229,129	$6,992,403	$6,889,367	52%	$3,673,219	$1,890,401	51%	$14,902,348	$7,779,787	52%	75%	89%
Leveraged Finance	Tax Credit Cost	$0	$0	$0	/0	$5,533,193	$2,901,412	52%	$5,533,193	$2,901,412	52%	0%	0%
	Developer Fees	$0	$0	$0	/0	$61,285,157	$13,089,701	21%	$61,285,157	$13,089,701	21%	0%	0%
	Other Costs	$0	$0	$0	/0	$58,309,319	$7,856,454	13%	$58,309,319	$7,856,454	13%	0%	0%
	Reserves	$0	$0	$0	/0	$17,118,689	$2,880,567	17%	$17,118,689	$2,880,567	17%	0%	0%
	Sub-Total:	*$0*	*$0*	*$0*	*/0*	*$142,244,358*	*$26,728,133*	*19%*	*$142,244,358*	*$26,728,133*	*19%*	*0%*	*0%*
Community / Support Services	Mgmt. Improv.	$25,439,588	$17,164,496	$11,997,252	45%	$5,804,538	$4,175,944	72%	$32,244,207	$16,173,096	50%	82%	74%
	Other Services	$5,406,946	$3,961,172	$2,213,822	41%	$329,767	$253,767	77%	$5,736,713	$2,467,589	43%	94%	90%
	Sub-Total:	*$31,846,515*	*$21,125,669*	*$14,211,073*	*45%*	*$6,134,305*	*$4,429,811*	*72%*	*$37,980,921*	*$18,640,684*	*49%*	*84%*	*76%*
Admin	Mgmt. Improv.	$2,715,990	$993,350	$692,657	33%	$0	$0	/0	$2,715,990	$692,657	33%	100%	100%
	General	$23,834,455	$15,620,492	$14,952,939	63%	$4,775,468	$3,720,589	78%	$28,609,923	$18,673,527	65%	83%	80%
	Sub-Total:	$26,550,445	$16,603,843	$15,835,796	60%	$4,775,468	$3,720,589	78%	$31,325,914	$19,366,184	62%	85%	81%
Sub-Total:		*$496,621,532*	*$300,575,574*	*$228,921,940*	*46%*	*$760,085,945*	*$229,844,945*	*29%*	*$1,276,707,477*	*$458,766,885*	*36%*	*39%*	*50%*
In-Kind Services		$0	$0	$0	/0	$16,833,082	$2,107,453	13%	$16,833,082	$2,107,453	13%	0%	0%
Grand Total:		$496,621,532	$300,575,574	$228,921,940	46%	$776,919,027	$231,952,398	29%	$1,293,540,559	$460,874,338	36%	38%	50%

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

HOPE VI REVITALIZATION GRANT PROGRAM: QUARTERLY PROGRESS REPORT

Award Year: 1998 — Number of Grants: 28

Reporting Period: October - December, 4QCY2001 (1QFY2002)

Financial Information

		Total Project Estimates	Actual - to - Date
Grant Information		HOPE VI Awarded: **$531,565,022**	HOPE VI LOCCS Disbursed (As of 12/31/2001): HOPE VI Obligated: **$204,440,522**
Funding Source		HOPE VI Budgeted: **$531,565,022**	HOPE VI Expended: **$169,076,506**
	Leveraged Funds	Other Public Housing Budgeted: **$86,111,319**	Other Public Housing Expended: **$15,144,968**
	Leveraged Funds	Other Federal Funds Budgeted: **$151,271,436**	Other Federal Funds Expended: **$17,417,140**
	Leveraged Funds	All Non-Federal Funds Budgeted: **$935,059,417**	All Non-Federal Funds Expended: **$87,887,013**
		SUB-TOTAL (Leveraged Funds): **$1,172,442,173**	SUB-TOTAL (Leveraged Funds): **$120,449,122**
		Total Funds Budgeted (All Sources): **$1,704,007,194**	**Total Funds Expended** (All Sources): **$289,525,628**

Production Information

		Total Project Estimates	Actual - to - Date
Relocation	PH	3,916	3,026
	Section 8	2,452	2,108
	Evicted		511
	Other *	1,528	902
	Total	7,896	6,547
Demolished Units	Planned:	9,709	6,839
	Approved:	9,170	

Construction Units		Rental ACC	Rental Non-ACC	Home Owner ACC	Home Owner Non-ACC	SUB-TOTAL
Total Project Estimates	New	4,677	2,244	209	2,458	9,588
	Rehab	1,391	101	20	12	1,524
	SUB-TOTAL	6,068	2,345	229	2,470	11,112
Actual - to - Date	New	358	248	0	2	608
	Rehab	672	66	20	0	758
	SUB-TOTAL	1,030	314	20	2	1,366

	Total Project Estimates	Actual - to - Date
Pre-Occupancy	3,810	445
Occupancy	11,112	1,191

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

*OTHER includes actual evictions. Evictions cannot be planned, but are included in the total number of relocations as they include households initially designated for relocation.

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1998																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
1993		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1994		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1995		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1996		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1997		0	30	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1998		0	635	665	0	0	0	0	0	0	0	0	0	0	15	15	0	0	0
1999		0	3,032	3,697	0	1,813	1,813	0	32	32	0	32	32	0	7	22	0	61	61
2000	1	0	352	4,049	0	745	2,558	0	0	32	0	24	56	0	0	22	0	26	87
	2	0	696	4,745	0	1,013	3,571	0	0	32	0	1	57	0	0	22	0	2	89
	3	0	388	5,133	0	819	4,390	0	0	32	0	3	60	0	0	22	0	0	89
	4	417	230	5,363	807	726	5,116	182	0	32	253	219	279	26	0	22	381	214	303
2001	1	508	436	5,798	941	615	5,731	151	38	70	225	126	405	47	52	74	363	85	388
	2	495	476	6,275	362	125	5,856	183	70	140	143	23	428	104	22	96	443	125	513
	3	349	148	6,423	815	328	6,184	569	66	208	185	65	493	346	62	158	729	114	627
	4	**328**	**124**	**6,547**	**667**	**655**	**6,839**	**773**	**402**	**608**	**355**	**265**	**758**	**477**	**287**	**445**	**997**	**564**	**1,191**
2002	1	494	0	7,041	416	0	7,255	440	0	1,048	35	0	793	282	0	727	542	0	1,733
	2	152	0	7,193	776	0	8,031	354	0	1,402	89	0	882	180	0	907	403	0	2,136
	3	215	0	7,408	100	0	8,131	627	0	2,029	14	0	896	227	0	1,134	655	0	2,791
	4	56	0	7,464	200	0	8,331	779	0	2,808	28	0	924	189	0	1,323	552	0	3,343
2003	1	24	0	7,488	56	0	8,387	1,014	0	3,822	247	0	1,171	460	0	1,773	1,011	0	4,354
	2	13	0	7,501	0	0	8,387	985	0	4,807	114	0	1,285	327	0	2,100	1,059	0	5,413
	3	94	0	7,595	0	0	8,387	993	0	5,800	56	0	1,341	340	0	2,440	920	0	6,333
	4	176	0	7,771	168	0	8,555	649	0	6,449	40	0	1,381	238	0	2,678	978	0	7,311

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1998																		
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
2004	1	13	0	7,784	0	0	8,555	285	0	6,734	44	0	1,425	273	0	2,951	487	0	7,798
	2	10	0	7,794	0	0	8,555	144	0	6,878	60	0	1,485	59	0	3,010	411	0	8,209
	3	0	0	7,794	0	0	8,555	169	0	7,047	39	0	1,524	106	0	3,116	246	0	8,455
	4	102	0	7,896	450	0	9,005	171	0	7,218	0	0	1,524	78	0	3,194	257	0	8,712
2005	1	0	0	7,896	704	0	9,709	90	0	7,308	0	0	1,524	10	0	3,204	113	0	8,825
	2	0	0	7,896	0	0	9,709	76	0	7,384	0	0	1,524	3	0	3,207	76	0	8,901
	3	0	0	7,896	0	0	9,709	75	0	7,459	0	0	1,524	3	0	3,210	75	0	8,976
	4	0	0	7,896	0	0	9,709	508	0	7,967	0	0	1,524	195	0	3,405	508	0	9,484
2006	1	0	0	7,896	0	0	9,709	7	0	7,974	0	0	1,524	3	0	3,408	7	0	9,491
	2	0	0	7,896	0	0	9,709	3	0	7,977	0	0	1,524	5	0	3,413	7	0	9,498
	3	0	0	7,896	0	0	9,709	0	0	7,977	0	0	1,524	3	0	3,416	3	0	9,501
	4	0	0	7,896	0	0	9,709	437	0	8,414	0	0	1,524	180	0	3,596	437	0	9,938
2007	1	0	0	7,896	0	0	9,709	0	0	8,414	0	0	1,524	0	0	3,596	0	0	9,938
	2	0	0	7,896	0	0	9,709	0	0	8,414	0	0	1,524	0	0	3,596	0	0	9,938
	3	0	0	7,896	0	0	9,709	0	0	8,414	0	0	1,524	0	0	3,596	0	0	9,938
	4	0	0	7,896	0	0	9,709	408	0	8,822	0	0	1,524	160	0	3,756	408	0	10,346
2008	1	0	0	7,896	0	0	9,709	0	0	8,822	0	0	1,524	0	0	3,756	0	0	10,346
	2	0	0	7,896	0	0	9,709	0	0	8,822	0	0	1,524	0	0	3,756	0	0	10,346
	3	0	0	7,896	0	0	9,709	0	0	8,822	0	0	1,524	0	0	3,756	0	0	10,346
	4	0	0	7,896	0	0	9,709	408	0	9,230	0	0	1,524	54	0	3,810	408	0	10,754
2009	1	0	0	7,896	0	0	9,709	0	0	9,230	0	0	1,524	0	0	3,810	0	0	10,754
	2	0	0	7,896	0	0	9,709	0	0	9,230	0	0	1,524	0	0	3,810	0	0	10,754
	3	0	0	7,896	0	0	9,709	0	0	9,230	0	0	1,524	0	0	3,810	0	0	10,754
	4	0	0	7,896	0	0	9,709	358	0	9,588	0	0	1,524	0	0	3,810	358	0	11,112

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: FINANCIAL SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1998											
		HOPE VI Budgeted	HOPE VI Obligated	HOPE VI Expended	HOPE VI % Expended	Leveraged Budgeted	Leveraged Expended	Leveraged % Expended	All Sources Budgeted	All Sources Expended	All Sources % Expended	HG % All Sources Budgeted	HG % All Sources Expended
Planning / Professional Services	Proj. Mgmt.	$7,596,495	$4,387,073	$3,975,527	52%	$1,438,219	$236,299	16%	$9,034,714	$4,211,827	47%	84%	94%
	Const. Mgmt.	$1,802,325	$1,131,434	$1,011,102	56%	$2,249,369	$488,856	22%	$4,051,694	$1,497,957	37%	44%	67%
	Arch. / Eng.	$20,617,665	$13,418,691	$10,287,302	50%	$17,992,128	$6,468,190	36%	$38,609,793	$16,755,492	43%	53%	61%
	Legal Fees	$5,282,422	$3,281,796	$3,047,403	58%	$5,105,921	$2,216,276	36%	$11,388,343	$5,263,680	46%	46%	58%
	Other Fees	$16,339,330	$5,048,560	$3,805,425	24%	$25,476,559	$1,639,941	6%	$44,815,889	$5,545,366	12%	36%	70%
	Sub-Total:	*$51,638,237*	*$27,247,552*	*$22,226,759*	43%	*$56,262,197*	*$11,047,562*	20%	*$107,900,433*	*$33,274,322*	31%	48%	67%
Demolition / Remediation	On-site Units Repl.	$36,126,585	$24,792,790	$24,472,805	68%	$21,195,849	$6,852,075	32%	$57,322,134	$31,324,881	55%	63%	79%
	On-site Not Repl.	$1,564,560	$1,564,560	$1,564,560	100%	$3,486,414	$2,621,514	75%	$5,050,974	$4,186,074	83%	31%	37%
	Sub-Total:	*$37,691,145*	*$26,357,350*	*$26,037,365*	69%	*$24,681,953*	*$9,473,589*	38%	*$62,373,108*	*$35,510,955*	57%	60%	73%
New or Rehab Construction	Acquisition	$26,396,693	$6,916,397	$6,836,039	25%	$49,433,017	$8,221,360	17%	$75,829,710	$15,057,399	20%	35%	45%
	Site Improv.	$41,024,864	$23,293,917	$17,470,438	43%	$89,480,745	$20,992,674	23%	$130,505,409	$38,463,112	29%	31%	45%
	DU Const.	$257,124,331	$74,052,006	$58,259,050	23%	$691,263,631	$35,861,896	5%	$948,387,962	$93,921,046	10%	27%	62%
	DU Equipment	$1,253,477	$272,146	$237,545	19%	$1,838,960	$190,751	10%	$3,092,437	$428,295	14%	41%	55%
	Non-DU Const.	$24,470,656	$8,467,675	$8,245,714	34%	$39,955,693	$4,968,699	12%	$64,426,249	$13,114,413	20%	38%	63%
	Non-DU Equip.	$1,916,760	$292,715	$222,336	12%	$1,656,037	$11,700	1%	$3,572,787	$234,036	7%	54%	95%
	Sub-Total:	*$352,186,481*	*$113,294,856*	*$91,271,123*	26%	*$873,628,082*	*$69,947,179*	8%	*$1,225,814,563*	*$161,218,302*	13%	29%	57%
Extraordinary Site Costs		$0	$0	$0	/0	$0	$0	/0	$0	$0	/0	/0	/0
Relocation / Re-Occupancy		$16,683,573	$7,624,843	$6,443,991	38%	$6,965,182	$3,330,470	48%	$23,648,755	$9,774,461	41%	71%	66%
Leveraged Finance	Tax Credit Cost	$0	$0	$0	/0	$5,590,095	$1,109,982	20%	$5,590,095	$1,109,982	20%	0%	0%
	Developer Fees	$0	$0	$0	/0	$57,653,528	$4,291,947	7%	$57,653,528	$4,291,947	7%	0%	0%
	Other Costs	$0	$0	$0	/0	$35,227,969	$1,933,003	5%	$35,227,969	$1,933,003	5%	0%	0%
	Reserves	$0	$0	$0	/0	$16,191,066	$429,511	2%	$16,191,066	$429,511	2%	0%	0%
	Sub-Total:	*$0*	*$0*	*$0*	/0	*$117,662,658*	*$7,764,443*	7%	*$117,662,658*	*$7,764,443*	7%	0%	0%
Community / Support Services	Mgmt. Improv.	$25,193,296	$13,578,886	$9,271,830	26%	$29,217,621	$446,578	2%	$64,410,917	$9,718,408	15%	55%	95%
	Other Services	$7,065,496	$3,533,867	$1,643,881	23%	$316,727	$2,000	1%	$7,382,223	$1,645,881	22%	96%	100%
	Sub-Total:	*$32,258,792*	*$17,112,752*	*$10,915,712*	26%	*$29,534,348*	*$448,578*	2%	*$71,793,139*	*$11,364,290*	16%	59%	96%
Admin	Mgmt. Improv.	$700,260	$190,973	$178,079	25%	$252,769	$182,293	70%	$953,019	$337,372	35%	75%	52%
	General	$30,206,545	$12,612,396	$12,008,475	40%	$3,777,601	$1,652,023	44%	$33,984,145	$13,658,498	40%	89%	88%
	Sub-Total:	$30,906,795	$12,803,369	$12,181,554	39%	$4,030,369	$1,814,316	45%	$34,917,164	$13,995,870	40%	89%	87%
Sub-Total:		*$531,565,022*	*$204,440,522*	*$169,076,504*	32%	*$1,112,744,798*	*$103,826,137*	9%	*$1,644,309,821*	*$272,902,641*	17%	32%	62%
In-Kind Services		$0	$0	$0	/0	$59,697,374	$16,622,985	28%	$59,697,374	$16,622,985	28%	0%	0%
Grand Total:		$531,565,022	$204,440,522	$169,076,504	32%	$1,172,442,172	$120,449,122	10%	$1,704,007,195	$289,525,626	17%	31%	58%

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

HOPE VI REVITALIZATION GRANT PROGRAM: QUARTERLY PROGRESS REPORT

Award Year: 1999 — Number of Grants: 21

Reporting Period: October - December, 4QCY2001 (1QFY2002)

Financial Information

		Total Project Estimates	Actual - to - Date
Grant Information		HOPE VI Awarded: $571,287,002	HOPE VI LOCCS Disbursed (As of 12/31/2001): HOPE VI Obligated: $79,079,182
Funding Source		HOPE VI Budgeted: $571,287,002	HOPE VI Expended: $64,594,246
	Leveraged Funds	Other Public Housing Budgeted: $36,782,873	Other Public Housing Expended: $10,948,289
		Other Federal Funds Budgeted: $61,168,117	Other Federal Funds Expended: $11,620,384
		All Non-Federal Funds Budgeted: $1,088,812,106	All Non-Federal Funds Expended: $79,987,972
		SUB-TOTAL (Leveraged Funds): $1,186,763,094	SUB-TOTAL (Leveraged Funds): $102,556,646
		Total Funds Budgeted (All Sources): **$1,758,050,097**	**Total Funds Expended** (All Sources): **$167,150,893**

Production Information

		Total Project Estimates					Actual - to - Date				
Residents		PH	Section 8	Other *	Total		PH	Section 8	Evicted	Other	Total
		3,368	2,956	1,151	7,475		2,831	2,008	434	708	5,981
Relocated Units		Planned: 9,718					3,891				
		Approved: 6,166									
Construction Units		Rental		Home Owner			Rental		Home Owner		
		ACC	Non-ACC	ACC	Non-ACC	SUB-TOTAL	ACC	Non-ACC	ACC	Non-ACC	SUB-TOTAL
	New	3,749	2,500	1,215	2,199	9,663	47	21	0	87	155
	Rehab	28	27	52	157	264	0	0	0	0	0
	SUB-TOTAL	3,777	2,527	1,267	2,356	9,927	47	21	0	87	155
Real Occupancy		3,591					4				
Occupancy		9,927					155				

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

*OTHER includes actual evictions. Evictions cannot be planned, but are included in the total number of relocations as they include households [illegible]

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1999																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
1993		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1994		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1995		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1996		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1997		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1998		0	246	246	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1999		2	802	1,048	0	198	198	0	21	21	0	0	0	0	0	0	0	21	21
2000	1	0	854	1,902	0	0	198	0	0	21	0	0	0	0	0	0	0	0	21
	2	0	895	2,797	0	0	198	0	0	21	0	0	0	0	0	0	0	0	21
	3	5	649	3,446	0	901	1,099	0	7	28	0	0	0	0	0	0	0	0	21
	4	790	793	4,239	539	754	1,853	0	27	55	0	0	0	0	3	3	21	27	48
2001	1	940	645	4,884	754	406	2,259	36	37	92	0	0	0	1	0	3	10	36	84
	2	696	482	5,366	874	470	2,729	58	42	134	0	0	0	14	0	3	24	33	117
	3	604	379	5,745	778	518	3,247	66	16	150	0	0	0	10	1	4	25	31	148
	4	**297**	**236**	**5,981**	**1,636**	**644**	**3,891**	**114**	**5**	**155**	**0**	**0**	**0**	**47**	**0**	**4**	**92**	**7**	**155**
2002	1	176	0	6,157	853	0	4,744	207	0	362	8	0	8	55	0	59	146	0	301
	2	255	0	6,412	1,825	0	6,569	433	0	795	48	0	56	164	0	223	313	0	614
	3	201	0	6,613	1,799	0	8,368	601	0	1,396	25	0	81	258	0	481	541	0	1,155
	4	158	0	6,771	262	0	8,630	1,175	0	2,571	25	0	106	452	0	933	929	0	2,084
2003	1	155	0	6,926	150	0	8,780	879	0	3,450	18	0	124	350	0	1,283	844	0	2,928
	2	205	0	7,131	290	0	9,070	936	0	4,386	16	0	140	275	0	1,558	746	0	3,674
	3	133	0	7,264	114	0	9,184	1,079	0	5,465	23	0	163	636	0	2,194	1,245	0	4,919
	4	101	0	7,365	20	0	9,204	907	0	6,372	28	0	191	441	0	2,635	1,146	0	6,065

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1999																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
2004	1	55	0	7,420	230	0	9,434	428	0	6,800	7	0	198	189	0	2,824	566	0	6,631
	2	15	0	7,435	223	0	9,657	402	0	7,202	2	0	200	44	0	2,868	392	0	7,023
	3	38	0	7,473	61	0	9,718	532	0	7,734	2	0	202	190	0	3,058	483	0	7,506
	4	2	0	7,475	0	0	9,718	217	0	7,951	2	0	204	30	0	3,088	280	0	7,786
2005	1	0	0	7,475	0	0	9,718	223	0	8,174	0	0	204	43	0	3,131	361	0	8,147
	2	0	0	7,475	0	0	9,718	500	0	8,674	0	0	204	109	0	3,240	557	0	8,704
	3	0	0	7,475	0	0	9,718	128	0	8,802	0	0	204	37	0	3,277	237	0	8,941
	4	0	0	7,475	0	0	9,718	185	0	8,987	0	0	204	24	0	3,301	250	0	9,191
2006	1	0	0	7,475	0	0	9,718	200	0	9,187	0	0	204	80	0	3,381	200	0	9,391
	2	0	0	7,475	0	0	9,718	0	0	9,187	0	0	204	0	0	3,381	0	0	9,391
	3	0	0	7,475	0	0	9,718	0	0	9,187	0	0	204	0	0	3,381	0	0	9,391
	4	0	0	7,475	0	0	9,718	178	0	9,365	0	0	204	71	0	3,452	178	0	9,569
2007	1	0	0	7,475	0	0	9,718	0	0	9,365	0	0	204	0	0	3,452	0	0	9,569
	2	0	0	7,475	0	0	9,718	0	0	9,365	0	0	204	0	0	3,452	0	0	9,569
	3	0	0	7,475	0	0	9,718	58	0	9,423	14	0	218	30	0	3,482	72	0	9,641
	4	0	0	7,475	0	0	9,718	90	0	9,513	16	0	234	39	0	3,521	106	0	9,747
2008	1	0	0	7,475	0	0	9,718	87	0	9,600	14	0	248	39	0	3,560	101	0	9,848
	2	0	0	7,475	0	0	9,718	63	0	9,663	16	0	264	31	0	3,591	79	0	9,927
	3	0	0	7,475	0	0	9,718	0	0	9,663	0	0	264	0	0	3,591	0	0	9,927
	4	0	0	7,475	0	0	9,718	0	0	9,663	0	0	264	0	0	3,591	0	0	9,927
2009	1	0	0	7,475	0	0	9,718	0	0	9,663	0	0	264	0	0	3,591	0	0	9,927
	2	0	0	7,475	0	0	9,718	0	0	9,663	0	0	264	0	0	3,591	0	0	9,927
	3	0	0	7,475	0	0	9,718	0	0	9,663	0	0	264	0	0	3,591	0	0	9,927
	4	0	0	7,475	0	0	9,718	0	0	9,663	0	0	264	0	0	3,591	0	0	9,927

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: FINANCIAL SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		1999											
		HOPE VI Budgeted	HOPE VI Obligated	HOPE VI Expended	HOPE VI % Expended	Leveraged Budgeted	Leveraged Expended	Leveraged % Expended	All Sources Budgeted	All Sources Expended	All Sources % Expended	HS % All Sources Budgeted	HS % All Sources Expended
Planning / Professional Services	Proj. Mgmt.	$17,292,229	$7,682,745	$5,720,594	33%	$4,824,369	$341,724	7%	$22,116,598	$6,062,318	27%	78%	94%
	Const. Mgmt.	$4,351,664	$235,173	$87,035	2%	$1,156,729	$23,654	2%	$5,518,593	$110,689	2%	79%	79%
	Arch. / Eng.	$23,661,831	$11,351,414	$9,263,447	39%	$19,929,845	$6,083,606	30%	$43,591,477	$15,317,053	35%	54%	60%
	Legal Fees	$4,981,349	$1,941,408	$1,322,223	27%	$3,453,185	$222,089	6%	$8,434,534	$1,544,311	18%	59%	86%
	Other Fees	$15,192,943	$4,124,264	$2,904,521	19%	$22,344,090	$401,429	2%	$37,537,034	$3,305,950	9%	40%	88%
	Sub-Total:	*$65,480,216*	*$25,335,005*	*$19,287,826*	29%	*$51,718,019*	*$7,052,500*	14%	*$117,198,235*	*$26,340,326*	22%	56%	73%
Demolition / Remediation	On-site Units Repl.	$18,264,169	$5,161,803	$4,839,435	26%	$28,671,135	$12,413,246	43%	$47,935,904	$17,251,682	36%	40%	28%
	On-site Not Repl.	$2,829,201	$878,197	$848,029	30%	$2,155,709	$323,389	15%	$4,984,910	$1,171,428	23%	57%	72%
	Sub-Total:	*$22,093,370*	*$6,040,000*	*$5,686,464*	26%	*$30,837,444*	*$12,736,647*	41%	*$52,930,814*	*$18,423,110*	35%	43%	31%
New or Rehab Construction	Acquisition	$50,218,071	$7,228,278	$6,975,149	14%	$61,512,837	$23,284,005	38%	$111,730,908	$30,259,154	27%	45%	23%
	Site Improv.	$32,677,577	$1,105,839	$1,645,179	5%	$31,286,611	$3,356,951	4%	$113,974,188	$5,003,030	4%	29%	33%
	DU Const.	$266,344,691	$13,002,974	$10,868,348	4%	$575,058,038	$22,745,736	4%	$841,400,927	$33,614,084	4%	32%	32%
	DU Equipment	$1,110,691	$0	$0	0%	$1,655,818	$0	0%	$2,766,509	$0	0%	40%	/0
	Non-DU Const.	$18,409,103	$31,824	$31,824	0%	$91,120,668	$22,691,688	25%	$109,589,769	$22,723,312	21%	17%	0%
	Non-DU Equip.	$1,276,972	$69,608	$69,608	5%	$495,500	$0	0%	$1,772,472	$69,608	4%	72%	100%
	Sub-Total:	*$370,037,305*	*$22,038,322*	*$19,590,907*	5%	*$811,137,468*	*$72,078,280*	9%	*$1,181,234,773*	*$91,669,187*	8%	31%	21%
Extraordinary Site Costs		$7,848,690	$2,894,892	$1,363,974	17%	$3,598,983	$0	0%	$11,447,673	$1,363,974	12%	69%	100%
Relocation / Re-Occupancy		$13,695,300	$5,428,323	$5,135,081	38%	$6,451,836	$4,676,826	72%	$20,116,936	$9,811,907	49%	68%	52%
Leveraged Finance	Tax Credit Cost	$0	$0	$0	/0	$2,209,390	$149,202	7%	$2,209,390	$149,202	7%	0%	0%
	Developer Fees	$0	$0	$0	/0	$57,696,490	$439,231	1%	$57,696,490	$439,231	1%	0%	0%
	Other Costs	$0	$0	$0	/0	$80,797,387	$302,589	0%	$80,797,387	$302,589	0%	0%	0%
	Reserves	$0	$0	$0	/0	$17,674,628	$0	0%	$17,674,628	$0	0%	0%	/0
	Sub-Total:	*$0*	*$0*	*$0*	/0	*$158,377,902*	*$891,022*	1%	*$158,377,902*	*$891,022*	1%	0%	0%
Community / Support Services	Mgmt. Improv.	$46,711,180	$6,437,626	$4,808,829	10%	$49,702,989	$655,780	1%	$96,414,169	$5,464,609	6%	48%	88%
	Other Services	$16,986,335	$1,802,812	$1,078,314	7%	$44,047,834	$449,218	1%	$60,014,169	$1,527,532	3%	27%	71%
	Sub-Total:	*$62,677,516*	*$8,240,338*	*$5,887,143*	9%	*$93,750,823*	*$1,104,998*	1%	*$156,428,338*	*$6,992,141*	4%	40%	84%
Admin	Mgmt. Improv.	$2,893,254	$548,912	$192,037	7%	$8,000	$1,572	31%	$2,888,254	$193,609	7%	100%	99%
	General	$26,541,351	$8,651,600	$7,450,816	28%	$9,088,133	$339,937	4%	$35,627,484	$7,790,752	22%	74%	96%
	Sub-Total:	$29,424,605	$9,101,513	$7,642,852	26%	$9,091,133	$341,509	4%	$38,515,738	$7,984,361	21%	76%	96%
Sub-Totals		*$571,297,002*	*$79,079,182*	*$64,594,247*	11%	*$1,164,963,408*	*$99,681,782*	8%	*$1,736,260,410*	*$163,476,029*	9%	32%	40%
In-Kind Services		$0	$0	$0	/0	$21,799,686	$3,874,865	17%	$21,799,686	$3,874,865	17%	0%	0%
Grand Totals:		$571,297,002	$79,079,182	$64,594,247	11%	$1,186,763,094	$103,556,647	9%	$1,758,060,096	$167,160,894	10%	32%	39%

This Quarterly report is based on self-reported-data for the period ending 12/31/2001.

HOPE VI REVITALIZATION GRANT PROGRAM: QUARTERLY PROGRESS REPORT

Award Year: 2000

Number of Grants: 18

Reporting Period: October - December, 4QCY2001 (1QFY2002)

Financial Information

		Total Project Estimates		Actual - to - Date	
Grant Information		HOPE VI Awarded:	$513,805,464	HOPE VI LOCCS Disbursed (As of 12/31/2001) :	
				HOPE VI Obligated:	$24,490,039
Funding Source		HOPE VI Budgeted:	$513,805,462	HOPE VI Expended:	$13,995,866
	Leveraged Funds	Other Public Housing Budgeted:	$99,730,352	Other Public Housing Expended:	$1,515,731
		Other Federal Funds Budgeted:	$165,803,455	Other Federal Funds Expended:	$1,869,518
		All Non-Federal Funds Budgeted:	$1,489,668,468	All Non-Federal Funds Expended:	$156,786,338
		SUB-TOTAL (Leveraged Funds)	$1,755,202,275	SUB-TOTAL (Leveraged Funds) :	$160,171,587
		Total Funds Budgeted (All Sources) :	**$2,269,007,737**	**Total Funds Expended** (All Sources) :	**$174,167,452**

Production Information

		Total Project Estimates					Actual - to - Date				
Relocation		PH	Section 8	Other *	Total		PH	Section 8	Evicted	Other	Total
		2,699	3,110	691	6,500		547	358	165	286	1,356
Demolished Units		Planned:	8,232				766				
		Approved:	3,596								
Construction Units		Rental		Home Owner			Rental		Home Owner		
		ACC	Non-ACC	ACC	Non-ACC	SUB-TOTAL	ACC	Non-ACC	ACC	Non-ACC	SUB-TOTAL
	New	3,937	2,890	403	2,562	9,792	45	52	0	26	123
	Rehab	161	5	0	100	266	0	0	0	49	49
	SUB-TOTAL	4,098	2,895	403	2,662	10,058	45	52	0	75	172
Re-Occupancy		3,198					4				
Occupancy		10,058					129				

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

*OTHER includes actual evictions. Evictions cannot be planned, but are included in the total number of relocations as they include households initially designated for relocation

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		2000																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
1993		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1994		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1995		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1996		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1997		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1998		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1999		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2000	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	2	0	359	359	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	3	0	9	368	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	4	93	163	531	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2001	1	49	169	700	354	208	208	0	8	8	0	0	0	0	0	0	0	0	0
	2	258	264	964	75	325	533	9	16	24	0	26	26	0	3	3	16	35	35
	3	296	151	1,115	233	233	766	54	23	47	5	12	38	0	1	4	40	27	82
	4	**182**	**241**	**1,356**	**298**	**0**	**766**	**92**	**76**	**123**	**0**	**11**	**49**	**0**	**0**	**4**	**71**	**67**	**129**
2002	1	439	0	1,795	0	0	766	28	0	151	3	0	52	0	0	4	44	0	173
	2	365	0	2,160	717	0	1,483	4	0	155	3	0	55	3	0	7	26	0	199
	3	504	0	2,664	862	0	2,345	173	0	328	3	0	58	3	0	10	9	0	208
	4	1,210	0	3,874	2,122	0	4,467	1,553	0	1,681	11	0	69	616	0	626	1,486	0	1,694
2003	1	310	0	4,184	236	0	4,703	187	0	2,068	23	0	92	63	0	689	99	0	1,793
	2	518	0	4,702	208	0	4,911	317	0	2,385	2	0	94	66	0	755	200	0	1,993
	3	722	0	5,424	440	0	5,351	937	0	3,322	5	0	99	205	0	960	723	0	2,716
	4	179	0	5,603	1,370	0	6,721	637	0	3,959	10	0	109	234	0	1,194	827	0	3,543

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: PRODUCTION SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		2000																	
		Relocation			Demolition			New Construction			Rehab Construction			Re-Occupancy			Occupancy		
		Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr	Planned by Qtr	Actual by Qtr	Cumulative Total by Qtr
2004	1	51	0	5,654	75	0	6,796	321	0	4,280	5	0	114	84	0	1,278	400	0	3,943
	2	58	0	5,712	0	0	6,796	787	0	5,067	25	0	139	188	0	1,466	611	0	4,554
	3	757	0	6,469	202	0	6,998	734	0	5,801	5	0	144	261	0	1,727	671	0	5,225
	4	26	0	6,495	457	0	7,455	790	0	6,591	5	0	149	321	0	2,048	926	0	6,151
2005	1	5	0	6,500	0	0	7,455	570	0	7,161	4	0	153	327	0	2,375	705	0	6,856
	2	0	0	6,500	0	0	7,455	714	0	7,875	16	0	169	172	0	2,547	736	0	7,592
	3	0	0	6,500	313	0	7,768	407	0	8,282	0	0	169	164	0	2,711	417	0	8,009
	4	0	0	6,500	464	0	8,232	154	0	8,436	97	0	266	114	0	2,825	597	0	8,606
2006	1	0	0	6,500	0	0	8,232	313	0	8,749	0	0	266	102	0	2,927	311	0	8,917
	2	0	0	6,500	0	0	8,232	298	0	9,047	0	0	266	78	0	3,005	294	0	9,211
	3	0	0	6,500	0	0	8,232	645	0	9,692	0	0	266	64	0	3,069	290	0	9,501
	4	0	0	6,500	0	0	8,232	100	0	9,792	0	0	266	5	0	3,074	257	0	9,758
2007	1	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,074	273	0	10,031
	2	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,074	27	0	10,058
	3	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	124	0	3,198	0	0	10,058
	4	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,198	0	0	10,058
2008	1	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,198	0	0	10,058
	2	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,198	0	0	10,058
	3	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,198	0	0	10,058
	4	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,198	0	0	10,058
2009	1	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,198	0	0	10,058
	2	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,198	0	0	10,058
	3	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,198	0	0	10,058
	4	0	0	6,500	0	0	8,232	0	0	9,792	0	0	266	0	0	3,198	0	0	10,058

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

* NOTE: Cumulative by Qtr column is a running total of past Actuals, current Actuals and future Planned units up to the specified quarter.

HOPE VI REVITALIZATION GRANT PROGRAM: FINANCIAL SUMMARY REPORT

Reporting Period: October - December, 4QCY2001 (1QFY2002)

		2000											
		HOPE VI Budgeted	HOPE VI Obligated	HOPE VI Expended	HOPE VI % Expended	Leveraged Budgeted	Leveraged Expended	Leveraged % Expended	All Sources Budgeted	All Sources Expended	All Sources % Expended	HB % All Sources Budgeted	HB % All Sources Expended
Planning / Professional Services	Proj. Mgmt.	$19,235,776	$6,790,918	$2,040,730	15%	$790,128	$0	0%	$14,026,904	$2,040,730	16%	94%	100%
	Const. Mgmt.	$3,087,309	$323,266	$312,897	10%	$1,950,299	$0	0%	$5,027,608	$312,897	6%	61%	100%
	Arch. /Eng.	$18,265,624	$3,632,854	$2,027,392	11%	$33,043,517	$895,883	3%	$51,309,341	$2,923,275	6%	36%	69%
	Legal Fees	$4,766,443	$240,253	$308,583	6%	$5,842,850	$0	0%	$10,611,293	$308,583	3%	45%	100%
	Other Fees	$18,707,802	$1,599,132	$831,510	5%	$31,897,340	$104,164	0%	$47,505,142	$935,674	2%	33%	89%
	Sub-Total:	*$55,045,155*	*$11,886,421*	*$5,521,113*	*10%*	*$73,524,134*	*$1,000,047*	*1%*	*$128,579,289*	*$6,521,159*	*5%*	*43%*	*85%*
Demolition / Remediation	On-site Units Repl.	$20,190,996	$594,374	$495,327	2%	$29,642,255	$1,345,488	5%	$46,833,251	$1,840,815	4%	43%	27%
	On-site Not Repl.	$913,315	$8,500	$0	0%	$70,000	$7,650	11%	$983,315	$7,650	1%	93%	0%
	Sub-Total:	*$21,104,311*	*$602,874*	*$495,327*	*2%*	*$26,712,253*	*$1,353,138*	*5%*	*$47,816,566*	*$1,848,465*	*4%*	*44%*	*27%*
New or Rehab Construction	Acquisition	$38,637,764	$13,470	$13,470	0%	$41,269,562	$740,412	2%	$79,907,326	$753,882	1%	48%	2%
	Site Improv.	$49,748,984	$1,325,350	$825,350	2%	$249,381,799	$0	0%	$299,130,663	$825,350	0%	17%	100%
	DU Const.	$241,049,507	$3,995,172	$3,798,284	2%	$722,725,367	$9,984,378	1%	$963,774,874	$13,782,690	1%	25%	28%
	DU Equipment	$1,191,322	$106,280	$106,280	9%	$3,068,985	$0	0%	$4,260,307	$106,280	2%	28%	100%
	Non-DU Const.	$10,810,721	$22,749	$22,749	0%	$276,044,917	$145,144,080	53%	$286,855,638	$145,166,829	51%	4%	0%
	Non-DU Equip.	$1,750,171	$160,449	$150,449	9%	$1,297,217	$0	0%	$3,047,388	$150,449	5%	57%	100%
	Sub-Total:	*$343,188,349*	*$5,623,430*	*$4,916,562*	*1%*	*$1,293,787,747*	*$155,868,868*	*12%*	*$1,636,976,096*	*$160,785,429*	*10%*	*21%*	*3%*
Extraordinary Site Costs		$8,983,720	$0	$0	0%	$2,965,760	$0	0%	$11,949,480	$0	0%	75%	/0
Relocation / Re-Occupancy		$11,080,251	$1,605,531	$467,272	4%	$2,669,896	$71,329	3%	$13,741,147	$538,601	4%	81%	87%
Leveraged Finance	Tax Credit Cost	$0	$0	$0	/0	$9,359,314	$4,295	0%	$9,359,314	$4,295	0%	0%	0%
	Developer Fees	$0	$0	$0	/0	$74,430,577	$1,001,824	1%	$74,430,577	$1,001,824	1%	0%	0%
	Other Costs	$0	$0	$0	/0	$67,329,868	$415,996	1%	$67,329,868	$415,996	1%	0%	0%
	Reserves	$0	$0	$0	/0	$16,259,138	$0	0%	$16,259,138	$0	0%	0%	/0
	Sub-Total:	*$0*	*$0*	*$0*	*/0*	*$167,378,897*	*$1,422,115*	*1%*	*$167,378,897*	*$1,422,115*	*1%*	*0%*	*0%*
Community / Support Services	Mgmt. Improv.	$24,673,523	$1,273,478	$640,233	3%	$44,132,241	$223,721	1%	$68,805,764	$863,954	1%	36%	74%
	Other Services	$21,957,601	$1,280,768	$245,253	1%	$45,262,867	$0	0%	$67,220,468	$245,253	0%	33%	100%
	Sub-Total:	*$46,631,124*	*$2,554,246*	*$885,486*	*2%*	*$89,395,108*	*$223,721*	*0%*	*$136,026,232*	*$1,109,207*	*1%*	*34%*	*80%*
Admin	Mgmt. Improv.	$3,968,151	$184,923	$160,039	4%	$1,207,058	$0	0%	$5,175,209	$160,039	3%	77%	100%
	General	$23,804,401	$2,232,612	$1,650,065	7%	$2,460,731	$232,370	9%	$26,265,132	$1,782,435	7%	91%	87%
	Sub-Total:	$27,772,552	$2,417,535	$1,710,103	6%	$3,667,789	$232,370	6%	$31,440,341	$1,942,475	6%	88%	88%
Sub-Total:		*$513,805,462*	*$24,490,038*	*$13,996,865*	*3%*	*$1,660,102,586*	*$160,171,887*	*10%*	*$2,173,908,048*	*$174,167,452*	*8%*	*24%*	*8%*
In-Kind Services		$0	$0	$0	/0	$95,099,689	$0	0%	$95,099,689	$0	0%	0%	/0
Grand Total:		$513,805,462	$24,490,038	$13,996,865	3%	$1,755,202,275	$160,171,887	9%	$2,269,007,737	$174,167,452	8%	23%	8%

This Quarterly report is based on self-reported data for the period ending 12/31/2001.

Mr. Walsh 44b

Status and Costs

Question: Of the top 10 PHAs which have received the most funding under HOPE VI, how many have completed their projects? For those projects that have not been completed, please explain what the major impediment to completion has been?

Answer: The top ten PHAs in terms of most funding are:

PHA	Total HOPE VI Funding	Number of Grants	Number of Projects Completed	Development Name(s)
Chicago	$257,918,550	8	0	
Atlanta	167,232,035	5	1	· Centennial Place
Baltimore	166,553,219	7	2	· Pleasant View · Lexington Terrace
Washington, DC	141,153,314	5	2	· Ellen Wilson Homes · Wheeler Creek
Philadelphia	136,455,901	4	1	· Richard Allen Homes
Seattle	135,137,383	4	1	· Holly Park
San Francisco	115,278,018	4	1	· Hayes Valley
Boston	114,992,350	3	2	· Mission Main · Orchard Gardens
Detroit	111,651,729	3	0	
Charlotte	100,966,409	3	1	· First Ward Place
Totals	$1,447,338,908	46	11	

For the 11 projects indicated as complete in the table above, they are in various stages of completion—from occupancy through preparing for final close out of the grant. Ostensibly, these are projects with 95 percent or more of the program completed.

Twenty of these grants have been awarded in the past 5 years, and thus are not expected to be complete yet. Among all HOPE VI projects, major impediments to completion include complex planning; litigation; comprehensive neighborhood revitalization, including coordination of non-construction work items such as relocation, hazard abatement, demolition and removal of debris; and construction of non-dwelling amenities such as libraries, schools, police and fire stations, and parks. Each of these HOPE VI undertakings, by their very nature, is holistic and involves a significant amount of coordination, planning and implementation. In addition to HOPE VI funding, the PHAs are compelled to leverage other public and private resources, which involves additional requirements and coordination.

Progress reports as of December 31, 2001 are presented in the previous responses for 40 of these grants. The other 6 were just awarded in fiscal year 2001 (2 to Chicago; 1 each to Atlanta, DC, Philadelphia and Boston).

Status and Costs

Question: According to the budget justifications, HOPE program funding is leveraged at a rate of $3.25 per every HOPE dollar. What is the major source of leveraged funds -- e.g. Low Income Tax Credit, CDBG, etc?

Answer: The leverage ratio among fiscal year 2000 grantees was $3.25 per every HOPE VI dollar. Since the inception of the HOPE VI program, Congress has appropriated a total of $4.55 billion. That investment has yielded $9.37 billion in leveraged funds for an overall leverage ratio of $2.06 per every HOPE VI dollar. The fiscal year 2001 grantees set a new record for leveraging additional resources: $3.57 per every HOPE VI dollar.

HOPE VI Program Funding Sources	
HOPE VI Revitalization Grants	$4.5 billion (33 percent)
Leveraged Public/Private Investments	$7.5 billion (53 percent)
Leveraged State and Local Funds	$939 million (7 percent)
Leveraged Federal Funds	$935 million (7 percent)

While the Department does not track detailed information about the sources of non-HUD leverage, we know that two major sources are equity from Low Income Housing Tax Credits and proceeds from taxable and tax-exempt bonds.

Mr. Walsh #44d

Status and Costs

Question: What is the average cost of replacement/rehabilitation of a HOPE VI unit in fiscal years 1999, 2000, 2001, 2002, and estimated 2003? How does this compare to the cost of a Section 8 voucher?

Answer: Based on information provided to the GAO for their effort to study the costs associated with the development of affordable housing, the following estimates for all years in HOPE VI are provided:

- $40,280 - average hard cost per unit of HOPE VI funds to build public housing.
- $65,438 - average per unit costs with HOPE VI funds for public housing including development related activity - hard costs, demolition, planning/professional services, site improvements - excluding non-housing structures, Community and Supportive Service programs and administration.
- $84,236 - average per unit cost with HOPE VI funds for public housing, including all costs - house, community facilities, demolition and remediation of site, Community and Supportive Services, administration, fees, etc.
- $70,760 - average hard cost per unit for all HOPE VI housing - public, subsidized, market-including all sources of funds.
- $116,531 - average per unit cost for all units, with all sources of funds including development related activity - hard costs, demolition, planning/professional services, site improvements - excluding non-housing structures, Community and Supportive Service programs and administration.
- $143,448 - average per unit cost for all units, with all sources of funds - house, community facilities, demolition and remediation of site, Community and Supportive Services, administration, fees, etc.

HOPE VI's "vertical" construction costs are based on the private sector and comparable to other public programs, but other programs do not include some of the core elements of the HOPE VI package—like demolition, environmental and site remediation costs, relocation, community centers and supportive services that empower residents in their quest for self-sufficiency.

The HOPE VI program has made significant effort to control costs. Efforts include the Total Development Cost policy (TDC), which limits the amount of public housing funds (HOPE VI and Capital Funds) to be used per unit; the Safe-Harbor standards, which set guidelines and upper limits on development related costs such as developer, administrative, program management, property management and other fees; and "expediter" technical assistance, which provides PHAs with expert consultants to assist in increasing efficiencies and production while reducing costs.

Mr. Walsh #45

Community Service and Self-Sufficiency

Question: According to the budget justifications, 9 percent of grant awards each year are budgeted for community service and self-sufficiency activities.

How was this level determined and what specifically are these funds used to support?

Answer: Consistent with section 24(j)(3) of the 1937 Act, the HOPE VI NOFA and the Grant Agreement, a Grantee may use an amount up to 15 percent of the total HOPE VI Revitalization Grant to pay the costs of community and supportive services programs. The Grantee may spend additional sums on community and supportive services programs using donations, HUD funds made available for that purpose, or other PHA funds. Based on data reported to HUD by the Grantees, which is reviewed annually by field staff, Grantees have spent an average amount of nine percent of HOPE VI funds on community and supportive services activities. Each HOPE VI Revitalization plan must include a CSS component that includes activities designed to help residents achieve self-sufficiency, upward mobility, economic independence with sustainable "living wage" jobs, educational achievement, and improved quality of life for the maximum number of public housing residents in the existing project and in the revitalized community. CSS activities may include, but are not limited to: educational activities (targeting young people of all ages); adult educational activities; job readiness and retention activities; employment training activities; life skills training; motivational and self-empowerment training; homeownership counseling; coordination with health care services providers; substance/alcohol treatment and counseling; domestic violence prevention; child care services; transportation; and entrepreneurship training and mentoring.

Mr. Walsh #46a

Homeless Assistance Grants--Program Structure Changes

Question: Page E-1 of the detailed justification indicates that the request is based on a legislative proposal to consolidate three competitive homeless programs

What specifically is the Department proposing- one competitive program, block grants, or some combination?

Answer: HUD intends to propose a consolidated, performance-based homeless assistance program. Details of the proposal have not yet been finalized, but it is our intent to streamline the process so that assistance is provided more efficiently. The Department will provide you with detailed information as soon as possible when the specifics have been finalized and by the reviewed by OMB.

Mr. Walsh #46b

Program Structure Changes

Question: When will the necessary legislative proposal be transmitted to OMB and the Congress?

Answer: The Department is finishing the draft of the proposal. Once completed, it will be submitted to Congress for consideration.

Mr. Walsh #47a

Homeless Assistance Grants--Program Structure Changes

Question: According to the justifications, HUD is working with HHS to increase access to HHS mainstream programs, so that more of HUD's funds are used for housing, rather than services.

What steps is the Department taking to ensure that homeless assistance funds are directed toward housing, particularly permanent housing, instead of supportive services?

Answer: The Department has taken several steps to ensure that homeless assistance funds are used to develop permanent housing for homeless persons. One such action is based on the 30 percent permanent housing requirement placed in recent VA/HUD Appropriations for the Continuum of Care (CoC) Homeless Assistance competition. Applicants, through the Notice of Funding Availability, have been encouraged to develop permanent housing projects to meet this requirement. As an incentive for applicants to develop permanent housing projects, HUD has added a bonus of up to $500,000 to the pro rata need for CoC applications that place a new, eligible permanent housing project as their number one priority. Pro rata need is the expression of relative homeless assistance need in dollar terms for use in scoring the "need" rating factor within the CoC competition.

The Department is also placing greater emphasis on housing assistance for homeless individuals and families. This year, for the first time, HUD will award up to 5 points for continuums based on the percentage of the awards that would go toward housing activities as opposed to supportive service activities. Housing activities consist of rental assistance, acquisition, rehabilitation, new construction, leasing and operating costs for supportive housing projects.

Finally, it is worth noting that 15 of the 60 points that a project can receive for Continuum of Care are tied to linking supplemental resources other than HUD's homeless assistance funds to funded projects. The use of mainstream services, such as Medicaid, TANF, and SSI for homeless persons is particularly emphasized, underscoring the importance that funding for services should be secured, to the extent possible, from sources other than HUD.

Mr. Walsh #47b

Homeless Assistance Grants -- Program Structure Changes

Question: What percentage of the fiscal year 2002 funds provided are going to service vs. permanent housing? How does that compare to fiscal years 2001, 2000, 1999, and 1998? What amount is assumed in the fiscal year 2003 budget for services as compared to permanent housing?

Answer: HUD's competitive homeless assistance programs provide for permanent housing and supportive services as well as for transitional housing. Funding for transitional housing represents a significant portion all funds requested of applicants and awarded by HUD each year.

The below chart provides the percentage of funds awarded for housing activities (for permanent and transitional housing) and the percentage of funds awarded for supportive services:

Year	Housing Activities	Services Activities	Administration
1998	41%	55%	4%
1999	45%	51%	4%
2000	43%	53%	4%
2001	49%	48%	3%

Note: Housing activities includes acquisition, rehabilitation, new construction, leasing and operating costs funded by HUD. Services activities include all supportive services funded by HUD.

It is noteworthy that in 2001, for the first time in six years, a greater percentage of funds were awarded for housing activities (49 percent) than for supportive service activities (48 percent).

Because these homeless assistance funds are awarded through a national competition, HUD cannot know with any precision what percent of funds will be requested and awarded for housing versus services. However, due to the increased emphasis HUD has placed on the importance of using HUD funding for housing versus services, we estimate that in 2002 and 2003, over 50 percent of total funds awarded will be for housing activities.

Mr. Walsh #47c

Homeless Assistance Grants--Program Structure Changes

Question: What specific changes, if any, have been implemented to increase access to HHS programs to provide services to homeless?

Answer: As part of the effort to increase access to HHS programs, the Department participates monthly on a senior level task force comprised of representatives from HHS, HUD and the Department of Veterans Affairs. This interagency task force has been formed to focus on finding ways to eliminate obstacles that prevent homeless persons from obtaining supportive services through mainstream programs, such as TANF, Medicaid and SSI. The task force has formed a planning committee, charged with assisting the States in developing and implementing ways to increase the access to HHS programs.

A second HUD-HHS initiative is a series of Policy Academies for state and local policymakers. Two Policy Academies have been held, and additional sessions are being considered by a HUD-HHS planning group. The objective of the Policy Academies is to provide resources and technical assistance to support State and local executives, legislatures, providers and other stakeholders in developing a coordinated State-level Action Plan to improve access to mainstream health and social services within their States. Each participating State team will develop a State Action plan. Participants in State teams include State level executives who represent the mainstream services that are able to serve the homeless. As a follow up to the Academies, to assist States in completing and implementing their Action Plans each State will receive one year of technical assistance.

Another step the Department has taken to increase access to HHS programs which service homeless people is through the Continuum of Care application process. Continuums that demonstrate an explicit Continuum of Care-wide strategy to coordinate homeless assistance with these mainstream HHS programs are able to achieve a high rating (up to 15 points) under the supplemental resources portion of the application in the homeless assistance competition.

Mr. Walsh #48a

Homeless Assistance Grants: Program and Structure Changes

Question: Please provide a funding breakout for each of fiscal years 1999, 2000, 2001, 2002, and estimated 2003 as follows: emergency shelter grants; shelter plus care new grants and shelter plus care renewals; SHP new housing grants and SHP housing renewals; SHP new services grants and SHP services grant renewals; Moderate Rehab SRO new grants.

Answer: The funding breakout is provided below.

HOMELESS ASSISTANCE	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY03 Request
Emergency Shelter Grants	$150,000,000	$150,000,000	$150,000,000	$150,000,000	$150,000,000
Shelter Plus Care:					
New Grants	$64,845,444	$66,298,140	$96,972,600	$105,000,000	$145,000,000
Renewals	$87,150,500		*$99,846,000	$118,000,000	0
Other Renewals		**$5,271,671			
Supportive Housing:					
Housing:					
New Grants	$97,609,242	$78,463,304	$147,851,233	$100,000,000	$170,000,000
Renewals	$147,511,027	$190,713,941	$126,818,466	$165,000,000	$190,000,000
Services:					
New Grants	$142,420,456	$79,445,444	$122,719,153	$90,000,000	$110,000,000
Renewals	$167,171,828	$400,110,092	$331,052,740	$330,000,000	$295,000,000
Administrative Costs:					
New Grants	$10,976,036	$7,250,134	$11,937,907	$11,500,000	$12,500,000
Renewals	***$15,709,012	$28,069,667	$21,790,411	$25,000,000	$30,000,000
Moderate Rehab SRO:					
New Grants	$16,987,560	$19,625,520	$14,679,949	$16,000,000	$14,500,000

* Appropriation X0232 funds ($29,226,240 for 2000 renewals, $70,619,760 for 2001 renewals)
** 2000 appropriation used for one year renewals made in Fiscal Year 1999
*** $7,789,857 COLA awarded not included in this amount

Mr. Walsh #48b

Grant Award and Renewal Policies

Question: What is HUD's current policy on the terms (1yr, 2yr, etc.) for initial grant awards (new projects) for SHP-PH, for SHP-Services, and for SPC?

Answer: All SHP grants (PH, TH, and Services) may be for 1, 2 or 3 years, depending on the preference of the Continuum of Care and applicant. The term of the SPC grant is statutorily required to be for 5 and 10 years, depending on the component type.

Grant Award and Renewal Policies

Question: Has that policy changed in the last three years, and what is the policy assumed in the fiscal year 2003 request?

Answer: The grant term length policy has not changed in the last three years. We have not proposed any changes to this particular policy in 2003.

Mr. Walsh #48d

Grant Award and Renewal Policies

Question: What is HUD's current renewal policy for each of these programs?

Answer: All Supportive Housing Agreement (SHP) grants are renewed competitively for 1, 2, or 3 years depending on the preference of the Continuum of Care and applicant.

Shelter Plus Care (SPC) grants have been funded non-competitively for 1-year terms based on the language of the HUD Appropriations Acts. Without this Appropriations language, the term would have been 5 years per the statute.

Mr. Walsh #49

Homeless Assistance Grants Recaptures

Question: Page E-6 of the justifications under obligated balances shows a $43.9 million adjustment in unexpired accounts – what is this adjustment and why was it made? Are these funds available for use?

Answer: The majority of the adjustment is the recaptures processed during fiscal year 2001. These were obligations made in prior years but the funds were deobligated thereby lowering the obligated balance. On page E-5, there is a corresponding increase of $43.9 million in the unobligated balance. Approximately half of these recaptures were utilized for the Continuum of Care awards announced in November 2001. The remainder will be applied to the 2002 competition.

Mr. Walsh #50

Homeless Assistance Grants Recaptures

Question: Did the Department realize any recaptures in fiscal years in this account in fiscal years 1999, 2000, and 2001, and if so how much was recaptured in each of those years and how were those recaptures used?

Answer: Recaptures were realized during fiscal year 1999, $31.9 million; fiscal year 2000, $23.9 million; and fiscal year 2001, $43.7 million. These recaptures supplemented the funding for the Continuum of Care competition awards.

Mr. Walsh #51a

Homeless Assistance Grants: Management Information System

Question: Page E-6 of the justifications includes a performance indicator to increase the number of communities with the Homeless Management Information system to 75 in fiscal year 2003, up from 12 in fiscal year 2001.

Is this the same system as the client-reporting system that HUD has been directed to put in place by the end of fiscal year 2003? If not, please explain the difference in these system.

Answer: There are two inter-related homeless data initiatives that the Department is pursuing. First, the Department is working with Continuum of Care communities to assist them in collecting an array of data on homelessness. We have set as a goal that all funded CoCs will be implementing HMIS by September of 2004. Installing an HMIS is a very-time consuming and complex planning and implementation process in many communities. We expect a number of smaller, often rural CoCs to have difficulties in meeting the September 2004 goal. In 2001 HUD awarded in 2001 a $4.1 million national technical assistance contract to help communities implement an HMIS. The contract provides over 106 training events each year for 2 years. HUD is currently also obtaining contractual resources to set HMIS data and reporting standards, to develop a representative sample of communities for national reporting purposes, and to prepare a report to Congress in 2005 using national HMIS data. We expect the standards/research contract to be signed in late April or early May 2002.

Second, HUD is moving forward with plans to convert the current paper-based Annual Progress Report (APR) submitted by over 6,000 CoC projects to electronic client-level reporting directly from our grantees or through local HMISs. The development of HMIS and APR reporting standards involving client-level data are closely related and present very challenging technical and policy issues concerning the confidentially of sensitive information on homeless persons, especially victims of domestic violence and persons with HIV-AIDS. The Department expects to make decisions within the next 9 months on standards for HMIS and APR reporting, but only after extensive analysis and consultation with the major stakeholders that would be involved in the new system.

Mr. Walsh #51b

Homeless Management Information System

Question: How much has been provided to date to fund the client-reporting system as directed by Congress and how many communities have implemented this system to date?

Answer: HUD has used $4.1 million in technical assistance funds for a 2-year contract to assist Continuum of Care communities implement an HMIS. HUD is also about to let a multi-year standards/sample/research contract.

In the 2001 competition, HUD awarded approximately $14 million to communities to implement an HMIS. Based upon self-reporting, 20 communities indicate they have implemented a continuum-wide HMIS, 20 are seeking to upgrade or change their current HMIS and 32 are seeking to expand the coverage of their current system.

Mr. Walsh #51c

Homeless Management Information System

Question: How many communities would need to have the system fully deployed in order to meet the mandate of full deployment by the end of fiscal year 2003? Will this deadline be met, and if not, when will it be met?

Answer: We estimate that there are about 440 CoCs that will be responsible for implementing an HMIS. The actual number of HMIS reporting entities may be less than 440 because we are seeing statewide and regional HMIS implementation collaborations.

Mr. Walsh #51d

Homeless Management Information System

Question: According to the Department's fiscal year 2002 operating plan, as well as the fiscal year 2003 budget justifications, funds provided for this effort have continued to carryover, what is the reason for the delay?

Answer: As with the Continuum of Care awards budget, there is a delay between receiving the appropriation and awarding the technical assistance funding. Of the $9.3 million carried over, approximately one-third of the funds will be distributed to technical assistance providers as a result of the fiscal year 2001 technical assistance awards which were announced in March 2002. Additionally, $2 million will be included in the fiscal year 2002 competition to be awarded in fiscal year 2003. The remaining balance has been or will be utilized for contracts to provide technical assistance in the development of locally developed management information tracking systems during fiscal year 2002.

Mr. Walsh #52

Emergency Food And Shelter Program

Question: Please explain the differences between the FEMA EFSP and HUD's Emergency Shelter Program funded by HUD, including non-profit recipients, formula allocations, and targeting.

Answer: Local nonprofit providers often receive funding from both the ESG and EFSP programs but utilize them for different purposes. However, both programs fund many of the same mass shelter providers. The HUD ESG program objectives are to improve the quality of emergency shelters for homeless individuals and families; to operate these facilities and provide the residents with essential social services; and to help prevent homelessness through short-term rental or mortgage and utility assistance, security deposits, first month's rents, landlord-tenant mediation, and tenant legal services.

The FEMA EFSP is designed as an adjunct to services already provided by food banks, pantries and shelters. Under the EFSP, local providers use the funds to provide food in the form of vouchers, groceries or meals; a one time monthly payment for rent, mortgage and/or utilities; or shelter in the form of mass shelters or hotel/motel accommodations.

The ESG program uses a variation of the CDBG formula to allocate funds to 213 metropolitan cities, 95 urban counties, the 50 States, Puerto Rico, and four U.S. territories. State governments are allocated about 46 percent of ESG funds, which must be distributed to either local governments or private nonprofit organizations. Entitlement communities receive about 54 percent of the ESG funds. In both cases, the majority of the ESG funds are subgranted to local nonprofit providers. The formula allocation is based upon data factors for population, poverty, overcrowded housing, growth lag, and pre-1940 housing units.

Funding under EFSP is distributed under the aegis of a National Board consisting of both FEMA and a number of charities. The Board distributes funds to civil jurisdictions by formula utilizing BLS unemployment data and Census population data. These local jurisdictions then utilize a Board, similar in composition to the National Board, to distribute funds to the local providers. A small portion of the overall award is allocated by formula to state set-aside committees who utilize different criteria to distribute funds. Once allocated, local providers have total discretion on how to use funds and those needs change year to year.

Mr. Walsh #53

Emergency Food And Shelter Program

Question: How much of FEMA's EFSP goes to support emergency shelter programs? How does this activity differ the use of HUD's ESP funds?

Answer: Local providers utilize EFSP for immediate needs in helping those who are homeless or may be on the verge of homelessness. Nearly 50 percent of the annual funding is used to support emergency shelter programs, consisting of mass shelter (22 percent) or financial assistance with rent/ mortgage (25 percent). The remaining funds were used in large part for providing food (40 percent) or paying utility bills (11 percent). Under the EFSP guidelines, funding may be used for minimal repairs or the purchase of equipment that is limited to $300 per item.

The primary focus of the ESG program is to renovate and convert buildings into homeless shelters and operate the facilities. With ESG funding, local providers use approximately 16 percent of their grants for rehabilitation/ renovation of buildings in order to use them as shelters, which does not happen under the EFSP. Approximately 46 percent of the funds are used for operations, which includes such expenses as rent, repair and maintenance, security, insurance and utilities among other items. The law limits grantees to spending no more than 30 percent of a grant on services to directly help the homeless, but they can request a waiver with good cause to exceed this limitation. Grantees spend more than 25 percent of the funds for services. Finally, less than 10 percent of the funds are spent on homeless prevention activities, which are capped at 30 percent of a grant.

While the two programs have overlapping areas of interest and communities served, there are distinctly different focuses and requirements. Under the ESG program, local governments must match ESG grants dollar-for-dollar from non-ESG sources; the EFSP program does not have a similar matching requirement. The two programs' mutual aim is to assist those in need.

Mr. Walsh #54

Emergency Food And Shelter Program

Question: How do the localities currently integrate FEMA's EFSP activities into HUD's Continuum of Care process? Should HUD assume responsibility for the program, how does HUD envision it working within the CoC process?

Answer: Localities are not required to integrate FEMA EFSP funding into the Continuum of Care process. However, the EFSP Local Board members represent a cross section of community organizations and leaders many of which are also involved with HUD's ESG Program and Continuum planning. This consolidation of emergency programs related to homelessness will help ensure that agencies selected for EFSP funding are coordinated with HUD's Continuum of Care process as well as allow for more effective overall coordination of these programs. Assuming the transfer of the EFSP from FEMA to HUD occurs in FY 2003, no change is anticipated in how the program currently operates apart from any changes that may be required by law.

Mr. Walsh #55

Emergency Food And Shelter Program

Question: Prior to the proposed transfer included in the fiscal year 2003 budget, did HUD have a role in the FEMA EFSP program?

Answer: HUD has not participated in FEMA's EFSP program. However, some non-profits may have been the recipient of funding under both programs.

Mr. Mollohan #1a

Management Agenda

Question: In the President's Management Agenda (PMA), one chapter is devoted to HUD and its management and performance. The report cites a GAO listing of high-risk programs and the fact that two of the Department's major program areas, Single Family Mortgage Insurance and Rental Housing Assistance are on that list.

The report states that HUD will strengthen program controls and address long-standing management control weaknesses. How do you plan to address this problem?

Answer: HUD initiatives under the President's Management Agenda are designed to strengthen management controls to address the GAO-designated high-risk status of HUD's Single Family Mortgage Insurance and Rental Housing Assistance Programs, as follows:

Improvements to FHA's single-family mortgage insurance programs – Most of Federal Housing Administration's (FHA) single family housing mortgage insurance programs are user fee programs operating out of the Mutual Mortgage Insurance (MMI) Fund. FHA manages these programs in a manner that balances program risks with the furtherance of program goals, while maintaining the financial soundness of the MMI Fund. The most recent annual actuarial review of the MMI Fund shows that the Fund is financially sound, at a time when the single family housing programs are contributing to record homeownership rates, with a focus on first-time, minority and other homebuyers that are underserved by the conventional market. Nevertheless, overall program performance and the condition of the Fund could be further improved if all lenders, appraisers, property managers and other participants in FHA's program delivery structure fully adhered to FHA program requirements designed to reduce program risks and further program goals. Under the President's Management Agenda, FHA has a number of initiatives in process or under development to improve the content, oversight and enforcement of its program requirements, as well as the consideration of alternative business processes. Such actions include:

- enhance qualifications for lender participation;
- a proposed rule to include measurement of lenders who underwrite in the Credit Watch Termination Program;
- design of a risk-based targeting model for reviews of underwriting;
- a proposed rule to strengthen lender oversight of appraisers;
- a proposed rule on appraiser qualifications and the removal of appraisers from the FHA roster;
- establishment of an Appraiser Watch system similar to Credit Watch for lenders;
- a proposed rule to restrict excessive fees and refinancings that do not benefit the borrower;
- a proposed rule to prohibit FHA insurance on housing resales within 6 months;
- development of an automated underwriting tool with the potential for better assuring program consistency and reducing processing time and costs;

- proposed rules on the removal of non-performing non-profits and 203(k) Program consultants from FHA rosters; and
- implementation of the Section 601 accelerated claims demonstration authority as a possible alternative to traditional FHA note servicing and property disposition activity related to notes and properties acquired through insured mortgage defaults and claims.

Improvements to management controls over rental housing assistance programs –HUD recognizes the continuing material management control weaknesses associated with the tenant income, rent and subsidy determinations in its public and assisted housing programs, and has developed a comprehensive corrective action plan that includes the following actions to strengthen management controls to reduce erroneous subsidy payments and better assure that program funds serve the right persons in the right amounts:

- develop and implement statutory and/or regulatory program simplification proposals;
- increase the sharing of available tenant income data, from federal and/or state data sources, for upfront use in making correct rent and subsidy determinations;
- provide a rent calculation software tool to better support the processing of rent and subsidy determinations by HUD's program intermediaries, as well as an automated subsidy payment validation process;
- establish a periodic error measurement process;
- design and implement a comprehensive Quality Control Program over the rent and subsidy determination and payment processes;
- enhance program incentives and sanctions for tenants and administrative intermediaries;
- update written program guidance; and
- provide increased program training and education to tenants, administrative intermediaries and HUD monitoring staff.

Management Agenda

Question: And generally, how you plan to improve HUD's management and performance weaknesses?

Answer: HUD's President's Management Agenda (PMA) initiatives are addressing the GAO's HUD-specific high-risk issues and the government-wide high-risk issues of human capital management and information systems management, as well as other major management and performance challenges facing the Department. To assure progress and provide accountability for the achievement of HUD's PMA goals, responsible Assistant Secretaries provide monthly PMA status reports on PMA initiatives in their areas, and those reports are discussed in monthly Executive Management Meetings with the Deputy Secretary. Examples of other HUD PMA initiatives include the following:

Complete Departmentwide organizational changes and assure adequate and sufficiently trained HUD staff. These two challenges are being addressed under various initiatives under the PMA goals for the strategic management of human resources. HUD's June 1997 management reform plans were intended to realign the Department along functional lines, and to place greater reliance on automated tools and contracted services, to enable the Department to better utilize a reduced staffing capacity to more efficiently and effectively deliver and oversee major HUD program activities. Over the past 4 ½ years, the planned organizational and operational changes have been implemented to varying degrees, with some incremental progress and improvements realized. However, the majority of the organizational and process changes were never formally institutionalized and are still in need of delegations of authority and the issuance of current written policies and procedures to clarify organizational roles and responsibilities and provide a basis for staff training and operational consistency. Furthermore, some aspects of the organizational and staffing realignment have proven to be an ineffective use of HUD's scarce resources. Upon reexamination, decisions were made to:

- re-deploy staff in the Community Builder function to understaffed program delivery and oversight functions, where there is a more critical need;
- place processing center operations back under the control of HUD's traditional program and administrative components, to improve working relationships and strengthen accountability for resource use and results;
- loosen centralized control and empower field operating units to more effectively deal with local program issues; and
- formalize the revised organizational structure and provide current operating policies and procedures to support staff training and on-going operations.

To support these reorganization and redeployment decisions, and to provide on-going support for more effective resource management, the Department completed the implementation of the Resource Estimation and Allocation Process (REAP). REAP was used to assist in the development of HUD's fiscal year 2002 staffing plan. The Office of Administration is in the process of identifying core competencies needed for each major career series and developing a strategy to keep critical positions filled. Also underway is the definition of career paths and

appropriate training and development opportunities for major career series to support progression to professional positions within HUD.

To more effectively utilize HUD's limited staff resources and enhance HUD's monitoring of its third party program delivery structure, a Compliance and Monitoring Training Program has trained over 1,230 field office staff in the past 2 years, on general management control practices and the use of risk-based monitoring techniques unique to specific HUD program areas. This training continues in fiscal year 2002, along with the planned design and implementation of a Compliance and Monitoring Training effort directed at HUD supervisors and managers.

Improve Financial Management Systems. HUD's most significant financial management systems deficiencies exist in the FHA, where the FHA still needs to convert from its commercial accounting system to a system that fully supports the Federal basis of accounting and budgeting. HUD has purchased a commercial off-the-shelf software package for this purpose, and has established plans and procured the contract services necessary to implement the new FHA system. The phased implementation plan is on schedule to implement FHA's new core general ledger system in the fall of 2002. The core FHA general ledger system will provide automated uploads of data required to produce HUD's consolidated financial statements. FHA program systems will be integrated with the new FHA general ledger system over a multi-year period. Until these systemic solutions are fully implemented, compensating ad hoc processes and controls have been put in place by FHA to convert activities to the standard general ledger accounts, provide for the administrative control of funds, and comply with credit reform requirements. Maintaining these ad hoc processes will remain a challenge until the systemic solutions are in place to better support FHA's financial management operations.

Regarding HUD's core financial management system, the Office of the Chief Financial Officer has stabilized systems operations and demonstrated the ability to produce auditable consolidated financial statements for the last two years. The HUD Office of Inspector General's (OIG) audit of HUD's fiscal year 2001 consolidated financial statements reported 2 prior year reportable conditions as corrected, pertaining to the reliability and security of HUD's critical financial systems and controls over fund balance with Treasury reconciliations. Nevertheless, HUD's core financial management system and accounting operations would benefit from further enhancements and integration to provide more efficient operations and a reduced risk of error. In fiscal year 2002, the OCFO is initiating a study of the feasibility and cost-benefit of various options for improving or replacing HUD's existing core financial management system for the future.

Regarding systems security issues, the OIG recently acknowledged HUD improvements in the area of information security, but HUD management recognizes the need for further efforts and a continuous disciplined focus on security for all systems platforms and applications. At HUD, systems security is a shared responsibility of program systems sponsors, the Office of Administration and the Office of the Chief Information Officer. Efforts are underway to better train all parties on their respective areas of responsibility, and to provide the on-going discipline necessary to continuously fulfill those responsibilities. Systems security improvements are an area tracked under PMA, along with the above-discussed FHA systems project and OCFO systems study. HUD is actively using PMA to bring the proper focus on all of the Department's major management and performance challenges.

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Mr. Mollohan #2a

Emergency Supplemental/New York

Question: I have a report on the New York States' plan for utilization of the $700 million that Congress appropriated in an emergency supplemental after the tragic events of September 11.

I understand that those funds have been obligated to the state. How much has been expended or drawn down?

Answer: CDBG disaster funds totaling $700 million were obligated to the State of New York on February 13, 2002. As of April 25, 2002, $101,357,746.80 had been drawn down.

Mr. Mollohan #2b

Emergency Supplemental/New York

Question: The Congress also appropriated $2 billion to the Lower Manhattan Redevelopment Corporation for the redevelopment of New York City – has that money been obligated?

Answer: The Lower Manhattan Development Corporation is in the process of determining activities it will fund with the $2 billion and obtaining public comments on its spending plans. Once this plan is finalized and approved by HUD, some or all of these funds will be obligated.

Emergency Supplemental/New York

. Question: If so, do you know how much has been expended or drawn down?

Answer: Since the funds have not yet been obligated, no funds have been drawn down.

Question: Do you know what the plans are for those funds?

Answer: Thus far, Lower Manhattan Development Corporation has solicited public comment on a $200 million program to provide economic incentives for residential retention and attention in lower Manhattan. It is reviewing other options for use of the remainder of the $2 billion as it participates in the overall planning for redevelopment of lower Manhattan.

Question: How will you track those monies?

Answer: HUD will track the monies through its financial accounting system. HUD will track activity progress and accomplishments through its web-based Disaster Recovery Grant Reporting (DRGR) system and report to the Appropriations Committees quarterly.

Anti-Deficiency Act

Question: Last year, in the Spring and then last Fall, HUD identified two possible violations of the Anti-Deficiency Act (ADA). The first potential ADA violation was resolved during the first fiscal year 2001 supplemental appropriation.

Have the monies for the first ADA violation (in property disposition) been obligated and dispensed?

Answer: The appropriate accounting adjustments and contractor payments have been made to resolve this violation.

Anti-Deficiency Act

Question: As you know, Congress appropriated $11.3 million to pay outstanding invoices of some technical assistance programs (OTAG/ITAG) in the Office of Multifamily Housing and Restructuring (OMHAR). And HUD chose to withhold funds until the IG's office made a determination as to whether there was a violation of the Anti-Deficiency Act (ADA). After the draft IG report was released stating that no violations did occur, HUD finally released those funds. But this issue is not over and there may still be payments to be made.

When will a final report be released?

Answer: The Inspector General issued a final report on this subject (Audit Memorandum Report 2002-DE-0801) dated March 22, 2002.

Mr. Mollohan #4b

Anti-Deficiency Act

Question: Why does the IG have the lead on this issue, rather than a senior management official at HUD?

Answer: HUD's General Counsel requested the assistance of the Office of Inspector General (OIG) to secure documents from OMHAR that the Department had been unable to retrieve and in some cases had been told did not exist. The final decision on the existence or not of a violation will be made by the Chief Financial Officer of The Department, not the Inspector General's Office.

Anti-Deficiency Act

Question: When will HUD take the necessary steps to fully reactivate these programs?

Answer: The Department has made payments for invoices that were on hand at the time the IG report was issued. We are currently accepting invoices from the 2001 OTAG grantees on a regular basis and have recently notified the 1998 OTAG grantees that they can resume submitting vouchers for payment. Additionally, we are examining the issues surrounding the 1998 ITAG grants and subgrants and hope to have decisions in the near future. Concerning any decisions about the future of the 514 program, the Department's highest priority is to resolve the remaining issues surrounding the 1998 and 2001 grants. Once all outstanding issues are resolved and the Department determines the amount of fiscal year 2002 remaining, we can begin to consider appropriate action for the future.

Mr. Mollohan #4d

Anti-Deficiency Act

Question: Will it be immediately following release of the final IG report?

Answer: We will proceed with new Section 514 grants after we have completely resolved all outstanding fiscal years 1998 and 2001 grant issues.

Mr. Mollohan #4e

Anti-Deficiency Act

Question: How much is needed to meet your obligations?

Answer: The Department needs to determine the funds necessary to record and liquidate outstanding obligations and pay for the costs associated with the Office of Inspector General's audits that are required by statute.

Mr. Mollohan #4f

Anti-Deficiency Act

Question: When will know this information?

Answer: The Department is working to resolve all issues surrounding the Section 514 Technical Assistance Program as soon as possible. In addition, the House Appropriations Committee has asked its own Office of Survey and Investigations to provide an in depth report for the Committee.

Mr. Mollohan #5

Anti-Deficiency Act

Question: Are you aware of any other potential violations of the Anti-Deficiency Act?

Answer: Yes. The Department is completing its investigation of an Anti-Deficiency Act violation that occurred in fiscal years 1999-2000. In that case, the wrong source of funds was used to pay for an extensive advertising and promotional program by the FHA. In addition, and most recently, potential ADA has been cleared by the Office of General Counsel and the IG concerning the funding of an interagency agreement with Action, However in the later instance no issues of funds control have been raised.

Mr. Mollohan #6a

Public Housing Capital Fund

Question: The fiscal year 2003 budget includes a proposal for a new plan to leverage private funds for modernizing public housing using a project-based refinancing strategy.

When will the details of this initiative be developed?

Answer: The legislation HUD has proposed provides sufficient details for the reinvestment initiative to be implemented promptly upon passage (Section 208 of the proposed budget Administrative Provisions). HUD is undertaking substantial consultations now so that the additional non-statutory details can be put in place in the necessary time frame.

Mr. Mollohan #6b

Public Housing Capital Fund

Question: Will the details be flushed out in time for fiscal year 2003?

Answer: Again, Section 208 provides the necessary legislative details, and the non-statutory details will be able to be put in place in the necessary time frame.

Mr. Mollohan #6c

Public Housing Capital Fund

Question: Will it be workable to generate funds to offset the proposed decrease to the public housing capital fund?

Answer: This new proposal is intended to serve as another valuable tool for PHA's to address significant capital needs upfront by leveraging private capital. The reinvestment initiative is not designed, nor intended purely to offset the proposed decrease in the fiscal year 2003 Budget.

HUD's estimate of the leveraging potential of the approach for this year, given the limitations HUD proposed on use of fiscal year 2003 funds for the initiative, is based on reasonable financial assumptions. The estimate is generated as explained below.

HUD proposes to allow use of up to $120 million in fiscal year 2003 Capital Funds for the approach. Assuming that the proposed Operating Fund amounts are needed for operations-related expenses, the capital funds would have to cover payments to a loan loss reserve or other credit enhancement, payments for capital replacement reserves and debt service payments.

With respect to the loan loss reserve, OMB modeled estimated defaults based on defaults in other multifamily programs and determined that an appropriate payment to cover such defaults would be 8.9 percent of loan principal, or $44.5 million if the loan principal were $500 million. HUD estimates a capital replacement reserve need at $500 per unit, the amount estimated by the Harvard University Graduate School of Design study on debt financing for public housing ("Final Draft: Report on Debt Financing of Public Housing Capital Improvements"; prepared for HUD in conjunction with the Public Housing Operating Cost Study, November 1, 2001, p. 35). For an estimated 40,000 units that could be afforded with the Capital Funds and $130 million in fiscal year 2003 Operating Funds that could be used for this initiative, $20 million would be needed.

That would leave $55.5 million available to pay debt service. For a 30-year, 7 percent loan, this would yield well over $600 million in loan proceeds (approximately $695 million). Thus, there is room to raise the amount of proceeds stated, even if the assumptions turned out to be too optimistic.

Mr. Mollohan #7a

Public Housing Capital Fund

Question: The budget proposes reducing the Public Housing Capital Fund by $417 million. How did you arrive at that number?

Answer: The Capital Fund proposed amount takes into account the amount needed to meet new capital needs (accrual) as well as the substantial amount of unobligated and unexpended capital funds outstanding.

Mr. Mollohan #7b

Public Housing Capital Fund

Question: This leveraging proposal would only leverage enough money to offset the proposed cut – not to increase funding for modernization of public housing needs. Why isn't this "pilot" separate from the monies provided for public housing capital funds?

Answer: Use of the proposed leveraging tool is voluntary; PHAs could use their capital and operating funds for this tool, which will stretch their dollars further, or in the traditional manner. To allow for the proposal to be voluntary, HUD must distribute funds under the capital and operating formulas and then let PHAs decide whether to use the funds in this manner. This would be impossible if the funds were appropriated separately.

The proposed "up to" amounts would set national ceilings on the amounts of fiscal year 2003 capital and operating funds PHAs could decide to use in this manner. Full use of amounts for this initiative, up to the national ceilings, could result in capital levels somewhat higher than last year's levels.

Public Housing Capital Fund

Question: There are no details on how the "loan loss reserve" will be funded – could you give some information about this reserve?

Answer: The proposed loan loss reserve would be a form of credit enhancement that should bolster lender interest in making the necessary loans, though it is not a loan guarantee. In developing the proposal, likely defaults were modeled based upon experience with other multifamily rental programs, and it was estimated that a contribution of 8.9 percent of loan principal would be necessary. It is possible that the necessary percentage is smaller, at least for some types of loans, in which case more funds in the transactions would be available for other purposes. Participation in the proposed loan loss reserve is voluntary, and PHAs would be free to obtain other credit enhancement, such as purchase of letters of credit, if this were advantageous to them.

HUD is still determining and taking into account feedback from various experts, whether the most effective structure for the reserve is on a pooled or development-by-development basis. Several experts have urged that the latter approach would be more effective, because it would closely mirror practices with which lenders are already familiar. The proposed legislation is broad enough to allow HUD to design the reserve in the manner likely to be most effective.

Mr. Mollohan #9

Public Housing Capital Fund

Question: Your budget states: "HUD will ask for $400 million more in capital funds next year if this proposal does not attract the anticipated private sector financing." At what point would HUD request these funds?

Answer: The Budget Summary states that to the extent this occurs, HUD would seek to restore the reduction of funds to the previous year's level in fiscal year 2004. Accordingly, HUD would request these funds in next year's budget process, if necessary.

Mr. Mollohan # 10a

Public Housing Operating Fund

Question: For fiscal year 2002, the Congress provided $110 million above the budget request for the public housing operating fund for additional expenses associated with anti-crime activities. Of this amount, $10 million was transferred to the Department of Justice "...to augment State and local efforts to effectively fight crime and drugs."

How are the funds that were transferred to DOJ being used?

Answer: The Department is working with DOJ to transfer the $10 million by way of an Interagency Agreement. The Department is collaborating with DOJ to use the $10 million as a set-aside to fund safety and security programs and Weed and Seed efforts in PHA communities leveraging other crime prevention efforts. The Interagency Agreement is expected to be finalized in the next few weeks.

Mr. Mollohan #10b

Public Housing Operating Fund

Question: In what Justice program or programs are they residing?

Answer: The Department intends to work with the Department of Justice Weed and Seed Program. Currently there are approximately 20 housing authorities that are participating in the Weed and Seed Initiative. The main goal of the HUD/DOJ collaboration is to increase the number of public housing participation and ensure the funds are used to support other anti-crime initiatives within public housing communities.

Mr. Mollohan #10c

Public Housing Capital Fund

Question: How much of these funds are going to State and local communities for public housing anti-crime efforts?

Answer: DOJ will be responsible for allocating funds to State and local communities for public housing anti-crime efforts, and HUD does not have this information. The Department is developing an Interagency Agreement in this regard that places the fiduciary responsibility on DOJ for tracking these funds. The funds should go to those entities that have public and Federally assisted housing in their approved proposals.

Public Housing Operating Fund

Question: How is HUD monitoring the expenditure of these funds

Answer: HUD is working with Department of Justice through an Interagency Agreement to establish goals, activities, and reporting criteria in association with the expenditure of these funds.

HUD will receive financial and programmatic progress reports from Justice. The reports will be from grantees and will be provided to HUD to monitor progress on a semi annual basis. These reports will include grantee names, public, Indian, or Federally assisted housing developments that are participating, progress summary, partner names, and crime reporting statistics that demonstrate status of program. The DOJ will be providing data and statistics through the Government Performance and Results Act system, (GPRA). These statistics are web based and are made available for program analysis. DOJ will also provide examples of grantee's targeting areas in public, Indian, and federally assisted housing successes and lessons learned to PIH on a semi-annual basis.

Mr. Mollohan #10e

Public Housing Operating Fund

Question: Please provide a breakdown of the $10 million transferred to the Department of Justice for public housing anti-crime efforts by activity and object class.

Answer: The $10 million is not a transfer but rather a reimbursable agreement between HUD and DOJ in accordance with Public Law 107-73.

As proposed in the Interagency Agreement, Justice will govern the implementation, technical assistance, and analysis of the Operation Weed and Seed grants to fight crime and drugs in public, Indian, and federally assisted housing.

The full $10 million allocated will be used through DOJ, Weed and Seed program to address those areas in public, Indian, and federally assisted housing where additional resources are necessary to augment State and local efforts to effectively fight crime and drugs.

Mr. Mollohan #11a

Public Housing Operating Fund

Question: Again, the Congress provided an additional $100 million to public housing authorities to use for anti-crime efforts or other activities. How have these additional monies been expended?

Answer: In fiscal year 2002, the Administration requested $3.385 billion to fund public housing operating subsidy requirements. Congress appropriated $3.495 billion, an increase of $110 million. Of the increased amount, $10 million would be available to DOJ to reimburse it for expenses of programs that "assist in the investigation, prosecution, and protection of violent crimes and drug offenses in public and federally assisted low-income housing, including Indian Housing" and $5 million as explained in the Conference Report, is to be transferred to the IG's Office "to support the closeout" of the Operation Safe Home program. The remaining $95 million is to be distributed to all PHAs. The use of these funds by PHAs is a matter of local determination and priority. HUD does not separately track or report on the use of operating subsidies, but rather requires financial reporting on PHA revenues and expenditures used in the public housing program.

Mr. Mollohan #11b

Public Housing Operating Fund

Question: Do most cities and counties–which had been supplementing the security provided by public housing authorities--have sufficient resources to continue to ensure the security and safety of public housing residents given the additional security requirements that most communities are now facing as a result of September 11?

Answer: The Department does not have information regarding the level of resources provided or needed by cities and counties for public safety efforts in public housing communities. The Cooperative Agreement between public housing authorities and local governments identify the services, including public safety services, to be provided to public housing communities. In addition, public housing authorities may use their operating or capital funds for public safety activities. The Department is encouraging public housing authorities to seek other Federal, State and local resources to support their public safety efforts. The Department has initiatives underway to bring practitioners together to provide technical assistance to housing authorities and other HUD program recipients to identify Federal, state and local resources that could be used to supplement and enhance public housing public safety efforts.

Mr. Mollohan #12

Public Housing Operating Fund

Question: For fiscal year 2003, HUD is requesting only $35 million above the fiscal year 2002 enacted level for public housing operating subsidies. Last year's request was $150 million above the previous year – without anti-crime activity funds included and without a proposed transfer of $10 million to the Justice Department.

Does the fiscal year 2003 request fully fund public housing authorities for their subsidy eligibility?

Answer: The requested amount of $3.53 billion is expected to be sufficient to fully fund PHAs for their operating subsidy eligibility. The determination and distribution of operating subsidy funds is accomplished using a formula-based approach that takes into account routine operating costs expected of a well-managed PHA, utility expenses, independent audit fees, other costs recognized by HUD, and rental income. The fiscal year 2003 Budget Request projects that PHAs will receive full funding of their subsidy eligibility.

Mr. Mollohan #13a

Federalization

Question: I understand that the U.S. Court of Appeals recently affirmed the district court's decision to reject HUD's position on the Federalization issue. The court determined that HUD must federalize some state public housing units.

Please provide background on this issue.

Answer: Section 9(n) of the United States Housing Act of 1937, added by Section 519 of the Quality Housing and Work Responsibility Act of 1998, required HUD to federalize up to 7,000 units developed as State-aided housing in New York and up to 5,00 in Massachusetts. Section 226 of the same Act (P.L. 105-276) prohibited the use of Federal funds for this purpose, and litigation ensued. This year, both the United States District Court for the Southern District of New York and the United States Court of Appeals for the Second Circuit have issued decisions indicating that the federalization of the New York units (which were the units contested in the litigation) should proceed, effective retroactively to fiscal year 2000. Also, this year, the President has included in his budget proposal legislation to repeal the provisions that have resulted in the court rulings (Section 209 of the Administrative Provisions).

Federalization

Question: What will be the cost of this provision?

Answer: The District Court has directed HUD to carry out the federalization requirements, beginning with fiscal year 2000. HUD previously has estimated the cost to be at least 1 percent of total program costs, which last year for the public housing capital and operating funds would be roughly $62 million. Others have estimated the cost to be substantially greater. The actual cost per unit for all current Federal New York units in fiscal 2000 was $6,327; 12,000 units at that per-unit cost would equal $76 million annually. Under the district court ruling, HUD could owe PHAs such amounts for fiscal years 2000, 2001 and 2002, and have an ongoing annual obligation of this amount for the 40-year life of the new public housing commitments.

Mr. Mollohan #13c

Federalization

Question: Where will the monies come?

Answer: Funds are appropriated in total amounts for the Capital Fund and the Operating Fund, and then divided up by PHA according to a regulatory formula. Assuming the same total appropriation, the funds thus would come from all other PHAs. These PHAs would have their formula amounts lowered so that the federalized units could also be supported by the formula, and back payments for fiscal years 2000 - 2002 could be paid.

Mr. Mollohan #14

Resident Opportunities and Self-Sufficiency Program

Question: For fiscal year 2003, HUD is proposing to fund the Resident Opportunities and Self-Sufficiency (ROSS) program in the Public Housing Capital Fund instead of the Community Development Fund, where it had been funded previously.

Given the reductions proposed for the public housing capital fund, why is HUD proposing to transfer this program to this account?

Answer: Since its inception the ROSS Program has been funded as part of CDBG. The CDBG program provides flexible funding for communities across the Nation to develop and implement community and economic development strategies that benefit low- and moderate-income individuals. The CDBG program is distinguished by the following characteristics: is authorized by Title I of the Housing Community Development Act of 1974; benefits low - and moderate-income individuals; aids in the prevention or elimination of slums and blight; and meets other particularly urgent community development needs.

ROSS is authorized under Section 34 of the Housing Act of 1937. The purpose of the ROSS program is to link services for Public and Indian housing residents to achieve self-sufficiency.

The purpose of the proposed transfer of the ROSS program is to have the source of funding reflect the public housing and self-sufficiency nature of the Section 34 activities that are authorized for ROSS. In developing this proposal, the Department gave consideration to the following existing public housing budget sources: Housing Certificate Fund; Public Housing Operating Fund; Public Housing Capital Fund; Revitalization of Severely Distressed Public Housing; Indian Housing Block Grants; Indian Housing Loan Guarantee Fund; and the Low-Rent Public Housing Assistance Fund. Of the available choices, the Public Housing Capital Fund provides for management improvement activities in addition to capital improvements. Section 24(d)(1)(G) of the Housing Act of 1937 provides for capital expenditures to facilitate programs to improve the empowerment and economic self-sufficiency of public housing residents and to improve resident participation. This provision is compatible with the ROSS program and was the basis for the proposal. The Departmental proposal was made contingent on continued funding for Section 34 regardless of the source.

Mr. Mollohan #15a

Formula Change/Colonias

Question: The fiscal year 2003 budget proposes an authorizing language change to the Community Development Block Grant (CDBG) formula. According to the proposal, grants to the wealthiest one percent of eligible communities, those that have a per capita income two or more times the national average, would be reduced by 50 percent.

Isn't this issue a little more complicated that simply targeting the wealthiest counties based on per capita income?

Shouldn't other indices be taken into account as well such as homelessness, numbers of persons who qualify for food stamps or medical insurance, and so forth?

Changes to the CDBG formula are often complex- shouldn't this be more fully debated in Congress by all affected committees?

Answer: The Department's proposed budget for fiscal year 2003 requests $4.436 billion in budget authority for the formula CDBG program to address locally identified community and economic development needs. Although the CDBG program allocates funds by formula in a way that targets most funds to our neediest communities, the current formula distribution of these funds also provides grants to higher-income communities. Because of the great disparity in per capita income among our grantees, the budget proposal seeks to re-evaluate the method of allocating the limited resources of the CDBG program.

A legislative change has been proposed for fiscal year 2003 to reduce, by 50 percent, the amount of the grant to the wealthiest one percent of eligible grantee communities. The Department does not consider this a new formula for CDBG. The data from the 2000 census needed to do a professional analysis of the CDBG formula should be available this fall. We expect to do a study and present it to Congress for their consideration next spring so that consideration could be made for the 2004 allocation of funds. Rather than wait for the process and a full examination of the formula we choose to propose this adjustment to move a limited amount of funds from very wealthy communities.

The wealthiest communities would be defined as those with per capita income equal to, or greater than, two times the national average. It must be noted that this proposed legislative change is intended to further target limited CDBG funds to the neediest communities. If this proposal is enacted, the Department will use data on per capita income from the 2000 Census to identify the communities whose funding would be reduced.

The funds captured by the 50 percent reduction would become available to other entitlement communities with lower per capita incomes and would not directly fund the Colonias Gateway Initiative. However, the savings achieved by this movement of funds to more needy communities would also create room in the budget to provide resources for the Colonias Gateway Initiative, which is designed to serve some of the poorest communities in the nation.

Mr. Mollohan #15b

Formula Change/Colonias

Question: The funds that are "saved" as result of this formula change, $16 million, are proposed to be used for a new initiative, the "Colonias Gateway Initiative."

Could you tell us a little more about this initiative?

Answer: The guiding principles of the Colonias Gateway Initiative (CGI) seeks to enhance the outreach, effectiveness and sustainability of housing, infrastructure and economic development undertakings in the Colonias U.S. Mexico border area by: (i) improving the coordination of existing Federal Government programs, (ii) forging partnerships with the private sector, and (iii) building the capacity of local Colonias organizations to develop, maintain and fund community assets. Legislation is being prepared that will provide a more detailed structure guiding the initiative but the legislation is still undergoing internal and then OMB review. Following are additional themes which will be reflected in the legislation.

CGI will undertake its mission by (i) forging partnerships with the private sector, (ii) building the capacity of local Colonias organizations to develop, maintain and fund community assets, and (iii) developing replicable and private-sector led pilot programs. In sum, CGI will serve to fill gaps in the delivery of housing, economic development and infrastructure services in the Colonias. It will:

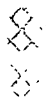
- ***Operate as a true Private-Public Partnership*** on the principle that government led interventions are not sustainable;
- ***Target its resources to locally and regionally defined priorities*** to support initiatives that are demand-driven, market-based and that encourage risk sharing with the private sector and community based organizations; and
- ***Enhance access by local intermediaries to existing resources*** serving as a vehicle to improve coordination of federal investments in the Colonias and as a one-stop resource for matching local demand with federal, private sector and other resources.

Mr. Mollohan #15c

Formula Change/Colonias

Question: Some agencies, such as the EPA, already expend funds on the colonias – how will HUD ensure that activities eligible in EPA – certain public infrastructure activities--are not duplicated in HUD?

Answer: HUD has forged partnerships with the EPA and USDA to assure that the Colonias resident needs are effectively met at the most fundamental level, such as infrastructure, by close resourcing and coordination efforts in concert with other regional development entities. CGI's governing statute will set forth the specific criteria to be used by the Secretary in the designation of a regional intermediary working in the colonias with a ***central criterion*** of a tripartite governing body for the organization, made up of Colonias residents and non-profit organizations that work in the Colonias, the private business sector, and the governmental sector. A key focus of the overall CGI effort will be on introducing new resources and integrating existing resources and efforts with an emphasis on avoiding duplication. The tripartite structure should ensure sensitivity to the issue of duplication.



Mr. Mollohan #15d

Formula Change/Colonias

Question: How much is HUD already spending on colonias activities (in fiscal year 2002)?

Answer: Answer: In accordance with Sec. 916(b)(3) of the Cranston-Gonzalez National Affordable Housing Act, the four state governments in which colonias are located are to set-aside a portion of their Non-entitlement Community Development Block Grant allocations for the colonias with a minimum percentage set by the HUD Secretary. The current percentages are 10 percent for Arizona, New Mexico and Texas and 5 percent for California for fiscal year 2002 colonias-based activities. In addition, applicants who are colonias receive 10 points under the Rural Housing and Economic Development competition. In 2001, 13 RH&ED grants were awarded to Colonias for a total of $4.2 million.

Mr. Mollohan #15e

Formula Grants/Colonias

Question: Please outline the total requests in other federal agencies for the colonias in fiscal year 2003?

Answer: While there are numerous programs that could be targeted to, or impact the Colonias, the President's 2003 Budget includes two other requests for programs that specifically address colonias issues:

(1) A $20 million set-aside in USDA's Rural Community Advancement Program appropriation is requested for the development of water and waste disposal systems in the Colonias; and

(2) Under EPA's budget for State and Tribal Assistance Grants, $75 million is requested to provide water and wastewater sanitation systems on the United States-Mexico border.

Mr. Mollohan #16a

Rural Housing and Economic Development

Question: Mr. Secretary, we discussed the rural housing program at last year's hearing. Once again, HUD has eliminated funding for this program. Last year, HUD proposed no funding for this program and Congress restored this program.

How much money was spent on rural issues through the Community Development Block Grant (CDBG) program in fiscal year 2001 and fiscal year 2000?

Answer: The Department does not divide the CDBG program between rural and urban expenditures. We do make grants to States to fund units of general local government in non-entitlement areas. Although most of the non-entitled areas are rural, some are located in metropolitan areas. Likewise, some entitlement urban counties include areas that are clearly rural, such as Lancaster County, Pennsylvania.

In fiscal year 2001, $1.32 billion was distributed by formula for non-entitlement areas. In fiscal year 2000, $1.27 billion was distributed. The State CDBG program is the Department's largest program that is primarily aimed at meeting rural needs. In fiscal year 2001, 55 percent of State CDBG funds were expended for Public Improvements, 17 percent for Economic Development, and 15 percent for Housing.

Mr. Mollohan #16b

Rural Housing and Economic Development

Question: Which programs at USDA does this program duplicate?

Answer: GAO suggested merging similar HUD and USDA programs in order to make the process more efficient and cost-effective. As you know, HUD's fiscal year 2003 Budget proposes to terminate the Rural Housing and Economic Development Program. The termination reflects the existence of duplicative HUD and USDA efforts and the fact that the Rural Housing Assistance Grants and Rural Cooperative Development Grants in USDA offer more resources in this area. This should address GAO's comments on the consolidation of capacity building activities. In addition, USDA has several larger grants and loan programs which provide several hundred million dollars of assistance to rural areas, which underscores the view that USDA is the appropriate loci for this activity.

Mr. Mollohan #16c

Rural Housing and Economic Development

Question: What is the requested amount for those programs in fiscal year 2003?

Answer: The respective requests for Rural Housing Assistance Grants and Rural Cooperative Development Grants are $42.5 million and $9 million.

Mr. Mollohan #16d

Rural Housing and Economic Development

Question: Has HUD had any discussions with the Secretary of Agriculture, Anne Venneman about transferring rural responsibilities and funding to USDA or moving those programs to HUD?

Answer: While there have been no discussions on this specific issue, it is clear that USDA has greater expertise and experience in serving rural areas than does HUD. The overall policy was integrated as part of the Department of the Administration's fiscal year 2003 Budget Request submitted to Congress in February 2002.

Mr. Mollohan #16e

Rural Housing and Economic Development

Question: In the budget, under the Rural Housing chapter, it states that the priority focus will be on colonias -- you are not proposing any additional funds for fiscal year 2003, so this must mean that fiscal year 2002 funds will now be used for this new priority – Is that correct?

Answer: There will be a colonias focus under Rural Housing and Economic Development competitive program as part of the overall competition but most of the program will be similar for fiscal year 2001. The fiscal year 2002 Rural Housing and Economic Development funds will be awarded on a competitive basis to rural nonprofit organizations, community development corporations, Federally recognized Indian tribes, State housing finance agencies, and State economic development and/or community development agencies for capacity building. However, the fiscal year 2003 budget provides for the Colonias Gateway Initiative as a separate line item.

Mr. Mollohan #16f

Rural Housing and Economic Development

Question: How do you intend to use the fiscal year 2002 funds?

Answer: The fiscal year 2002 funds will be awarded on a competitive basis to rural nonprofit organizations, community development corporations, federally recognized Indian tribes, State housing finance agencies, and State economic development and/or community development agencies for capacity building. Since fiscal year 1999, the Rural Housing and Economic Development Program has been operated as a competitive program, consistent with the HUD Reform Act of 1989. Localities propose the use of funds which represent a broad array of housing and economic development activities.

Mr. Mollohan #16g

Rural Housing and Economic Development

Question: If Congress chose to appropriate monies for the Rural Housing and Economic Development program in fiscal year 2003, how would you spend the funds?

Answer: HUD would award the funds on a competitive basis to eligible recipients, as outlined in appropriation acts, i.e. rural nonprofit organizations, community development corporations, Federally recognized Indian tribes, State housing finance agencies, and State economic development and/or community development agencies for capacity building. The use of funds are at local discretion involving a wide-range of housing and economic development activities. Any changes in legislative language would, of course, be followed.

Mr. Mollohan #16h

Rural Housing and Economic Development

Question: Please provide a breakdown of how monies for the Rural Housing and Economic Development account were spent in fiscal years 2000, 2001, and planned expenditures for fiscal year 2002 by activity and by recipient.

Answer: The attached pages from the Federal Register identify how funds were distributed in fiscal years 2000 and 2001. Planned expenditures for 2002 fall under the same eligible categories, but a more specific distribution will not be available until this year's competition is completed. The use of funds are for capacity building related to housing and economic activities. The Department has voluminous backup materials regarding the past several rounds of grants and we would be glad to furnish any necessary data on any or all grantees use of funds.

forms HUD–441.1, Project Management System Baseline Plan, and 661.1, Project Management System Progress Report. At the end of the period of performance, grantees must submit a final report, including the SF 269A and forms HUD–441.1 and 661.1

Agency form numbers, if applicable: Listed above.

Matters of affected public: Historically Black Colleges and Universities (HBCUs).

Estimation of the total number of hours needed to prepare the information collection including number of respondents, frequency of response, and hours of response: There are 105 HBCUs eligible to apply, annually, for the HUD HBCU Competition. The Department estimates that each applicant will use, an average of two hundred (200) hours to prepare an application. Winners of the competition will be required to submit quarterly reports, a final report and perform recordkeeping. The Department estimates that for each quarter, each grantee will use an average of thirty-two (32) hours to complete quarterly reports, and an average of ten (10) hours to do recordkeeping. At the end of the period of performance, the Department estimates that the grantee will use an average of seventy (70) hours to complete a final report. See number of respondents, frequency of response, and hours per response below.

	Number of respondents	Number of responses per respondent frequency	Total annual responses	Hours per response	Total hours (annual hour burden)
Applications from eligible applicants	105	1	105	200	21,000
Number of grants awarded which require quarterly reporting	125	4	500	32	16,000
Final Report	10	1	10	70	700
Recordkeeping	125	4	500	10	5,000
Total			1,115		42,700

Status of the proposed information collection: Revision of a currently approved collection.

Authority: The Paperwork Reduction Act of 1995, 44 U.S.C. Chapter 35, as amended.

Dated: August 28, 2000.

Cardell Cooper,

Assistant Secretary for Community Planning and Development.

[FR Doc. 00–22351 Filed 8–30–00; 8:45 am]

BILLING CODE 4210–29–M

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–4483–FA–02]

Announcement of Funding Awards for the HUD Rural Housing and Economic Development Program for Fiscal Year 1999

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Announcement of funding awards.

SUMMARY: In accordance with section 102 (a)(4)(C) of the Department of Housing and Urban Development Reform Act of 1989, this announcement notifies the public of funding decisions made by the Department in a competition for funding under the Notice of Funding Availability (NOFA) for the Rural Housing and Economic Development Program. This announcement contains the names of the awardees and the amounts of the awards made available by HUD.

FOR FURTHER INFORMATION CONTACT: Jackie W. Mitchell, Director, Office of Rural Housing and Economic Development, Office of Economic Development, Office of Community Planning and Development, 451 7th Street, SW, Washington, DC 20410; telephone (202) 708–2290 (this is not a toll-free number). Hearing- and speech-impaired persons may access this number via TTY by calling the Federal Relay Service toll-free at 1–800–877–8339. For general information on this and other HUD programs, call Community Connections at 1–800–998–9999 or visit the HUD Website at http://www.hud.gov.

SUPPLEMENTARY INFORMATION: The Rural Housing and Economic Development Program was enacted in The Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1999 (Pub. L. 105–276, approved October 21, 1998; 112 Stat. 2461, 2476) (the "FY 1999 HUD Appropriations Act") made $24 million in FY 1999 funds available for competitive funding under the Rural Housing and Economic Development program. The FY 1999 HUD Appropriations Act also specifies that certain unobligated funds authorized by the FY 1998 HUD Appropriations Act (Pub. L. 105–65, approved October 27, 1997; 111 Stat. 1344, 1357) shall be made available under the Rural Housing and Economic Development program. The amount of unobligated funds from this source is $3 million. Therefore, the total amount of funding made available under the NOFA was $27 million. The competition was announced in the NOFA published in the **Federal Register** on March 8, 1999 (64 FR 4463). Applications were rated and selected for funding on the basis of selection criteria contained in that Notice.

The Catalog of Federal Domestic Assistance number for this program is 14.250.

The Rural Housing and Economic Development Program is designed to build capacity at the State and local level for rural housing and economic development and to support innovative housing and economic development activities in rural areas. The funds made available under this program were awarded competitively, through a selection process conducted by HUD in consultation with the United States Department of Agriculture.

A total of $27 million was awarded to 91 projects nationwide. In accordance with section 102(a)(4)(C) of the Department of Housing and Urban Development Reform Act of 1989 (103 Stat. 1987, 42 U.S.C. 3545), the Department is publishing the grantees and amounts of the awards in Appendix A to this document.

Dated: August 23, 2000.

Cardell Cooper,

Assistant Secretary for Community Planning and Development.

Applicant	State	City	Grant
Federation of Southern Cooperatives/Land Assistance Fund	AL	Epes	$207,800
Design Corps	AL	Newbern	224,190
Upper Sand Mountain United Methodist	AL	Sylvania	47,300
Metlakatla Indian Community	AK	Metlakatla	500,000
Alaska Native Village of Tanacross	AK	Tanacross	600,000
Community Resource Group, Inc	AR	Fayetteville	487,500
Community Resource Group, Inc	AR	Fayetteville	222,000
White Mountain Apache CDC	AZ	McNary	250,000
Comite de Bien Estar	AZ	San Luis	600,000
Housing America Corporation	AZ	Somerton	75,000
Fort Defiance Housing Corporation	AZ	Window Rock	200,000
Bishop Indian Tribal Council	CA	Bishop	88,201
Community Housing Improvement Program, Inc	CA	Chico	451,397
Yurok Tribe	CA	Eureka	200,000
South County Housing Corporation	CA	Gilroy	500,000
Coachella Valley Housing Coalition	CA	Indio	200,000
Coachella Valley Housing Coalition	CA	Indio	600,000
L-S Social Services Corporation	CA	Mendota	509,500
Coyote Valley Band of Pomo Indians	CA	Redwood Valley	32,345
Peoples' Self-Help Housing Corporation	CA	San Luis Obispo	500,000
Rural Communities Housing Development Corporation	CA	Ukiah	194,877
Everglades Community Association, Inc	FL	Homestead	500,000
Neighborhood Housing Services, Inc	ID	Boise	200,000
Lincoln Hills Development Corporation	IN	Tell City	160,000
Iowa Finance Authority	IA	Des Moines	600,000
Mid-America Housing Partnership, Inc	IA	Cedar Rapids	500,000
Kentucky Farmworker Programs, Inc	KY	Bowling Green	269,519
Federation of Appalachian Housing Enterprises	KY	Berea	482,374
Kentucky Highlands Investments Corporation	KY	London	461,854
Kentucky Mountain Housing Development Corporation, Inc	KY	Manchester	200,000
Pendleton County Industrial Authority	KY	Falmouth	200,000
Northlake Community Development Corporation	LA	Hamamond	178,008
Garrett County, Maryland Community Action Committee	MD	Oakland	504,000
Eastern Maine Development Corporation	ME	Bangor	129,500
Five-Cap Inc	MI	Scottsville	500,000
Bi-County Community Action Programs, Inc	MN	Bemidji	600,800
Three Rivers Community Action, Inc	MN	Zumbrota	150,000
Blackfeet Tribe	MT	Browning	600,000
Blackfeet Tribe	MT	Browning	200,000
Action for Eastern Montana, Inc	MT	Glendive	126,768
Fort Belknap College	MT	Harlem	200,000
Rocky Mountain Development Council	MT	Helena	109,989
Montana Community Development Corporation	MT	Missoula	199,058
Fort Peck Assiniboine & Sioux Tribes	MT	Poplar	148,633
The Heritage Institute	MT	Poplar	501,219
North Central NE Resource Conservation Development and Planning Council	NE	Bassett	237,800
Central Nebraska Community Services, Inc	NE	Loup City	185,032
Native Council on Economic and Community Development Corporation	NE	Walthill	150,000
Haliwa-Saponi Indian Tribe	NC	Hollister	250,000
WREN-Women's Rural Entrepreneurial Network	NH	Bethlehem	160,000
New Mexico Mortgage Finance Authority	NM	Albuquerque	600,000
Housing and Economic Rural Opportunities	NM	Las Cruces	165,445
Pojoaque Housing Corporation	NM	Santa Fe	500,000
Citizens for Affordable Homes, Inc	NV	Carson City	69,075
Sullivan County Partnership for Economic Development	NY	Monticello	150,000
Partnership for Economic Development	NY	Monticello	500,000
Bishop Sheen Ecumenical Housing Foundation, Inc	NY	Rochester	150,000
Rural Opportunities, Inc	NY	Rochester	330,065
Adirondack Economic Development Corporation	NY	Saranac Lake	150,000
Portage Area Development Corporation	OH	Ravena	137,869
Portage Area Development Corporation	OH	Ravena	500,000
Wa-Ro-Ma-Tri-County Action Foundation, Inc	OK	Claremore	225,710
Kiowa Tribe of Oklahoma	OK	Anadarko	143,669
Little Dixie Community Action Agency	OK	Hugo	199,700
Langston Community Development Corporation	OK	Langston	200,000
Otoe-Missouria Tribe	OK	Red Rock	97,805
Citizen Potawatomi Nation	OK	Shawnee	198,928
Casa of Oregon	OR	Newberg	200,000
Technical College of the Low Country Foundation, Inc	SC	Beaufort	193,000
Catawba Indian Nation	SC	Catawba	600,000
Catawba Indian Nation	SC	Catawba	250,000
Oti Kaga, Inc	SD	Eagle Butte	169,796
The Lakota Fund	SD	Kyle	536,268
Cangleska, Inc	SD	Kyle	211,764

Applicant	State	City	Grant
Rosebud Sioux Tribe	SD	Rosebud	500,000
Rosebud Sioux Tribe	SD	Rosebud	196,800
Rio Valle Rainbow, Inc	TX	El Paso	44,980
El Paso Collaborative for Comm. & Economic Development	TX	El Paso	200,000
Amigos Del Valle, Inc	TX	Mission	600,000
ACCION Texas, Inc	TX	San Antonio	600,000
The Center for Economic Opportunities, Inc	TX	San Juan	500,000
Virginia Eastern Shore Economic Empowerment & Housing Corporation	VA	Nassawadox	116,000
Virginia Eastern Shore Economic Empowerment & Housing Corporation	VA	Nassawadox	175,000
Swinomish Indian Tribal Community	WA	La Conner	150,000
Okanogan County Community Action Council	WA	Okanogan	196,665
Department of Community, Trade and Economic Development	WA	Olympia	600,000
Community Health Center La Clinica	WA	Pasco	600,000
Institute for Washington's Future	WA	Renton	199,500
The Jamestown S'Klallam Tribe	WA	Sequim	117,702
Catholic Charities Bureau, Inc	WI	Superior	200,000
Mountain Partners in Community Development	WV	Elkins	151,701

[FR Doc. 00-22352 Filed 8-30-00; 8:45 am]

BILLING CODE 4210-29-P

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4547-FA-02]

Announcement of Funding Awards for the Rural Housing and Economic Development Program Fiscal Year 2000

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Announcement of funding awards.

SUMMARY: In accordance with section 102 (a)(4)(C) of the Department of Housing and Urban Development Reform Act of 1989, this announcement notifies the public of funding decisions made by the Department in a competition for funding under the Notice of Funding Availability (NOFA) for the Rural Housing and Economic Development Program. This announcement contains the names of the awardees and the amounts of the awards made available by HUD.

FOR FURTHER INFORMATION CONTACT: Jackie W. Mitchell, Director, Office of Rural Housing and Economic Development, Office of Economic Development, Office of Community Planning and Development, 451 7th Street, SW, Washington, DC 20410; telephone (202) 708-2290 (this is not a toll-free number). Hearing- and speech-impaired persons may access this number via TTY by calling the Federal Relay Service toll-free at 1-800-877-8339. For general information on this and other HUD programs, call Community Connections at 1-800-998-9999 or visit the HUD Website at http://www.hud.gov.

SUPPLEMENTARY INFORMATION: The Rural Housing and Economic Development program was authorized by the Department of Veteran's Affairs, Housing and Urban Development and Independent Agencies Appropriations Act of 1999. The competition was announced in the NOFA published in the Federal Register on February 18, 2000 (65 FR 7970). Applications were rated and selected for funding on the basis of selection criteria contained in that Notice.

The Catalog of Federal Domestic Assistance number for this program is 14.250.

The Rural Housing and Economic Development Program is designed to build capacity at the State and local level for rural housing and economic development and to support innovative housing and economic activities in rural areas. Eligible applicants are local rural non-profit organizations, community development corporations, Indian tribes, and State housing finance agencies. The funds made available under this program were awarded competitively, through a selection process conducted by HUD in consultation with the United States Department of Agriculture.

A total of $24,749,997 was awarded to 103 projects nationwide. In accordance with section 102(a)(4)(C) of the Department of Housing and Urban Development Reform Act of 1989 (103 Stat. 1987, 42 U.S.C. 3545), the Department is publishing the grantees and amounts of the awards in Appendix A to this document.

Dated: August 28, 2000.

Cardell Cooper,

Assistant Secretary for Community Planning and Development.

Appendix A—FY 2000 Rural Housing and Economic Development Competitive Grants

Applicant	State	City	Grant
United Presbyterians of Wilcox County	AL	Catherine	800,000
Federation of Southern Cooperatives/Land Assistance	AL	Epes	237,800
Upper Sand Mountain United Methodist Larger Parish, Inc.	AL	Sylvania	600,000
Alabama Rural Heritage Foundation, Inc.	AL	Thomaston	100,000
Calista Corporation, Inc.	AK	Anchorage	50,000
Native Village of Kotzebue	AK	Kotzebue	240,900
Cagan Taygungun Tribe of Sand Point	AK	Sand Point	97,643
Tatitlek IRA Council	AK	Tatitlek	50,000
Comite De Bein Estar, Inc.	AZ	San Luis	183,483
Housing America Corporation	AZ	Somerton	50,000
Prep Microbusiness and Housing Development Corporation	AZ	Tucson	500,000
California State University Foundation at Fresno	CA	Fresno	50,000

Total Amount $182,680, Date Awarded 9/29/00.

National Governors' Association Center for Best Practice, Raymond Scheppach, 444 North Capitol St. NW., Suite 267, Washington, DC 20001–1512, Grant #H–21290CA, "Where Do We Grow From Here?", Total Amount $200,000, Date Awarded 09/29/00.

U.S.-Mexico Chamber of Commerce, Albert C. Zapanta, 1300 Pennsylvania Avenue, NW., Suite 270, Washington, DC 20004–3021, Grant #H–21251CA, "HUD and Business Roundtable on the Southwest Borders", Total Amount $50,364, Date Awarded 08/17/00.

The Regents of the University of California, Bobbie M. Velasquez, University of California-San Diego, 9500 Gilman Drive, Mail Code 0934, La Jolla, CA 92093–0934, Grant #H–21240CA, "California-Baja California Border Conference", Total Amount $33,391, Date Awarded 09/26/00.

Philadelphia Housing Authority, Carl Greene, 12 South 23rd Street, Philadelphia, PA 19103, Grant #H–21273CA, "Impact of Tenant Based Section 8 and Housing Voucher Concentrations on Real Estate Market Values in the City of Philadelphia", Total Amount $50,000, Date Awarded 09/26/00.

Woodrow Wilson International Center for Scholars, Dean W. Anderson, One Woodrow Wilson Plaza, 1300 Pennsylvania Avenue, NW, Washington, DC 20004–3027, Grant #H–21239CA, "The International Research Monitor?", Total Amount $100,000, Date Awarded 09/27/00.

National Coalition for Asian Pacific American Community Development, Christopher Kui, Chairman, 108–110 Norfolk Street, New York, NY 10002, Grant #H–21234SG, "API Housing and Community Needs Study", Total Amount $10,000, Date Awarded 5/22/00.

NAHB Research Center, Lisa K. Bowles, 400 Prince Georges Boulevard, Upper Marlboro, MD 20772, Grant #H–21205CA, "ToolBase Services: The Building Industry's Information Infrastructure", Total Amount $749,986, Date Awarded 03/01/00.

NAHB Research Center, Lisa K. Bowles, 400 Prince George's Boulevard, Upper Marlboro, MD 207742–8731, Grant #H–21217CA, "Planning and Designing of Research Homes", Total Amount $500,000, Date Awarded 06/27/00.

NAHB Research Center, Lisa K. Bowles, 400 Prince George's Boulevard, Upper Marlboro, MD 20772–8731, Grant #H–21216CA, "Innovative Structural Materials and Design Research for Residential Construction", Total Amount $250,000, Date Awarded 06/20/00.

The American Society of Civil Engineers/Institute For Business & Home Safety, Thomas R. McLane, 1801 Alexander Bell Drive, Reston, VA 20192–4400, Grant #H–21211CA, "America's Ten Most Wanted", Total Amount $24,500, Date Awarded 07/09/00.

North America Steel Framing Alliance, Donald R. Moody, 1726 M Street, NW., Suite 601, Washington, DC 20036–4523, Grant #H–21248CA, "Corrosion of Galvanized Fasteners Used in Cold-Formed Steel Framing", Total Amount $37,400, Date Awarded 09/26/00.

North America Steel Framing Alliance, Donald R. Moody, 1726 M Street, NW., Suite 601, Washington, DC 20036–4523, Grant #H–21247CA, "Prescriptive Details for Hybrid Cold-Formed Steel/Wood Framing", Total Amount $124,493, Date Awarded 09/26/00.

Dated: July 12, 2001.

Lawrence L. Thompson,

General Deputy Assistant Secretary for Policy Development and Research.

[FR Doc. 01–18076 Filed 7–18–01; 8:45 am]

BILLING CODE 4210–28–P

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–4630–FA–37]

Announcement of Funding Awards for the Rural Housing and Economic Development Program; Fiscal Year 2001

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Notice of funding awards.

SUMMARY: In accordance with section 102(a)(4)(C) of the Department of Housing and Urban Development Reform Act of 1989, this announcement notifies the public of funding decisions made by the Department in a competition for funding under the Super Notice of Funding Availability (SuperNOFA) for the Rural Housing and Economic Development Program. This announcement contains the names of the awardees and the amounts of the awards made available by HUD.

FOR FURTHER INFORMATION CONTACT: Jackie W. Mitchell, Director, Office of Rural Housing and Economic Development, Office of Economic Development, Office of Community Planning and Development, 451 7th Street, SW, Washington, DC 20410; telephone (202) 708–2200 (this is not a toll-free number). Hearing-and speech-impaired persons may access this number via TTY by calling the Federal Relay Service toll-free at 1–800–877–8339. For general information on this and other HUD programs, call Community Connections at 1–800–998–9999 or visit the HUD Website at *http://www.hud.gov.*

SUPPLEMENTARY INFORMATION: The Rural Housing and Economic Development program was authorized by the Department of Veteran's Affairs, Housing and Urban Development and Independent Agencies Appropriations Act of 1999. The competition was announced in the SuperNOFA published February 26, 2001 (66 FR 12187). Applications were rated and selected for funding on the basis of selection criteria contained in that Notice.

The Rural Housing and Economic Development Program is designed to build capacity at the State and local level for rural housing and economic development and to support innovative housing and economic development activities in rural areas. Eligible applicants are local rural non-profit organizations, community development corporations, Indian tribes, and State housing finance agencies. The funds made available under this program will be awarded competitively, through a selection process conducted by HUD in consultation with the United States Department of Agriculture (USDA).

Prior to the rating and ranking of this year's applications, Butler County Rural Electric Cooperative in Allison, Iowa was awarded $600,000 as a result of a funding error during the previous year's funding. For the Fiscal Year 2001 competition, a total of $24,042,487 was awarded to 111 projects nationwide.

The Catalog of Federal Domestic Assistance number for this program is 14.250.

In accordance with section 102(a)(4)(C) of the Department of Housing and Urban Development Reform Act of 1989 (103 Stat. 1987, 42 U.S.C. 3545), the Department is publishing the grantees and amounts of the awards in Appendix A to this document.

Dated: July 13, 2001.

Roy A. Bernardi,

Assistant Secretary for Community Planning and Development.

Appendix A

FY 2001 Rural Housing and Economic Development Competitive Grants

Applicant	State	City	Grant
Alabama Rural Heritage Foundation, Inc	AL	Thomaston	$400,000
Alabama Mayors Corporation for Economic, Cultural and Educational Development	AL	Birmingham	398,768
South East Alabama Self-Help Association, Inc	AL	Tuskegee	148,797
United Presbyterians of Wilcox County, Inc	AL	Catherine	150,000
Qiunerkiuvik Corporation	AK	Saint Marys	50,000
Tlingit-Haida Regional Housing Authority	AK	Juneau	70,658
Bee Hoogan Shelter Foundation, Inc	AZ	Fort Defiance	150,000
Chicanos Por La Causa Tucson	AZ	Tucson	400,000
PPEP Microbusiness and Housing Development Corp	AZ	Tucson	400,000
United Housing and Educational Development	AZ	Tucson	150,000
Yavapai-Apache Nation	AZ	Camp Verde	140,788
Yavapai-Apache Nation	AZ	Camp Verde	399,788
North Fork Community Development Corporation	CA	North Fork	150,000
Self Help Enterprises	CA	Visalia	400,000
Walking Shield American Indian Society, Inc	CA	Tustin	400,000
Colorado Rural Housing Development Corporation	CO	Westminster	100,000
Region 10 League for Economic Assistance & Planning, Inc	CO	Montrose	100,000
Southwest Community Resources, Inc	CO	Durango	49,350
Everglades Community Association, Inc	FL	Florida City	400,000
Homes in Partnership, Inc	FL	Apopka	150,000
Housing Development Corporation of Macon County	GA	Montezuma	150,000
Southwest Georgia Housing Development Corporation	GA	Cuthbert	110,425
Southwest Georgia United Empowerment Zone, Inc	GA	Cordele	149,400
Sapelo Island Cultural & Revitalization Society	GA	Sapelo Island	149,100
Na'alehu Theatre	HI	Na'alehu	89,780
Coeur d'Alene Tribe	ID	Worley	150,000
Downtown Hays Development Corporation	KS	Hays	100,000
Original Town of Liberal Revitalization, Inc	KS	Liberal	150,000
Kentucky Mountain Housing Development Corporation, Inc	KY	Manchester	100,000
Low Income Housing Coalition of Floyd County	KY	Prestonsburg	125,505
Louisiana Departmen. of Economic Development	LA	Baton Rouge	400,000
Northlake Community Development Corporation	LA	Hammond	150,000
Project 2000, Inc	LA	Hammond	75,000
Eastern Maine Development Corporation	ME	Bangor	100,000
Penobscot Indian Nation	ME	Old Town	399,581
Red Lake Housing Authority	MN	Red Lake	400,000
Energy Related Homes of Mississippi, Inc	MS	Jackson	150,000
Mississippi Action for Community Education, Inc	MS	Greenville	150,000
Mississippi Home Corporation	MS	Jackson	323,388
Quitman County Development Organization	MS	Marks	150,000
Southeastern Development Opportunities, Inc	MS	Shelby	120,450
Action for Eastern Montana, Inc	MT	Glendive	149,939
Blackfeet Tribe	MT	Browning	150,000
Confederated Salish & Kootenai Tribes	MT	Pablo	400,000
Fort Belknap Indian Community	MT	Harlem	400,000
Fort Belknap Indian Community	MT	Harlem	150,000
Heritage Institute	MT	Glasgow	399,731
Heritage Institute	MT	Glasgow	149,284
Khunaxa Community Development Corporation	MT	Elmo	128,139
Santee Sioux Tribe	NE	Niobrara	150,000
West Central Nebraska Development District, Inc	NE	Ogallala	90,000
Women's Rural Entrepreneurial Network—WREN	NH	Bethlehem	100,000
Fallon Paiute-Shoshone Tribal Housing Department	NV	Fallon	400,000
Fallon Paiute-Shoshone Tribal Housing Department	NV	Fallon	150,000
New Mexico Mortgage Finance Agency	NM	Albuquerque	400,000
Eastern Plains Housing Development Corporation	NM	Clovis	150,000
Community Action Agency of SNM, Inc	NM	Las Cruces	400,000
Community Action Agency of SNM, Inc	NM	Las Cruces	150,000
Mesilla Valley Economic Development Alliance	NM	Las Cruces	400,000
Mesilla Valley Economic Development Alliance	NM	Las Cruces	150,000
Pojoaque Housing Corporation	NM	Santa Fe	150,000
San Juan Pueblo	NM	San Juan Pueblo	150,000
Zuni Indian Tribe	NM	Zuni	150,000
Northwestern Housing Enterprises, Incorporated	NC	Boone	150,000
Community Developers of Beaufort-Hyde, Inc	NC	Belhaven	150,000
Native Way Opportunity, Community Development Corporation, Inc	NC	Hollister	149,550
The Way Station	OH	Columbiana	149,230
WSOS Community Action Commission	OH	Fremont	50,000
Jackson-Vinton Community Action, Inc	OH	Wellston	150,000
Housing Authority of the Choctaw Nation of Oklahoma	OK	Hugo	400,000

Applicant	State	City	Grant
Housing Authority of the Choctaw Nation of Oklahoma	OK	Hugo	150,000
Langston Community Development Corporation	OK	Langston	150,000
Alabama-Quassarte Tribal Town	OK	Muskogee	59,920
Pawnee Nation of Oklahoma	OK	Pawnee	399,700
Morning Star Foundation of the Pawnee Nation, Inc	OK	Sand Springs	150,000
Cherokee Nation	OK	Tahlequah	400,000
International Bio Oxidative Medicine Foundation	OR	Grants Pass	150,000
Confederated Tribes of the Umatilla Indian Reservation	OR	Pendleton	400,000
Lawyers' Campaign for Equal Justice	OR	Portland	100,000
Redevelopment Authority of Fayette County	PA	Uniontown	400,000
Ceiba Housing and Economic Development Corporation	PR	Ceiba	150,000
Williamsburg Enterprise Community Commission, Inc	SC	Kingstree	95,900
Oglala Sioux Tribe Partnership	SD	Pine Ridge	400,000
Oglala Sioux Tribe Partnership	SD	Pine Ridge	100,000
Oti Kaga, Inc	SD	Eagle Butte	100,000
Sicangu Wicoti Awanyakape Corporation	SD	Rosebud	400,000
Legal Aid of Central Texas, Inc	TX	Austin	150,000
Community Development Corporation of Brownsville	TX	Brownsville	400,000
Neighborhood Housing Service of Dimmit County, Inc	TX	Carrizo Springs	400,000
El Paso Collaborative For Community & Economic Development	TX	El Paso	400,000
South Plains Community Action Association, Inc	TX	Levelland	150,000
Walker-Montgomery Community Development Corporation	TX	New Waverly	150,000
Organizacion Progresiva De San Elizario	TX	San Elizario	150,000
Center for Economic Opportunities	TX	San Juan	400,000
Futuro Communities, Inc	TX	Uvalde	99,956
Navajo Utah Commission	UT	Montezuma Creek	400,000
Surry Community Development and Housing Corporation	VA	Surry	130,300
Gilman Housing Trust, Inc	VT	Newport	150,000
Lummi Indian Nation	WA	Bellingham	400,000
Port Gamble S'Klallam Housing Authority	WA	Kingston	137,968
Upper Valley Mend	WA	Leavenworth	150,000
North Columbia Action Council	WA	Moses Lake	150,000
Confederated Tribes of the Colville Reservation	WA	Nespelem	400,000
Willapa Community Development Association	WA	Raymond	150,000
The Jamestown S'Klallam Tribe	WA	Sequim	400,000
Office of Rural and Farmworker Housing	WA	Yakima	150,000
Impact Seven, Inc	WI	Almena	400,000
Ho-Chunk Nation	WI	Black River Falls	400,000
Ho-Chunk Nation	WI	Black River Falls	102,682
Mid-Ohio Valley Regional Council	WV	Parkersburg	50,000
Northern Arapaho Tribe	WY	Ethete	150,000

[FR Doc. 01-18075 Filed 7-18-01; 8:45 am]
BILLING CODE 4210-29-P

DEPARTMENT OF THE INTERIOR

Bureau of Reclamation

Colusa Basin Drainage District's Integrated Resources Management Program for Flood Control in the Colusa Basin in Glenn, Colusa, and Yolo Counties, CA

AGENCY: Bureau of Reclamation, Interior.

ACTION: Notice of availability of the Final Programmatic Environmental Impact Statement/Final Programmatic Environmental Impact Report (Final PEIS/PEIR).

SUMMARY: Pursuant to the National Environmental Policy Act and the California Environmental Quality Act, the Bureau of Reclamation (Reclamation) and the Colusa Basin Drainage District (District) have prepared a joint Final PEIS/PEIR for the Integrated Resources Management Program for Flood Control in the Colusa Basin (Program). The Program is comprised of three elements: Construction of a series of flood detention dams and basins on selected ephemeral streams that cause flooding in the Basin; implementation of several upland, riparian, and wetland environmental restoration measures that will help reduce soil erosion and sedimentation and restore degraded habitat; and development of a water supply that could be used for environmental purposes. The Final PEIS/PEIR describes and presents the potential environmental effects of the three Program elements. Notice of the Draft Programmatic Environmental Impact Statement/Draft Environmental Impact Report (DEIS/DEIR) was published in the **Federal Register** on June 2, 2000 (65 FR 35392). The public hearing was held on August 9, 2000. The written comment period ended August 25, 2000. The Final PEIS/PEIR contains responses to all comments received and changes made to the text of the DEIS/DEIR as a result of those comments.

DATES: Reclamation will not make a decision on the proposed action until 30 days after release of the Final PEIS/PEIR. After the 30-day waiting period, Reclamation will complete a Record of Decision (ROD). The ROD will state the action that will be implemented and will discuss all factors leading to the decision.

ADDRESSES: Copies of the Final PEIS/PEIR may be requested from Ms. Gaye Lopez, Colusa Basin Drainage District, at 530-795-3038, or Mr. Russ Smith, Reclamation, at 530-275-1554.

See Supplementary Information section for locations where copies of the Final PEIS/PEIR are available for public inspection.

FOR FURTHER INFORMATION CONTACT: Ms. Gaye Lopez, Colusa Basin Drainage District, at 530-795-3038, or Mr. Russ Smith, Reclamation, at 530-275-1554.

Emergency Food and Shelter

Question: For fiscal year 2003, the Administration is proposing the transfer of the Emergency Food and Shelter program (EFSP) from FEMA to HUD. The budget states that this is to help consolidate homeless programs. This particular program distributes funds rapidly and equitably to local jurisdictions to supplement community efforts to provide emergency food and shelter and the intent is to help the hungry and homeless.

You are working with Secretary Thompson at HHS so that homeless services are provided through that agency – not through HUD. This program primarily provides food and emergency mass shelter. Why is this program appropriate for HUD, but not other services?

Answer: The intent of the proposal to transfer the EFSP to HUD would consolidate emergency programs related to homelessness and would allow for more effective coordination with the Continuum of Care homeless assistance programs that HUD funds and administers across the Nation.

Mr. Mollohan #17b

Emergency Food and Shelter

Question: The President's budget states "FEMA has not demonstrated the effectiveness of this program and has no expertise in managing programs for the homeless."

Do you believe that this program can be managed better at HUD?

Answer: The Emergency Food and Shelter Program (EFSP) have been effectively managed by FEMA since its inception. However, given HUD's lead Federal role in administering shelter programs for homeless families and individuals, it is anticipated that EFSP can be operated at HUD in a manner that more effectively coordinates EFSP with the Continuum of Care homeless assistance programs that HUD funds and administers across the nation.

Mr. Mollohan #17c

Emergency Food and Shelter

Question: Most people seem to think that distribution of the funds though the National Board works quite well and the budget states that HUD would continue to distribute funds though the board in fiscal year 2003. Would you look to change the formula or the method of distribution after this fiscal year? If so, how?

Answer: The only change that HUD anticipates is one that corrects some issues related to appointment authority and delegation of decision-making on grants. These changes will not significantly alter the basic delivery mechanism and its rapid delivery of resources to needy clients.

Mr. Mollohan #18

HOME

Question: For fiscal year 2003, HUD is proposing $200 million from within the HOME program for the "Downpayment Assistance Initiative." Last year, the conferees provided only $50 million for this new initiative and stated that unless the program was authorized by June 30, 2002, the monies would revert to the HOME program.

When do you anticipate sending proposed legislation to Congress on this initiative? Why haven't we seen this proposal yet?

Answer: The American Dream Downpayment Assistance Initiative legislation was introduced during the week of April 15 as H.R. 4446. The Department has carefully developed a formula distribution approach that would consider both need and past commitment to homebuyer assistance by participating jurisdictions as well as proposing changes to the HOME program rules that would make the initiative attractive to State and local governments.

Mr. Mollohan #19a

Homeless Programs

Question: For fiscal year 2003, HUD is proposing $1.13 billion for Homeless Assistance, an increase of only $7 million. Is this request level sufficient to provide the same level of service as provided in fiscal year 2002?

Answer: The fiscal year 2003 request for HUD's McKinney-Vento Act programs is sufficient to maintain the same level of homeless assistance services as provided in fiscal year 2002. It should be noted that Shelter Plus Care contracts that expire in fiscal year 2003 were funded in the fiscal year 2002 Appropriations while contracts that expire in fiscal year 2004 are proposed to be funded by the fiscal year 2004 Appropriation in part, reflect the proposal to streamline and consolidate homeless assistance program to be consistence with treatment of renewal in other HUD programs.

Homeless Programs

Question: How will Shelter Plus Care renewals be handled in fiscal year 2003?

Answer: Shelter Plus Care projects that expire in fiscal year 2003 will be submitted in HUD's fiscal year 2002 Continuum of Care competitive process and will be funded using the additional funding approved by Congress for this purpose in fiscal year 2002. As stated above, funding for Shelter Plus Care renewals that expire in fiscal year 2004 will be requested in that year. The Department is proposing a technical change in funding Shelter Plus Care renewals for contracts that will expire in fiscal year 2004. Grantees will identify their fiscal year 2004 expirations in their 2003 Continuum of Care applications and these needs will be funded out of the fiscal year 2004 Appropriation. The Department continues to share the Congressional policy of giving Shelter Plus Care renewals a top priority. In addition, we believe that our forthcoming reauthorizations of the homeless assistance programs will improve the timely and efficient provision of both renewal and other homeless grant assistance.

Mr. Mollohan #19c

Homeless Programs

Question: In addition to working with the States to assist States in overcoming barriers to accessing mainstream services for homeless persons, what progress has been made to move more of the services aspect to HHS?

Answer: A senior level task force composed of representatives from HHS, HUD and the VA meets on a monthly basis to discuss ways to eliminate obstacles that prevent homeless persons from obtaining supportive services. To this end, we have collaborated on definitions for supportive service programs and, for the first time, these joint HUD/HHS definitions are included in HUD's 2002 Homeless Assistance funding application. Similar inter-Departmental coordination has been achieved in the development of Policy Academies funded by HUD, HHS and VA in which State governments are actively engaged in identifying and eliminating barriers that currently prevent homeless persons from accessing supportive service funding. As a direct result of these initiatives, the percentage of HUD funds awarded in the fiscal year 2001 Continuum of Care competition for supportive service costs declined and, for the first time in 6 years, is less than the percentage of these funds being used for housing activities.

Mr. Mollohan #19d

Homeless Programs

Question: Have any funds been requested in the HHS budget for services for the homeless?

Answer: HHS administers several major targeted programs and a number of discretionary programs that provide a variety of critical services for homeless families and individuals. Among the targeted programs, the President's fiscal year 2003 Budget has requested significant increases in the Projects for Assisting in Transforming the Homeless (PATH) program and the Healthcare for the Homeless program. In addition, several discretionary programs administered by HHS have also been newly proposed or are proposed for expansion which could provide some targeting of funds to the homeless as well as a broader population. Specifically, a new initiative is proposed in the HHS fiscal year 2003 Budget entitled the National Health Service Corporation under which health care professionals would be enlisted to provide needed health care services for persons experiencing mental illness or substance abuse. A second HHS discretionary program, Projects of Regional or National Significance, is proposed for a significant increase in the fiscal year 2003 Budget. This program includes funding for innovative projects that address the supportive service needs of persons experiencing substance abuse. Finally, a senior working group within HHS is tasked to develop a comprehensive strategic plan to better target HHS resources in addressing chronic homelessness. These deliberations are expected to result in actions by HHS to ensure better access by homeless persons to HHS mainstream service programs.

Mr. Mollohan #19e

Homeless Programs

Question: Mr. Secretary, last July you committed to ending chronic homelessness within 10 years. Could you tell us a little about your plan to achieve that goal?

Answer: HUD is working with a variety of other Federal agencies to end chronic homelessness in the United States. In particular, we have undertaken several major initiatives with HHS to not only coordinate activities but, most importantly, to open up the enormous resources tied to the HHS mainstream supportive service programs for use in meeting the critical supportive service needs of homeless persons. We are similarly working with VA, which has joined the HUD/HHS Interagency Task Force, to better utilize the resources of that agency in eliminating chronic homelessness. Similar inter-Departmental coordination has been achieved in the development of Policy Academies jointly being sponsored by HHS, HUD and VA in which State governments are actively engaged in identifying and eliminating barriers that currently prevent homeless persons from accessing supportive service funding.

In addition, HUD's efforts to coordinate access to Federal funds to end chronic homelessness are now being assisted by the Interagency Council for the Homeless (ICH). The Council, under the leadership of Executive Director Philip Mangano, is responsible for planning and coordinating the Federal Government's actions and programs to assist homeless people, and making or recommending policy changes to improve such assistance. The ICH has committed to actively working with all its member agencies to aggressively promote the goal of ending chronic homelessness across the nation.

HUD believes that, with effective coordination of all relevant Federal and State government agencies, with improved targeting of all resources available for addressing homelessness, and with the expanded active involvement of non-profit provider agencies so critical to this effort, the Nation can achieve the goal set out by Secretary Martinez last July.

Homeless Programs

Question: Are the funds requested in the fiscal year 2003 budget sufficient to help achieve this goal?

Answer: The HUD program that most directly works toward ending chronic homelessness is the Shelter Plus Care Program. This Program provides rental assistance for permanent supportive housing for disabled homeless persons. Funds requested in fiscal year 2003 will provide resources that will enable us to get a good start towards achieving this goal.

Additionally, HUD has moved aggressively to encourage our applicants to seek needed funding for supportive services from the mainstream supportive service programs of HHS, VA, the Social Security Administration, the Department of Agriculture and other agencies. As the transition to other sources continues, a growing percentage of HUD's funding is being freed up for use in developing housing.

Mr. Mollohan #20a

Lead

Question: A few weeks ago, HUD and EPA announced the largest settlement agreement ever in which one of the largest rental property owners committee to inspections and safeguards to ensure that the 130,000 units it owns will be lead-safe. This was an important message to the real estate industry and to the housing industry that HUD is serious about the enforcement of the disclosure law.

Is HUD taking advantage of this opportunity to notify others of the need to disclose?

Answer: HUD's enforcement efforts to date will ensure that over 157,000 high-risk rental units will be made lead-safe to prevent young children from lead poisoning. These efforts underscore the Federal Government's commitment to addressing childhood lead poisoning by sending a strong message to landlords who fail to warn their tenants about the dangers of lead-based paint.

Our goals for eliminating childhood lead poisoning will only be met through coordinated efforts that include targeted outreach and education for landlords and a heightened enforcement presence. HUD makes use of many opportunities to notify landlords and home sellers that they have a responsibility to tell tenants and homebuyers about the dangers of lead-based paint. Information is widely distributed on the Internet, in print to news medias around the country, and by calling toll-free the National Lead Information Center. As you cited, our most recent settlement impacted 130,000 rental units in 47 states and the District of Columbia and was highlighted by news sources around the country.

Lead

Question: Are there other cases under development that can be leveraged?

Answer: Since 1998, HUD has conducted over 200 on-site inspections and related follow-up activities for compliance with the Lead Disclosure Rule that cover over 244,000 housing units. HUD continues to conduct Lead Disclosure Rule compliance inspections in areas with the largest number of dilapidated pre-1940 rental housing stock, where childhood lead poisoning rates are known to be highest.

The majority of our cases under development involve landlords with a history of lead poisoned children, lead-based paint correction orders, housing code violations or other reports of poor physical maintenance or management, which are often indicators of lead hazards. By adopting a results-oriented enforcement approach for these cases, high-risk rental units will be made lead-safe to prevent young children from being lead poisoned. Our past successes enabled a favorable outcome to our most recent settlement agreement impacting 130,000 units. HUD will continue to use this leverage to accomplish similar results.

Mr. Mollohan #21a

Lead

Question: I am pleased to note in the President's budget, HUD again is seeking an increase to the lead program. How many applications did you fund, and at what level of funding, in the last round of grants for lead hazard and healthy homes?

Answer: In the most recent grant round, HUD awarded $67 million in awards as follows:

- Lead Hazard Control Grants: 23 grants for a total of $59 million ($1.2-$3 million in size).
- Healthy Homes: 14 grants for a total of $8.1 million ($210,000-$938,000 in size).

Mr. Mollohan #21b

Lead

Question: How many grant applications were submitted?

Answer: There were 97 grant applications (23 approved) submitted for Lead Hazard Control and 84 (14 approved) application submitted for Healthy Homes.

Lead

Question: Most cities' basic approach to lead poisoning is to wait until after a child has been identified as poisoned to look for and correct lead hazards in the home. Many public health experts believe this approach is ineffective and inefficient.

HUD's lead safety regulation is aimed at making federally assisted housing safe in the first place, but how can we extend these protections to purely private housing?

Answer: HUD does not have the statutory authority to extend its regulation for Federally assisted housing to private, unassisted housing. Currently, the only statutory authority HUD has for privately owned non-assisted housing regarding lead-based paint is the lead-based paint disclosure regulation, which requires, among other things, landlords and owners to disclose (but not to identify or repair) lead-based paint and/or lead-based paint hazards to tenants and buyers prior to obligation under a sales or lease contract. However, apart from its regulatory activities, HUD's grant program does address hazards in private, non-assisted housing for those owners who wish to enroll.

Mr. Mollohan #21d

Lead

Question: In addition to HUD's regulations, HUD's grants, and health departments' blood lead screening programs, won't additional measures be needed to achieve the national goal of protecting all children by 2010?

Answer: Yes. The Department believes that additional leveraging of private sector resources and activities is needed, as well as additional enforcement. The Department expects to improve leveraging of private sector resources through Operation Lead Elimination Action Project (LEAP), for which Congress appropriated $6.5 million for fiscal year 2002. The Administration's budget request for fiscal year 2003 for Operation LEAP is $10 million, the same as the amount requested for fiscal year 2002. The Department has also increased its staff for lead-based paint enforcement and compliance assistance activities and has completed a large number of significant enforcement activities (this is addressed in a previous response).

Mr. Mollohan #22a

Lead

Question: Please provide an update on the Community Environmental Health Resource Center (CEHRC). Has a grant been awarded?

Answer: HUD reviewed an application from the Community Environmental Health Resource Center and on March 8, 2002 awarded a grant for approximately $2.3 million.

Lead

Question: If so, when will CEHRC be making subgrants to community-based and faith-based organizations to build capacity for assessing and controlling health hazards in high-risk housing?

Answer: CEHRC has released a request for proposals and is expected to make sub-grants in the late summer or early fall of 2002 to community-based and faith-based organizations to build capacity for assessing and controlling exposures in high-risk housing.

Mr. Mollohan #23a

Healthy Homes

Question: A series of multimillion-dollar legal awards and consumer concern about mold contamination has the residential construction industry worried.

I understand that HUD has contracted to research this issue – could you tell me about this research?

Answer: HUD has funded research on this issue through grants awarded competitively under the Healthy Homes Initiative. In fiscal year 2000, HUD awarded two grants totaling $4 million to conduct research and demonstration projects of measures to correct mold and moisture problems in inner-city housing in communities where mold exposure was linked to illness and death in infants. Two grants were awarded to study and remediate mold-contaminated housing in the Cleveland and Chicago areas (the awards were made to the Cuyahoga County Department of Development and the State of Illinois Department of Health). Both of the grant recipients are focusing on preventing exposure to toxic molds that have been linked to bleeding lungs in infants and on remediating mold and moisture problems in the homes of asthmatic children. These projects are ongoing.

In fiscal year 2001, HUD subsequently awarded seven Healthy Homes Research grants that are involved either with improving methods to assess mold contamination in housing or with correlating levels of mold to health effects. Current methods for collecting and analyzing environmental samples for mold are costly and time consuming. The development of improved sampling methods could reduce costs and uncertainties associated with both assessing and remediating residential mold contamination.

In addition, in fiscal year 2002, HUD is funding 12 Healthy Homes Demonstration projects, all of which include assessment and control of mold and moisture problems as well as other potential residential health hazards.

Healthy Homes

Question: What is your estimate of the number of houses, apartments and public housing units affected by this problem?

Answer: We are not aware of any current scientifically valid estimate of the number of residences in the U.S. with mold problems. HUD's Healthy Homes Initiative includes characterizing the nature and extent of exposure to mold and moisture in housing. In addition, HUD plans on including questions on the presence of mold and moisture problems in the American Housing Survey, which is administered on a biannual basis.

Mr. Mollohan #24a

Section Eight Management Assessment Program

Question: In a February 2002 report to Congress on public housing authorities (PHAs) designated as "troubled" under the Section Eight Management Assessment Program (SEMAP), HUD identified 237 PHAs as "troubled." This list included 65 PHAs that were designated troubled because the PHA either failed to complete their SEMAP certification or submitted their SEMAP certification late. What are the other reasons a PHA is listed at "troubled?"

Answer: PHAs are listed as "troubled" if they attain a SEMAP score that is less than 60 percent on their overall SEMAP rating that includes separate scores for each of 14 indicators. SEMAP Indicators and Points are as follows:

Indicator		Points
1	Selection from the waiting list	15
2	Reasonable rent	20
3	Determination of adjusted income	20
4	Utility allowance schedule	5
5	Housing Quality Standard (HQS) quality control	5
6	HQS enforcement	10
7	Expanding housing opportunities	5
8	Payment standards	5
9	Annual reexaminations	10
10	Correct tenant rents	5
11	Pre-contract HQS inspections	5
12*	Annual HQS inspections	10
13	Lease-Up	20
14	Family Self-Sufficiency (FSS) enrollment & escrows	10
Total Points:		135

* Please note that at the present time, indicator #12 is not being rated.

- Based on HUD's preliminary scoring of PHAs for the quarters ending December 31, 2000, March 31, 2001, and June 30, 2001, the highest frequency of failure is for indicator 13, Lease-up (80 percent failure).
- A significant percentage of the failures under indicators 9 (35 percent), 10 (47 percent), and 11 (54 percent) were a result of PHA failures to report tenant data through MTCS as required by the SEMAP regulation.
- The percentage of failures on indicators 1 through 6 (ranging from 32 percent to 57 percent) are primarily based on the PHA's self-certification due to the unavailability of other, objective data on which to measure performance in these areas. HUD expects the percentage of failures in these indicators to increase as inaccuracies are identified through independent audit reports and field office management/SEMAP confirmatory reviews.

Section Eight Management Assessment Program

Question: Do you rank these PHAs according to performance?

Answer: Yes, PHAs are ranked according to performance as follows:

Score	Status
90 percent or greater	High Performer
60 percent to 89 percent	Standard Performer
Less than 60 percent	Troubled Performer

Mr. Mollohan #24c

Section Eight Management Assessment Program

Question: Please provide a breakdown of the number of PHAs troubled according to category.

Answer: Using SEMAP, HUD has scored approximately **1,936** PHAs for the fiscal years ending December 31, 2000, March 31, 2001, and June 30, 2001 of which **237** were initially determined troubled.

- This category also included **48** PHAs that failed to submit or submitted a late SEMAP certification. Under the SEMAP regulations, these PHAs are considered troubled.
- **12** PHAs were no longer troubled based on successful appeals or program improvements.
- **11** PHAs should not have been rated under SEMAP because they were not required to report. These include:
  - **3** PHAs transferred their program to another PHA.
  - **3** State Housing providers initially reported on more than one contract number.
  - **2** PHAs which were not required to report concerning their Project-Based Voucher program; and,
  - **3** PHAs operated programs that were less than 1 year.
- Based on the above, it was determined that **166** PHAs of the original 237 PHAs were troubled.

Section Eight Management Assessment Program

Question: How many PHAs are designated "SEMAP near troubled" and how many PHAs are designated "non-troubled PHAs that have significant management deficiencies such as FHEO or OIG concerns?"

Answer: HUD's primary focus during the "start-up" phase of SEMAP has been to concentrate on the troubled PHAs and the corrective strategies that are already in place and being monitored by the field offices. Later, field offices will begin to develop strategies for working with the near-troubled PHAs (those PHAs with scores between 60 percent and 70 percent). Based on the SEMAP regulations, PHAs must correct all zero deficiencies within 45 days of notification and may be required to submit a corrective action plan.

HUD is currently working with one PHA that is non-troubled under SEMAP that has significant management deficiencies stemming from an audit by the Office of Inspector General (OIG). The OIG found that:

- Puerto Rico Public Housing Administration (PRPHA) did not carry out its financial and procurement operations in compliance with HUD regulations. The OIG is also in the process of completing its audit of PRPHA's managing agents.

Federal Housing Administration

Question: It is my understanding that over the past 30 years that only one percent of the $8.4 billion in loan guarantee issued by the FHA 242 program have been made to rural hospitals?

Answer: During the life of the program, we have guaranteed loan amounts totaling $9,159,706,079. Of this total, $509,789,556, or 5.56 percent, were for rural hospitals.

Mr. Mollohan #25b

Federal Housing Administration

Question: Can you give me a breakdown of applications state-by-state?

Answer: We do not keep historical records of the number of applications received. During the life of the HUD Section 242 Insured Loan Program, we have approved applications in 42 states. The latest available data reveals that this office has approved projects for 303 applicants in the U.S. plus six in Puerto Rico. Of these, 52 were for rural projects. Listed below is the number of facilities by state:

FHA SECTION 242 INSURED HOSPITALS

STATE	RURAL	URBAN	TOTAL
AL	1	1	2 Puerto Rico – 6 projects
AR	2	3	5
AZ	1	2	3
CA	1	9	10
CO	0	1	1
CT	0	2	2
FL	1	12	13
ID	3	0	3
IL	2	5	7
IN	0	3	3
KS	0	1	1
KY	2	3	5
LA	0	2	2
MA	1	16	17
MD	0	4	4
ME	1	1	2
MI	5	10	15
MN	0	1	1
MO	3	5	8
MS	1	2	3
MT	2	0	2
NC	0	1	1
NE	0	1	1
NH	1	0	1
NJ	1	26	27
NM	0	1	1
NV	0	1	1
NY	10	88	98

OH	0	3	3
OK	1	4	5
OR	2	3	5
PA	6	12	18
RI	0	1	1
SC	0	2	2
SD	1	2	3
TN	1	0	1
TX	0	10	10
VA	0	3	3
WA	1	4	5
WI	0	5	5
WV	2	1	3
Total	**52**	**251**	**303**

RURAL – 17.2% **URBAN – 82.8%**

No projects in: Alaska, Delaware, Georgia, Hawaii, Iowa, North Dakota, Utah, Vermont, or Wyoming.

Mr. Mollohan #25c

Federal Housing Administration

Question: Can you tell me what percentage of rural applications are approved versus the percentage of urban applications are approved?

Answer: We do not have this information, but we believe the historical approval rates are similar.

Mr. Mollohan #25d

Federal Housing Administration

Question: What are the specific statutory and regulatory obstacles that rural hospitals face in making a successful FHA 242 application?

Answer: Rural hospitals are required to meet the same statutory and regulatory requirements as other applicants. Historically, the obstacles faced by rural hospitals in financing capital projects have been economic, not statutory or regulatory. The basic problem has been that most geographically isolated rural communities have not had the financial resources to construct hospitals or the population base to support them. Most of the hospitals in these communities were constructed with funds provided under the old Hill-Burton Program during the 1950s and 1960s. In the years since initial construction, those hospitals have not had the financial ability to fund their depreciation accounts, so as to provide for future facility modernization or replacement. As a rule, unless a governing unit such as the city or county was willing to guarantee their debt, they have not had access to capital because they did not generate enough income to service debt.

Federal Housing Administration

Question: How can the Department help hospitals overcome those obstacles?

Answer: The Department is prepared to help in the financing of rural hospitals designated as Critical Access Hospitals under the Medicare Rural Hospital Flexibility Program (part of the Balanced Budget Act of 1997). By providing cost-based Medicare reimbursement to these hospitals, the MRHFP makes many of them strong enough credits to be considered for FHA insurance under Section 242. We have developed a streamlined application process for Critical Access Hospitals to reduce the time and expense associated with applying. Also, we have met with mortgage bankers and hospital associations to educate them about how Section 242 can be used to reduce the cost of capital for Critical Access Hospitals. As a result of these efforts, a number of bankers are currently preparing applications for Section 242 mortgage insurance on behalf of Critical Access Hospital clients.

Mr. Mollohan #25f

Federal Housing Administration

Question: I understand that the Department of Housing and Urban Development has a working agreement with the Department of Health and Human Services to target Critical Access Hospitals. Can you tell me more about this?

Answer: Under an interagency agreement, HHS' Health Resources and Services Administration (HRSA) assists HUD in administering the Section 242 program. HHS analysts, acting as an extension of HUD's staff, help HUD underwrite loans, provide architectural and engineering assistance to applicants, and monitor the financial condition of hospitals once they are in the Section 242 loan portfolio. This work is performed for all applicants, including Critical Access Hospitals. Also, HUD's Office of Insured Health Care Facilities maintains a working relationship with the Office of Rural Health Policy in HRSA, which manages the Critical Access Hospital Program.

Mr. Mollohan #26a

Salaries and Expenses

Question: Are the requested workyears for fiscal 2003 fully funded in the fiscal year 2003 budget request?

Answer: Yes, they are fully funded based on OMB instructions, which included a 2.6 percent January pay raise for civilians.

Mr. Mollohan #26b

Salaries and Expenses

Question: Please provide the number of on-board FTEs for September 2000, September 2001, and for March 2002 by budget activity.

Answer: The table below provides the number of non-board FTEs.

	September 2000		September 2001		March 23, 2002	
	On-Board	FTE	On-Board	FTE	On-Board	FTE
Housing	3,336	3,293	3,256	3,261	3,205	1,593
GNMA	63	61	63	66	62	32
Public & Indian Hsg.	1,475	1,438	1,513	1,487	1,499	742
Comm. Plng. & Dev.	813	818	797	784	827	398
Fair Hsng. & Eq. Opp.	605	596	645	635	632	315
Policy Dev. & Research	157	159	145	152	143	71
Dept. Management	129	120	182	146	169	89
Healthy Homes & LHC	25	25	23	22	26	13
Chief Financial Officer	267	248	208	209	206	102
General Counsel	632	578	660	622	649	319
Administration	694	709	704	684	676	336
Field Policy & Mgmt.	895	934	815	857	813	403
Faith-Based & CD Init.	0	0	0	1	2	1
Total, S&E	9,091	8,979	9,011	8,926	8,909	4,414

NOTE: For budget presentation, the Office of the Chief Information Officer is included in the Office of Administration.

Mr. Mollohan #27

Salaries and Expenses

Question: Please provide a breakdown of fiscal year 2001 actuals, fiscal year 2002 estimated, and fiscal year 2003 planned expenditures by object class for each budget activity.

Answer: Please see data below.

	11,12,13	2100	2200	2300	2400	2500	2600	3100	4200	Total
Obligations - FY 2001:										
Housing	$255,038	$3,978	$0	$4	$899	$2,324	$250	$24	$0	$262,517
GNMA	6,207	134	0	0	3	67	11	0	0	6,422
Public & Indian Hsg.	125,322	5,221	0	0	521	1,688	104	0	0	132,856
Comm. Plng. & Dev.	64,376	783	0	0	565	3,197	34	0	0	68,955
Fair Hsng. & Eq. Opp.	50,473	961	0	31	200	1,875	285	0	340	54,165
Policy Dev. & Research	14,900	245	0	0	397	3,439	50	0	0	19,031
Dept. Management	13,479	547	0	32	741	987	148	0	0	15,934
Healthy Homes & LHC	2,131	62	0	0	110	12	3	0	0	2,318
Chief Financial Officer	26,014	268	0	0	101	106,308 a/	102	0	0	132,793
General Counsel	57,387	829	0	0	161	1,765	123	0	891	61,156
Administration	52,927	3,602	167	120,402	1,052	49,535	4,597	5,970	63	238,315
Field Policy & Mgmt.	70,766	1,475	0	0	0	0	0	0	11	72,252
Chief Infor. Officer	760	11	0	0	0	113	14	0	0	898
Faith-Based & CD Init.										
Relocation Account	985	56	356	0	0	138	0	0	0	1,535
	740,765	18,172	523	120,469	4,750	171,448	5,721	5,994	1,305	1,069,147
Est. Obligs. - FY 2002:										
Housing	273,452	4,463	0	4	872	6,202 b/	228	0	0	285,221
GNMA	6,469	131	0	0	3	250	10	0	0	6,863
Public & Indian Hsg.	133,297	7,200 c/	0	0	501	1,946	98	0	0	143,042
Comm. Plng. & Dev.	68,309	811	0	0	545	3,533 d/	29	0	0	73,227
Fair Hsng. & Eq. Opp.	53,902	1,112	0	32	194	1,957	257	0	1	57,455
Policy Dev. & Research	14,321	274	0	0	387	3,442	54	0	0	18,478
Dept. Management	16,293	870	0	32	717	1,833	147	0	0	19,892
Healthy Homes & LHC	2,292	96	0	0	110	25	3	0	0	2,526
Chief Financial Officer	27,520	317	0	7	114	88,735 a/	107	0	0	116,800
General Counsel	62,133	1,763	0	0	161	1,988	121	0	152	66,318
Administration	63,886	4,772	105	119,352	1,036	38,655	3,826	582	11	232,225
Field Policy & Mgmt.	72,696	1,193	0	0	3	0	5	0	0	73,897
Chief Infor. Officer	870	25	0	0	1	75	14	0	0	985
Faith-Based & CD Init.	787	200	0	0	0	1,500	33	0	0	2,520
Relocation Account	2,500	281	265	0	0	231	0	0	0	3,277
	798,727	23,508	370	119,427	4,644	150,372	4,932	582	164	1,102,726

	11,12,13	2100	2200	2300	2400	2500		2600	3100	4200	Total
Planned Expend.-FY 2003:											
Housing	291,257	4,463	0	4	872	4,915		228	0	0	301,739
GNMA	6,728	131	0	0	3	250		10	0	0	7,122
Public & Indian Hsg.	147,329	9,200	0	0	501	4,646		98	0	0	161,774
Comm. Plng. & Dev.	78,001	811	0	0	545	3,199		29	0	0	82,585
Fair Hsng. & Eq. Opp.	59,538	1,112	0	32	194	1,958		257	0	0	63,091
Policy Dev. & Research	14,894	274	0	0	387	3,442		54	0	0	19,051
Dept. Management	16,945	870	0	32	717	1,833		147	0	0	20,544
Healthy Homes & LHC	2,384	96	0	0	110	25		3	0	0	2,618
Chief Financial Officer	29,356	317	0	7	114	14,235	a/	107	0	0	44,136
General Counsel	64,618	1,763	0	0	161	2,488		121	0	153	69,304
Administration	66,321	4,772	105	125,454	1,037	39,010		3,840	582	11	241,132
Field Policy & Mgmt.	49,504	1,193	0	0	3	0		5	0	0	50,705
Faith-Based & CD Init.	818	200	0	0	0	1,500		33	0	0	2,551
Relocation Account	3,000	306	265	0	0	306		0	0	0	3,877
	830,693	25,508	370	125,529	4,644	77,807		4,932	582	164	1,070,229

NOTE: Chief Information Officer will be transferred to the WCF in 2003.

a/ CFO includes ADP Services: $103K in 2001; $85K in 2002; and $10.5K in 2003

b/ Housing includes $350K from Interstate Land Sales and $850K from Manufactured Housing Fees

c/ PIH includes $3.9K for technical assistance travel.

d/ CPD includes $300K from Revolving Fund for Liquidating Programs and $34K from Section 805.

Mr. DeLay #1a

Ginny Choice

Question: Legislation has been introduced in both the House and Senate (HR 3206 and S 1620) that would expand the GNMA's mortgage security operations into the private conventional mortgage market. In other words, this proposal, commonly known as "Ginny Choice," extends the government guarantee (and liability) into the conventional mortgage market.

There is an OMB Circular, A-76, that sets forth a process for defining the commercial activities of government operations. The circular is used primarily to open government activities to private competition. This proposal essentially reverses the principles set forth in A-76, by allowing the government to compete (after giving them a competitive advantage) with the private sector.

Do you believe the GNMA and the FHA should be allowed to compete in these markets?

Answer: The Department has not taken a position on this issue.

Mr. DeLay #1b

Ginny Choice

Question: Has the Department discovered a "public need" that the private sector is incapable of serving?

Answer: Ginnie Mae has not made such a determination.

Mr. DeLay #2a

Ginny Choice

Question: Essentially, this proposal would place losses on the government's shoulders for any defaults not covered by private mortgage insurance. In other words, under this proposal, the taxpayer assumes default risks that, under our existing system, are absorbed by private capital that is provided through our country's housing finance system.

Would the Department be inclined to support such a proposal?

Answer: The Department has not taken a position on this proposal.

Ginny Choice

Question: Has the Administration spent any time studying the ramifications of such a proposal?

Answer: No studies have been performed. The Department has not taken a position on this proposal.

Funding for Historically Black Colleges and Universities

Question: Since 1995, Central State University has been awarded over $900,000 in CDBG funds, of which they are using 250,000 to fund the Community Development Corporation that is working on developing the Speedway Project.

Mr. Secretary, your budget request includes $10 million in Community Development Block Grants (CDBG) funds for Historically Black Colleges and Universities (HBCU) for things like community revitalization, housing, and economic development.

In my district, some of this funding is being used to develop a community development corporation that will partner with two HBCUs, Wilberforce and Central State, with local companies to establish co-op and training programs for its students. One of the first projects is in collaboration with Speedway/SuperAmerica.

Central State has had its share of financial troubles, and unfortunately they are one of the HUD grant recipients who've had some trouble spending their funding in a timely fashion. We've resolved the problems and it is my understanding that they are on track to spend out their balance by the end of this fiscal year.

While Central State is back on track, are their steps that HUD could take to help universities better utilizing this money?

Answer: HUD has taken the following steps to assure proper utilization of funds by HBCUs:

1. Extended the period of performance to 3 years. This should eliminate the need for the number of extensions requested due to delay in start up of projects. It should also provide HUD with sufficient time to evaluate progress and if necessary recapture unexpended funds.

2. Established a new program requirement for the fiscal year 2002 HBCU competition:

   Institutional Eligibility: Institutions that have two or more active/open grants, and have drawn down less than 50 percent of the grant funds prior to the date of application submission (June 20, 2002) will be considered ineligible for funding in the fiscal year 2002 competition.

   This action requires HBCUs to complete projects approved under previous grants in a timely manner prior to applying for additional funding for new activities.

3. HUD is also taking a hard look at past performance of HBCUs. The extent to which they have performed successfully under previous and current HBCU grants will be evaluated. Past performance will be measured by:

   a. The HBCUs achievement of specific measurable outcome objectives.
   b. Leveraging of funds from other resources.

Mr. Hobson #2a

Self-Help Homeownership Opportunity Program

Question: The Self Help Homeownership Opportunity Program (SHOP) program goes to self help housing groups to buy land, update infrastructure, and cover administrative costs. In his graduation speech at Notre Dame on May 20th, the President announced his intention to triple the funding for this program. The fiscal year 2002 funding level was $22 million. This year, HUD is requesting $65 million to provide to non-profit housing organizations. HUD estimates this will produce approximately 8,000 units of housing for low- and very low-income areas.

Mr. Secretary, I want to thank you for the work you are doing over at HUD. Specifically, I'd like to talk about the successful SHOP grants program. In Fayette County, Ohio, which is in my district, the Fayette Community Action Commission (CAC) has been the recipient of over $800,000 in SHOP funding. Fayette CAC has in turn acquired over 100 parcels of land that have or will become affordable single-family homes for families in Fayette County.

For a county of about 28,000 people, this makes a significant dent in the need for quality housing in a growing rural area.

I am pleased that HUD has tripled its request for SHOP grants in the fiscal year 2003 Budget.

How do you plan to distribute this increased funding?

Answer: As in previous years, HUD will allocate funds to national and regional organizations through a competitive process in a manner that ensures a fair geographic distribution of funds on a national basis.

Cumulative funding for fiscal years 1999 through 2002 will produce approximately 8,000 new housing units. HUD estimates that approximately 5,200 units will be produced from the funding requested for fiscal year 2003. This is based upon an average investment of $10,000 per unit, and SHOP grantees being permitted to use up to 20 percent of their grant amounts for administrative costs.

Self-Help Homeownership Opportunity Program

Question: Will this increase the number of overall SHOP grant recipients?

Answer: HUD will assess the capacity of currently eligible applicants (regional and national organizations) to absorb the increased funding. The SHOP statute states that eligible applicants are national and regional nonprofit organizations and consortia. HUD has interpreted a "regional" nonprofit or consortium to be an entity serving at least two states. If HUD determines that it is necessary and appropriate, it will consider altering the definition of regional organization to a smaller scope of service to broaden the potential applicant pool. If this occurs, there will be a substantial increase in the number of applicants.

Self Help Homeownership Opportunity Program

Question: Should Congress fulfill this request, what is your plan to distribute this funding evenly?

Answer: It is possible that the pool of currently eligible applicants could absorb a tripling of the SHOP funding. However, as noted, the Department will consider revising its definition of eligible regional applicants to permit more organizations to apply, if appropriate. Also, HUD has received requests from the two largest grantees to increase the SHOP maximum limit from $10,000 to $15,000 per unit due to increases in land costs in higher cost areas of the country. These requests are under consideration.

Applicants that receive a rating of 70 or more will be eligible for selection. HUD considers rank order and fund availability in the selection and funding of applications. To ensure a fair distribution of the funds to all eligible applicants, and to ensure that dwellings will be developed on a national geographically diverse basis, HUD may fund less than the amount requested by an applicant.

Oversight and Technical Support for Public Housing Authorities

Question: For the past couple of years, I've talked to you and your predecessor about the problem one city in my district encountered with its public housing authority and the governing board.

In 1998, HUD's Inspector General uncovered that the Springfield (Ohio) Metropolitan Housing Authority sent over $25,000 to non-existent companies for building materials, spent over $2,000 on expenses not related to agency functions, and lost at least $195,000 in income over 17 months due to delays in repairing and renting vacant apartments. Ultimately, this housing authority was identified as "troubled" and HUD sent in some specialists to get it back on track.

The problem was that no one, not even HUD, had any authority to remove the board members who obviously didn't do their job.

What role might HUD play in studying the "best practices" for Housing Authority Boards, especially regarding financial oversight?

Answer: PHAs are entities created under State enabling legislation and the selection or appointment of Commissioners to the Board of a PHA is usually a matter for the local governing body, such as the mayor, to decide. With the ability to appoint, comes the responsibility to ensure that the members have an understanding of their role in providing oversight, including financial oversight, to the PHA. HUD does have the ability to sanction or reprimand an entire Board and may debar or issue a limited denial of participation to a particular Board member. A Board may be removed if HUD takes possession of a PHA. Sanctions, suspensions, debarments, or removals are actions usually taken when the PHA has already exhibited signs of trouble. The best practice is one that starts with the appointment process and the selection of interested and qualified persons to Boards. This should be followed with on-going learning opportunities after appointment, both formal and informal. Commissioner training is an eligible expenditure for PHAs.

Mr. Hobson #4a

Faith Based Initiatives

Question: Mr. Secretary, I want to thank Steve Wagner, who runs your office of Faith Based initiatives, for meeting with Ms. Karen Olsen, the Executive Director of the National Interfaith Hospitality Network (NIHN).

Karen, whose organization is headquartered in New Jersey, has developed a faith-based initiative to provide shelter for the homeless through community churches, synagogues, and mosques. Called the National Interfaith Hospitality Network, it is a community-based solution to provide temporary shelter for homeless families.

Steve provided a number of avenues for NIHN to receive technical assistance and support from HUD and HHS, and I think it will be put to good use.

Can you tell us how HUD is integrating other faith-based initiatives into its mission?

Answer: The HUD Center for Faith-Based and Community Initiatives is committed to facilitating the participation of faith-based and other grassroots community organizations in the mission of HUD. The Center has identified four especially promising areas for such partnerships:

1. The prevention and treatment of homelessness;
2. The provisions of services (including training, counseling, mentoring) to the residents of public housing;
3. The preparation of families and individuals for homeownership through counseling in the mortgage application process
4. The creation of affordable housing.

The Center has been facilitiating partnerships between HUD and faith-based and other grassroots community organizations by removing barriers to their participation, by publicizing grant opportunties at HUD, and by designing new vehicles for the delivery of technical assistance to promising organizations. This later activity is still in its infancy, however.

HUD is seeking to facilitate, as well, partnerships between faith-based and other grassroots community organizations and public housing agencies; and between faith-based and other grassroots community organizations and local community development agencies. Because of the magnitude of grants awarded by these agencies, this initiative represents an area of great potential.

Mr. Hobson #4b

Faith-Based Initiatives

Question: As a follow-up, do you know how many faith based organizations are current recipients of HUD funding?

Answer: In only one area of HUD grants--the Continuun of Care program of support for homeless assistance--are applicants asked to self-identify as faith-based. sixteen percent of fiscal year 2001 grantees so identified themselves.

We also know anecdotally that our Section 202 (elderly) and 811 (disabled) housing programs are widely utilized by faith-based organizations. Further, we know that a majority of the SHOP grants (which support the construction of new affordable housing) are awarded to faith-based organizations.

Mr. Hobson #5

FHA Downpayment Simplification

Question: Mr. Secretary, the FHA Down payment Simplification program makes FHA loans easier to understand and more affordable for homebuyers. This program has been extended twice since its inception as a pilot program, and it will again expire at the end of this year.

While this is an authorizing issue, this committee is often forced to deal with such legislative proposals. Do you support the legislative proposals to make the FHA down payment simplification formula permanent?

Answer: The Department supports permanent extension of the FHA downpayment simplification procedure. This has been a popular and successful program improvement. As you know, section 221 of HR 3995 contains the Authorizing Committee's proposal in this regard. HUD supports a permanent extension. The Department has not yet taken a position on the specific language of that proposed legislation.

Mr. Knollenberg #1

Community Development Corporations in DC

Question: The Washington Post recently reported on an investigation they did on Community Development Corporations (CDCs) in the District. The Post found these nonprofit CDCs took in more than $100 million in taxpayer dollars over the past decade for revitalization projects and have little to show for it.

Why did it take so long for HUD to notice money was being misspent? How does HUD monitor these programs? (i.e., frequency, staff assigned, written evaluations, etc?)

Answer: In June 2000, the HUD Field Office began advising the District of Columbia of problems with CDCs. In fact, over the last three years, the HUD Field Office has monitored the District three times more than any of the grantees in that Office's jurisdiction. In our monitoring of the District of Columbia, HUD reviewed systemic program and financial management issues that cut across all of the city's HUD-funded programs and recommended changes to improve accountability and standards in the city's programs.

HUD and all interested parties have a great interest in meeting the acknowledged large unmet housing needs that exist in the District of Columbia and in similar neighborhoods through the Nation. Local CDC's have a strong record of accomplishment in many places and are the backbone of a large part of the successful HOME program as well as a vital component of the President's Faith Based and Community Partnership Initiative. In this instance we have suspended the effort as a result of the negative performance.

Mr. Knollenberg #2a

Community Development Corporations in DC

Question: Have you seen problems in other jurisdictions with respect to keeping Community Development Corporation recipients productive and accountable for progress on their proposals?

Answer: HUD continues to monitor over 1000 grantees using a risk analysis of each grantee's activities. In fact, during fiscal year 2001, HUD monitored over 1400 CDBG activities, including 162 CDBG-funded subrecipient activities. However, that data does not have details specifically related to CDCs. These reviews have not specifically identified similar problems in other jurisdictions.

Community Development Corporations in DC

Question: If so, how has HUD addressed problems in those other jurisdictions?

Answer: If grantees carry out ineligible activities, HUD advises the grantee to implement procedures to correct any deficiencies. If a grantee refuses to correct a deficiency, the Department can begin a process that can ultimately result in reducing the grantee's future awards.

Mr. Knollenberg #3

Community Development Corporations in DC

Question: Does HUD offer technical assistance to State agencies or municipal agencies with respect to recipient accountability, audit and general oversight of CDC recipients? Does any HUD program offer technical assistance directly to CDCs that would assist them in setting objectives and putting programs to work?

Answer: Grantees may use up to 20 percent of their CDBG award for administration and planning, which may include paying for technical assistance to train staff or help organizations such as CDCs build capacity to carry out eligible CDBG activities. In addition to encouraging grantees to develop local capacity, the Department published a series of Subrecipient Management manuals to help grantees develop administrative systems and financial controls within their sub-recipient programs.

HUD also offers technical assistance through its CDBG Technical Assistance program that provides funds competitively to fund technical assistance services and products, such as publications, training materials, peer learning, seminars, workshops, and training sessions that enhance the ability of CDBG recipients to meet national and local CDBG program objectives. Although there have been limited technical assistance funds in the budget since fiscal year 1999, the Department's fiscal year 2003 budget request includes funds for technical assistance so that we can provide such assistance, including addressing problems with CDCs.

Community Development Corporations in DC

Question: Where annual grants are being disbursed, I would imagine there is always a risk that agency staff most directly in touch with a recipient Community Development Corporation (CDC) could develop relationships wherein the staff have a vested or an emotional interest in the continued funding of a community organization. Does HUD offer technical assistance or advice to States or municipalities with regard to training of employees involved in Community Development Block Grants (CDBGs) or other grants?

Answer: The CDBG program provides that employees and sub-recipients who exercise any functions related to CDBG, or are involved in the decision-making process for CDBG activities, are prohibited from receiving a financial benefit from a CDBG-assisted activity. All grantees are required to ensure that their subrecipients also adhere to these provisions.

As noted, the Department provides technical assistance as it relates to the CDBG program and its requirements, including the provisions on ethical conduct and conflict of interest. The fiscal year 2003 Budget includes a request of $3 million for CDBG Technical Assistance if approved this would be the first time since 1999 that such funds have been provided.

Ms. Northup #1a

Capital Improvements to Low-Income Elderly Housing

Question: Mr. Secretary, I want to thank you for your work to provide affordable housing to America's elderly population. Your budget reflects this commitment by providing $1.02 billion in the Housing for Special Populations account - which includes special housing programs for the low-income elderly.

I have an interest in two programs that serve low-income seniors in Louisville - Section 236 and Section 202.

It is my understanding that both of these programs were discontinued years ago. However, the facilities remain and continue to provide affordable housing to hundreds of low-income seniors.

Over the years, HUD and Congress have worked to ensure that these facilities were protected - even though the original programs were eliminated.

As time passes, renovations and improvements to the infrastructure are necessary.

Does your budget contain specific funding to make capital improvements at these facilities?

Answer: While the Department has not requested a specific appropriation for capital improvements of these facilities, Section 202 projects are required to set aside funds in a Reserve for Replacement account as well as a Residual Receipts account (for most projects). Project owners can request approval from HUD to use these funds to make capital improvements. Section 202 projects, as well as other non-profit owned elderly projects, are currently permitted to mark-up-to-market the Section 8 rents to cover the cost of capital improvements.

The Department also has been in discussions with OMB on the availability and appropriate use of interest reduction payments under Section 236(s) of the National Housing Act. This law permits the pooling of funds from interest reduction payment contracts that have been recaptured upon the prepayment or termination of Section 236 mortgages, and reuse of these funds for rehabilitation grants to other assisted housing developments. Among the issues we have to consider are the universe of eligible projects, the possible need for rulemaking and Notice of Funding Availability competition, and the requirement that the spend-out rate of the funds be no higher than if the funds had not been recaptured. HUD will advise the Committee as soon as possible on next steps once we have completed our discussions with OMB.

Ms. Northup #1b

Capital Improvements to Low-Income Elderly Housing

Question: What is the department doing to ensure that facilities built under obsolete programs have sufficient funds to make capital improvements?

Answer: Section 202 projects are required to set aside funds in a Reserve for Replacement account as well as a Residual Receipts account (for most projects). Project owners can request approval from HUD to use these funds to make capital improvements. Section 202 projects, as well as other non-profit owned elderly projects, are currently permitted to mark-up-to-market the Section 8 rents to cover the cost of capital improvements.

Ms. Northup #1c

Capital Improvements to Low-Income Elderly Housing

Question: Are there any funds to upgrade facilities that provide superior programs for their residents and cover basic upkeep of the facility but need a one-time specific upgrade that is too expensive to be absorbed by basic rental income?

Answer: The Assisted Living Conversion Program provides grant funds to convert units in Federally assisted projects (Section 202, Section 236, Section 221(d)(3) BMIR, project-based Section 8) to assisted living units. These converted units would accommodate the frail residents who have aged in place and the cost to convert would have been too expensive to be absorbed by basic rental income. In addition, as noted above, Section 202 projects, as well as other non-profit owned elderly projects, are currently permitted to mark-up-to-market the Section 8 rents to cover the cost of capital improvements.

Ms. Northup #2a

HOPE VI – Homeowner Mix

Question: Mr. Secretary, thank you for your continued commitment to the HOPE VI program. This program is helping urban communities to "start over" by eliminating the worst of public housing - and replacing it with new structures.

I am very proud of Louisville's HOPE VI project - Park DuValle. This project continues to be a success story in my city. It has given hundreds of families a fresh start to live in a new home and in a new neighborhood.

Your budget request for $574 million continues the commitment to HOPE VI. Furthermore, I look forward to forthcoming legislation to re-authorize this critical housing program - maybe in forthcoming weeks.

One of the essential elements of this project is the income mix of new homeowners. HOPE VI's design attracts a wide range of homeowners - from doctors and lawyers to former residents of public housing.

This mix, coupled with the new structures, creates a vibrant, new community for all to enjoy.

Maintaining this income-level mix is critical as HOPE VI moves forward.

Please describe the incentives that are provided for these first-time home buyers.

Answer: The HOPE VI program provides multiple incentives to first-time homebuyers. For example:

- Homeownership Counseling—Counselors provide guidance and advice to help families and individuals improve their housing conditions and meet the responsibilities and tenancy of homeownership. They may work one-on-one with individuals or provide homebuyer education classes to groups. Topics cover all steps from pre-purchase to post-occupancy.

- Construction Write-down—Public housing funds can be used in cases where there is a gap between the cost of new construction and the initial appraised value of the home. The write down of housing authority land has also been an effective incentive in lowering the cost of the home to a first time homebuyer.

- Second Mortgages—The purpose of the second mortgage is to make the house affordable to low-to-moderate income households. Housing authorities often offer additional financing to cover the difference between a home's purchase price and the maximum mortgage for which a buyer qualifies. Each housing authority sets the parameters for repayment based on local objectives.

- Down Payment and Closing Costs Assistance—Banks establish the size of the down payment and closing costs typically add to the upfront cost of buying a home. Many housing authorities take advantage of down payment assistance available through HOME or other local programs to help buyers who could not otherwise afford the down payment and closing costs.

Indirectly, several of the revitalized communities have homeowner associations. These associations often maintain the common areas of a development and thus help a first-time homebuyer balance the responsibilities of homeownership.

Ms. Northup #2b

HOPE VI – Homeowner Mix

Question: Have you seen any evidence indicating that HOPE VI programs are having trouble attracting the appropriate mix of home buyers?

Answer: Early indications show that Park DuValle and other HOPE VI sites have been able to attract a mix of incomes. When housing authorities put together a homeownership plan, they have specific programmatic objectives in mind. Sometimes they want their homeownership units to attract higher income families in order to stabilize the neighborhood. Alternatively, a housing authority may want to provide former public housing residents with more housing choices so they may remain in the neighborhood. We found that housing authorities determine the income mix that best suits their revitalization goals. The formulation and implementation of a homeownership plan is done in conjunction with a market analysis that demonstrates the feasibility of the sales program proposed.

Ms. Northup #2c

HOPE VI – Homeowner Mix

Question: Have changes to HOPE VI been made that have reduced the flexibility of the HOPE VI program? If so, why were these changes made?

Answer: In 1999 the QHWRA incorporated the HOPE VI program into the 1937 Housing Act. This limited homeownership activities to those that targeted families eligible for public housing; that is those families whose incomes are at or below 80 percent of area median income (AMI). Prior to this change, PHAs could include a percentage of buyers up to 115 percent of AMI in their Homeownership Plans.

The HOPE VI program encourages innovative solutions that expand homeownership opportunities. Programmatic issues aimed at improving the effectiveness and optimizing the utilization of public funding resources are under review. For example, a homebuyer is now typically required to maximize the amount of the first mortgage obtained, thereby minimizing HUD funding of a second mortgage. The new Section 32 homeownership program will add flexibility by permitting public housing authorities to provide financial assistance using Capital Funds, and allowing housing authorities to acquire housing units for re-sale to low-income families. It also allows low-income families to provide a down payment of 1 percent of the purchase price of the home.

Ms. Northup #2d

HOPE VI – Homeowner Mix

Question: Without past flexibility would you expect the HOPE VI programs to be less successful?

Answer: While there have been many HOPE VI successes, HUD recognizes that less than $1.7 billion out of over $4 billion in grants awarded have been spent. It is unusual for some awardees to take up to 10 years to complete their programs. HUD believes that implementation with a stronger emphasis on timely completion and project readiness is essential to long term success of the HOPE VI program.

Ms. Northup #2e

HOPE VI – Homeowner Mix

Question:- Would you want to recommend any legislative changes to HOPE VI?

Answer: The Department intends to make administrative adjustments in the Notice of Funding Availability (NOFA) for fiscal year 2002. A report is also due to Congress by June 15, 2002. In implementation we believe that principals related to project readiness and fair access to the program by all sectors of the country, among others, need to be addressed.

Ms. Northup #3a

Homeless – Continuum of Care – Use of Funds for Grant Preparation

Question: Mr. Secretary, thank you for your work to provide shelter and assistance to America's homeless. We must do all we can to help those that are without a home.

We can help those in need by bringing more focus to federal homeless programs. As you know a wide variety of programs to help the homeless exist in several federal agencies - everywhere from FEMA to USDA. I applaud your proposal to consolidate some of these programs. Furthermore, *The New York Times* last week called your approach "smart and compassionate".

While looking at these programs, I've come across a specific problem that impacts homeless services in Louisville.

A small, local non-profit group - The Coalition for the Homeless - assembles the Continuum of Care plan that serves all of Louisville. This group works non-stop throughout the year implementing the plan, assessing the emerging need and helping to grow the services that are missing.

The groups and organizations that carry out homeless services in Louisville recently agreed to share 1 percent of their grants with the Coalition. The 1 percent agreement was designed to help the Coalition to defray the cost of their ongoing work to develop the Continuum.

Unfortunately, this 1 percent provision has not been approved by HUD. They could receive up to 5 percent if any and only if they become the "convening" agency thereby assuming legal responsibility for each of the members of the coalition. This seems arbitrary and inflexible. Furthermore, it is my understanding that other communities in the U.S. have experienced this same problem.

Why is not permissible for these non-profits to voluntarily use a small amount for administrative services?

Answer: The entity that prepares the Continuum of Care (CoC) plan for a community is usually the convener of the process. There currently are no legislative provisions that would allow for the funding of administrative services carried out by conveners of the CoC. Since most conveners receive funds from other sources to carry out their principal functions, the development of a CoC plan is a small part of the day-to-day operations of the agency/entity preparing the plan.

Although the CoC is the approach used to address homelessness through a national competition, funds are awarded through the McKinney-Vento Homeless Assistance Act. Under the McKinney-Vento Act, provision is made for administrative funds in Supportive Housing Program (SHP) grants. Up to 5 percent of SHP funds can be used for the purpose of paying for costs of administering the SHP grant. Administrative costs are those costs associated with

accounting for the use of supportive housing funds and include preparing reports (e.g., Annual Progress Report) for submission to HUD, obtaining program audits, staff time spent on reviewing/verifying payment invoices and the draw down of funds from HUD's automated Letter of Credit System.

The other McKinney-Vento program that allows the use of administrative costs is the Shelter Plus Care Program. Although there are no statutory requirements regarding the use of administrative costs in the Shelter Plus Care (SPC) program, the program regulations allow up to 8 percent of the SPC assistance to be spent on costs associated with administering the rental housing assistance. Activities that can be paid for using SPC administrative funds include: the processing of rental payment to landlords, inspection of leased units for compliance with HUD's housing quality standards, the examination of the incomes of participants, and the process used to accept participants in the program.

Ms. Northup #3b

Homeless – Continuum of Care – Use of Funds for Grant Preparation

Question: Do you have any plans to provide relief to those drafting the Continuum of Care?

Answer: While HUD has no immediate plans specific to providing financial relief to those drafting the Continuum of Care (CoC), the Department does provide technical assistance funding in support of McKinney-Vento programs. Each CoC is eligible to receive technical assistance in developing and administering a CoC planning strategy. Such technical assistance could be used for items such as: helping the COC increase its level of expertise, improve financial management, planning or fundraising, or similar administrative activities. (The technical assistance itself may not pay administrative costs.) Currently, the McKinney-Vento Homeless Assistance Act allows grantees to use up to 5 percent of administrative funds for the purpose of paying for the cost to administer the SHP grant. Because the Act allows only project-specific administrative costs, new legislation would be necessary to allow funding relief for the conveners of the CoC.

Ms. Northup #3c

Homeless – Continuum of Care – Use of Funds for Grant Preparation

Question: Would it take a change in the law to allow these organizations to voluntarily contribute 1 percent of their grants to the Coalition for the oversight of grants?

Answer: The McKinney-Vento Homeless Assistance Act allows grantees to use up to 5 percent of administrative funds for the purpose of paying for the cost to administer the SHP grant. Because the Act allows only project-specific administrative costs, new legislation would be necessary to allow funding relief for the conveners of the CoC.

Ms. Northup #3d

Homeless – Continuum of Care – Use of Funds for Grant Preparation

Question: Is the department striking the right balance between housing and services for the homeless?

Answer: Significant resources are needed to address the various housing and supportive service needs of homeless persons nationwide. For a number of years, over half of all of HUD's competitive homeless assistance funds were used to provide supportive services. Unfortunately, even with the current level of funding of $1.12 billion for fiscal year 2002, HUD cannot fully address the various needs of homeless persons and families. Furthermore, Congress appropriates several *hundred billion* dollars each year for mainstream assistance programs, such as Medicaid, TANF (Temporary Assistance to Needy Families), Food Stamps and SSI. Homeless persons are typically eligible for one or more of these major assistance programs, which can provide many of the services that are currently funded by HUD's SHP.

HUD has increased its emphasis on the use of mainstream assistance programs and resources. As providers assist homeless persons in identifying and successfully accessing these mainstream programs, the need to use HUD homeless resources to provide supportive services will decline, allowing HUD's funds to be increasingly used to develop more needed housing. Lastly, as providers and grantees are rewarded for their efforts, the dependence on HUD funds for services will be supplanted with a more balanced use of a variety of resources to address the needs of homeless people.

Mr. Aderholt #1a

Manufactured Housing

Question: As you are aware, the issue of manufactured housing is a key issue for the district in Alabama which I represent. Can you tell me what the current status is of nominating a new Deputy Assistant Secretary for Manufactured Housing? What is your estimated timeline to get that person in place?

Answer: The Department has selected a candidate and will announce the selection in the immediate future.

Mr. Aderholt #1

Manufactured Housing

Question: As you are aware, the issue of manufactured housing is a key issue for the district in Alabama which I represent. Can you tell me what the current status is of nominating a new Deputy Assistant Secretary for Manufactured Housing? What is your estimated timeline to get that person in place?

Answer: The Department has selected a candidate and will announce the selection in the immediate future.

Mr. Aderholt #2a

American Dream Downpayment Fund

Question: One of the largest increases in your budget for fiscal year 2003 is for the American Dream Downpayment Fund. As your testimony reflects, the $200 million request is 4 times what we funded last year. I recognize that this is a top priority for the President and for HUD, but this is quite a large increase to implement in one year. How many people did the fiscal year 2002 funds help, or do you anticipate helping?

Answer: Following passage of authorizing legislation, which has been introduced as HR 4446, it is anticipated that the fiscal year 2002 appropriation of $50 million will assist 10,000 first-time homebuyers, at an average of $5,000 per family. With a proposed funding level of $200 million for fiscal year 2003, it is our goal to assist 40,000 families.

Mr. Aderholt #2b

American Dream Downpayment Fund

Question: Can you tell us if the full-appropriated amount from fiscal year 2002 has been expended already?

Answer: By the terms of the fiscal year 2002 Appropriations Act, the Department must submit authorizing legislation and such legislation be enacted by June 30, 2002. The legislation was introduced as H.R. 4446, the week of April 15th by Representative Mike Rogers.

American Dream Downpayment Fund

Question: If so, do you anticipate that many of the people who applied for this funding will be turned down this year because of a lack of funds?

Answer: Currently, 25 percent of HOME funds are used to assist new homebuyers. Since these funds will be added to the HOME Program allocation, it is anticipated that participating jurisdictions will be able to help even more families to buy homes and that both the need for and capacity to this initiative exists.

Mr. Aderholt #3

FHA and GNMA Expansion

Question: Before FHA and GNMA embrace an expansion of their government programs, I would hope that a demonstrated need could be found. Do you have any empirical data that indicates a need for such a proposal?

Answer: The Department has not taken any position on the proposed Ginnie Mae Choice program.

Mr. Aderholt #4a

Secondary Mortgage Market

Question: One could argue that the "conventional" portion of the secondary mortgage market is dramatically different than the one in which GNMA currently operates. Do you believe that HUD has the infrastructure, expertise in credit risk management, knowledge of risk pricing, or supervisory capacity to handle such a proposal?

Answer: The Department has not taken any position on the proposed Ginnie Mae Choice program and therefore, no analysis has been conducted by the Department.

Mr. Aderholt #4b

GNMA/FHA Expansion

Question: Would additional FTE's be needed to handle an expansion of the GNMA/FHA mission?

Answer: The Department has not taken a position on the expansion of GNMA/FHA, therefore, no analysis has been done for FTEs.

Ms. Kaptur #1

Public Housing/Credit Unions

Question: Please provide me with a number and description of all public housing authorities.

Answer: See attachment.

ROSS Grantee Credit Union Activities

Grantee Name	Year	Grant Amount	Grant ID
Starkville Housing Authority	1999	$75,000	MS99RSF047P0090
Paterson Housing Authority	1999	$250,000	NJ99RSF021P0104
Philadelphia Housing Authority	1999	$500,000	PA99RSF002P0149
Spokane Housing Authority	1999	$75,000	WA99RSF055P0186
Bremerton Housing Authority	1999	$74,185	WA99RSF003P0181
Vecindario de Esperanza Resident Association	1999	$68,372	NM99RSF007P0112
Hampton Redevelopment and Housing Authority	1999	$75,000	VA99RSF017P0174

Bremerton Housing Authority

The Bremerton Housing Authority is currently providing on-site credit union services to 75 public housing residents and their teenaged children. ROSS-sponsored services include credit services, financial management and budget counseling, and homeownership education. In addition, residents are encouraged to use the credit union to open individual development accounts (IDA). The Housing Authority reports residents note feeling more comfortable using the services of a financial institution, many for the first-time. Local partnerships are noted as the Housing Authority's keys to success.

Philadelphia Housing Authority

The Philadelphia Housing Authority has noted a significant decline of banking services in lower-income neighborhoods throughout the city. In response, the Housing Authority is using its ROSS grant to establish a community-based credit union, among other activities. To date, the Housing Authority reports the development and release of a request for proposals (RFP) to select a financial consultant to develop a strategy for establishing the credit union. When fully realized, the Housing Authority anticipates working with the consultant and residents to secure any needed start-up funding, space and marketing services.

The Paterson Housing Authority

The Paterson Housing Authority is using its ROSS grant to provide job readiness, life skills and substance abuse counseling to both adult and youth residents. In partnership with an area credit union, the Housing Authority provides financial planning workshops, budgeting support, and homeownership counseling. The goal of these services is to increase residents' money management skills, their likelihood of successful homeownership, and to have them become and use the credit union's banking services.

Vecindario de Esperanza Resident Association

The Vecindario de Esperanza Resident Association is working to use its ROSS grant to hire a program manager to develop a credit union. The area small business development center will provide business development training and help the Association develop a business and marketing plan. Other partners include the local housing authority, colleges, and other businesses.

Starkville Housing Authority

The Starkville Housing Authority is working with the Mississippi Credit Union Association to establish rules and regulations for a resident credit union. Another partner, The Afro-American Cultural Society, will provide childcare services and training to individuals who participate in the development of the credit union.

Hampton Redevelopment and Housing Authority

The Hampton Redevelopment and Housing Authority is establishing a credit union for public housing residents. The grantee faced initially barriers when implementing the credit union on its own, so it established partners and lines of communication with other credit unions in the area. Currently, the grantee has a verbal agreement with one credit union, that, when fully realized would provide homeownership training, budgeting counseling, and micro-enterprise development training.

Spokane Housing Authority

The Spokane Housing Authority is delivering a variety of financial management related services to improve the lives of public housing residents. For example, residents can receive consumer credit counseling, money management training, loans and individual development accounts (IDAs), and homeownership counseling and first-time homebuyers seminars. To date, 10 families have established IDAs, and 24 families have established sufficient credit histories to have loans.

Ms. Kaptur #2a

Homeownership

Question: Please reply about HUD's programs and also provide insight on GNMA and FNMA and FreddieMac activities regarding to what extent the definition of "homeownership" today reflects a substantially changed relationship between mortgage equity and debt (for "homeowners,") compared to former generations.

Answer: Today homeownership is available to a much broader spectrum of American households than just following the World War II. With various changes in the National Housing Act (e.g. that lowered down payments on FHA-insured loans), the expansion of the Veterans Administration guarantee program, the development of private mortgage insurance, and the growth of secondary market financing (i.e., Mortgage Backed Securities), it has become much easier to secure financing for homeownership. No longer is it necessary to have a 20 percent down payment in order to finance a home. Furthermore, during the 1990s, improvements in underwriting and outreach efforts have helped historically underserved families and their communities access mortgage credit. These improvements by FHA, Ginnie Mae, Fannie Mae, and Freddie Mac have shown that it is possible to reduce equity requirements and tailor underwriting standards for lower-income families while maintaining sound business practices and performance.

Mr. Kaptur #2b

Homeownership

Question: The rising rate of more highly leveraged mortgage debt, lower family savings, and the increasing use of home equity loans has resulted in diminished family equity in the most important asset people attempt to own in their lifetimes. Please report back, and what can be done to increase their equity share as opposed to getting them more strung out on debt.

Answer: Credit counseling and consumer education are two approaches that should be expanded. Research by Freddie Mac has shown that counseling programs have been effective in reducing mortgage delinquencies. Educating consumers on budget matters, controlling their debt, and techniques for establishing and maintaining a good credit record can certainly help. These efforts to assist households establish their credit worthiness combined with innovative mortgage products targeted to historically underserved families (such as those that conventional lenders began offering during the 1990s), will help increase homeownership rates among minorities and low-income families.

Homeownership

Question: Please provide a longitudinal study estimates of how long it takes for families in various income categories to own fee simple (no debt left) a home compared to post World War II generation.

Answer: We know of no longitudinal studies that directly address the question posed. However, it is worth noting that both the number and proportion of senior households owning their homes beyond retirement age of 65 have increased from 10.1 million and 68.3 percent respectively in 1976 to 17.2 million and 80.3 percent in 1999 while the proportion of those senior owners who own their homes free and clear remained unchanged at approximately 82 percent. Moreover, most post-World War II families at all income levels (excepting those of exceptional wealth) can be expected to have taken at least 30 years (the typical term for mortgages) or longer (with refinancing) to pay off their mortgage debt such that they own their home free and clear of all debt. This is because there is little financial advantage to financing one's home with personal savings and thereby foregoing the financial return on an equally risky investment portfolio. The homeowner keeps the return from house price appreciation regardless of whether he is leveraged with mortgage debt or finances the entire purchase with equity from personal savings. However, the homeowner who finances with personal equity gives up the advantages of the mortgage interest income tax deduction and the mortgage default option while tying his financial well being and return on equity to the performance of his particular home rather than improving prospects for a more certain financial return through well diversified investment of his personal equity.

Ms. Kaptur #2d

Homeownership

Question: What is total average mortgage interest paid by homebuyers today by the time they own the home in various income categories compared to prior generations?

Answer: A homebuyer today with a 7 percent fixed rate mortgage could expect to pay a total of $1.40 in interest over the 30-year term of a self amortizing mortgage for every $1 of mortgage principal repaid. If the borrower had sufficient income and mortgage debt such that using the mortgage interest deduction would reduce taxable income by more than the standard deduction, then net (non-reimbursed) interest paid would be substantially lower at 93 cents per dollar mortgaged assuming a combined federal and state marginal tax rate of 33 percent. Borrowers in the 1950s paid less gross interest on the order of 93 cents per dollar borrowed because interest rates were lower. Moreover, because the price to income ratio was lower then in the neighborhood of 2.5 instead of today's average 3.3, mortgage balances and interest paid were lower relative to income. In 1950, mortgage interest rates were at 5 percent and median home price and income were at $8,000 and $3,180, respectively. In 2000, rates were at 8 percent and median price and income were $169,000 and $50,890, respectively. But again, it should be recognized as discussed in your question on owning your home (fee simple) that in any given period there is little advantage to financing one's home with personal savings because one pays an implicit interest cost in foregone financial return to money tied up in home equity and gives up the advantages of the mortgage interest income tax deduction, the mortgage default option should the home's price fall, and the benefits of a well-diversified investment portfolio.

HOPE VI

Question: What were the precursors to HOPE VI and please provide a brief explanation of their programs and purposes?

Answer: The Urban Revitalization Demonstration program (HOPE VI) has no precursors, per se. The HOPE VI program was developed as a result of the work of the National Commission on Severely Distressed Public Housing, which was charged with proposing a National Action Plan to eradicate severely distressed public housing. The Commission recommended revitalization in three general areas: physical improvements, management improvements, and social and community services to address resident needs.

Until 1995 Public Housing Authorities (PHAs) had to compete for development funds. However, these funds provided for the construction or acquisition of new public housing units, rather than comprehensive revitalization efforts. For a few years in the mid-1980s, PHAs could use development funds for the Major Reconstruction of Obsolete Projects (MROP). This allowed PHAs to do gut rehabs of existing public housing units. Also, the modernization fund was available for housing authorities to carry out life cycle replacements of major building components. The Department now provides a steady stream of funding for these activities via the Capital Fund.

Ms. Kaptur #4a

Community Development Corporations

Question: There has been past discussion of a one-stop shop for CDCs at HUD. Could you please provide me with an update as to where this program is?

Answer: The concept of a one-stop shop or single point of contact at HUD has been a continued area of focus. This Administration is pursuing placing more responsibility for crosscutting place-based planning and services in HUD's Office of Field Management, the Secretary's Regional Representatives, and State Coordinators.

Within the Office of Community Planning and Development, technical assistance for CDCs has been made available primarily through CPD Field Office Directors, capacity building funds made available through the National Community Development Initiative, technical assistance funds made available through the Community Development Block Grant program, and assistance provided to Community Housing Development Organizations through the HOME Investment Partnership program. In addition, funds have been made available to Habitat for Humanity and Youthbuild USA for capacity building activities. The fiscal year 2003 Budget includes a request of $3 million for CDBG TA; if approved this would be the first time since 1999 that such funds have been provided.

Community Development Corporations

Question: What communities and regions are served? Which are not?

Answer: Attached is a listing of communities served by the National Community Development Initiative and Section 4 Capacity Building funds. For 2001, CHDO TA funds were made available to jurisdictions in every CPD field office. That means that all areas are potentially covered with the ability to receive CHDO TA. We also provided a national award that will enable those providers to also work with field offices. All CHDO TA is directed by field offices to where it is needed. Last year's award for CHDO TA was $7.4 million. In 2002, with a reduced overall level of TA funds, only HOME TA is being offered in the current Notice of Funds Availability (NOFA).

CDCs Receiving HUD Section 4 1997 Funds*

Alabama
- Land Assistance Fund, Epes
- Southeast Alabama Self-Help, Tuskegee

Alaska
- Yupitt of Andreaski, St. Mary's

Arizona
- Los Vecinos Housing, Glendale
- Copper Communities R&D, Kearny
- Chicanos Por La Causa, Phoenix
- Habitat for Humanity, Phoenix
- Comite de Bienstar, Inc., San Luis
- United Housing and Educational Development Corporation, Tucson
- Twilight Dawn Inc., Window Rock

Arkansas
- Lee Community Development Corporation, Marianna

California
- High Desert Habitat, Apple Valley
- East Palo Alto Can Do, East Palo Alto
- South County Housing, Gilroy
- Coachella Valley Housing Coalition, Indio
- Habitat for Humanity LA, Los Angeles
- Little Tokyo Service Center, Los Angeles
- Pico Union Housing Corporation, Los Angeles
- Peninsula Habitat for Humanity, Menlo Park
- SFSCV Habitat, North Hollywood
- East Bay Asian LDC, Oakland
- East Bay Habitat for Humanity, Oakland
- Sacramento Valley Organizing Community, Sacramento
- Chinatown Community Development Center, San Francisco
- Tenderloin Neighborhood Development Corporation, San Francisco
- Cabrillo Economic Development Corporation, Saticoy
- Self-Help Enterprises, Visalia
- Rural California Housing Corporation (now Mercy Housing), West Sacramento

Colorado
- Habitat for Humanity, Boulder
- Habitat for Humanity, Denver
- Tri-County Housing, Inc., Fowler
- Colorado Housing Inc., Pagosa Springs

District of Columbia
- East of the River CDC
- Marshall Heights CDC

Florida
- Partnership in Housing, Inc., Bonita Springs
- Covenant CDC, Florida City
- North Florida Educational Development Corp., Gretna
- Greater Miami Neighborhoods, Miami
- Habitat for Humanity, Orlando
- Habitat for Humanity, Pensacola
- Naranja Princeton CDC, Princeton

Georgia
- Georgia Affordable Housing Corporation, Atlanta

Hawaii
- Self-Help Housing Corporation of Hawaii, Honolulu
- Moloka'i Community Service Council, Kaunakaki
- Hawaiian Community Assets, Inc., Makawao

Illinois
- Lakefront Single Room Occupancy Corporation, Chicago
- Carver Community Action Agency, Galesburg

Indiana
- Horace Mann-Ambridge Neighborhood Improvement, Gary
- NW Indiana Habitat, Gary
- Pathfinder Services, Huntington
- Concord CDC, Indianapolis
- Greater Muncie Habitat for Humanity, Muncie

Iowa
- Northeast Iowa Community Action Corporation, Decorah
- Muscatine's Center for Strategic Action, Muscatine

Kansas
- Northeast Kansas Community Action Program, Hiawatha
- Original Town of Liberal, Liberal

Kentucky
- Kentucky Highlands CDC, London
- Kentucky Mountain Housing Development, Manchester
- Community Housing, Inc. (formerly Family Resources), Winchester

Louisiana
- Southern Mutual Help Association, Inc., New Iberia
- Bacatown CDC, New Orleans

Mid-City CDC, New Orleans
New Vision CDC, New Orleans

Maine
Coastal Enterprises, Inc., Wiscasset

Massachusetts
Franklin County CDC, Greenfield
Rural Development Inc., Turners

Maryland
Arundel Habitat for Humanity, Arnold
Chesapeake Habitat for Humanity, Baltimore
Southern Maryland Tri-County CAC, Hughesville
Garrett County Community Action, Oakland

Michigan
Bagley Housing Association, Detroit
Southwest Detroit Business Association, Detroit
Housing Resources Inc., Kalamazoo
Kalamazoo Northside Nonprofit, Kalamazoo
Kalamazoo Valley Habitat for Humanity, Kalamazoo
Northside Association for Community Development, Kalamazoo
Stuart Area Restoration, Kalamazoo
Ferris Development, Lansing
Greater Lansing Housing Coalition, Lansing
Old Town Commercial Association, Lansing

Minnesota
Center City Housing, Duluth
Minnesota Housing Partnership, Minneapolis
Greater Frogtown CDC, St. Paul

Mississippi
Clarksdale Habitat for Humanity, Clarksdale
Tunica County Housing Project, Tunica

Missouri
Central Missouri Counties Human Development Corporation, Columbia
Jefferson County Habitat for Humanity, Crystal City
DeSales Community Housing, St. Louis

Grace Hill Neighborhood Services, St. Louis
Habitat for Humanity, St. Louis
Hamilton Heights CDC, St. Louis
Northside Community Center, St. Louis
STEP Inc., St. Louis
Green Hills Community Action Agency, Trenton

Montana
Human Resource Development Council, Bozeman

Nebraska
Scottsbluff/Terrytown/Gering CDC, Scottsbluff

New Hampshire
Laconia Area Community Land Trust, Inc., Laconia

New Jersey
Habitat for Humanity, Paterson
Habitat for Humanity, Newark

New Mexico
Siete del Norte CDC, Embudo
Tierra del Sol Housing Corporation, Las Cruces
Navajo Townsite Community Development Corp., Navajo

New York
Rural Housing Coalition, Albany
Habitat for Humanity, Brooklyn
Housing Resources of Columbia County, Hudson
Community Action in Self-Help, Lyons
NYC Habitat, New York City
West Harlem Group Assistance, New York City
Flower City Habitat for Humanity, Rochester
Rural Opportunites Inc., Rochester
Sector 4 CDC, Rochester
Suffolk Habitat for Humanity, Rocky Point
Cattarguis Community Action, Salamanca
Syracuse Model Neighborhood Corporation, Syracuse

Nevada
Downtown Central Development, Las Vegas
East Las Vegas Community Outreach, Las Vegas
West Las Vegas Pride, Las Vegas
Westside New Pioneers, Las Vegas

North Carolina
Grier Heights CDC, Charlotte
Northwest Corridor CDC, Charlotte

Reid Park CDC, Charlotte
Wilmore CDC, Charlotte
Metropolitan Low Income Housing and CDC, Washington

Ohio
Habitat for Humanity, Cincinnati
Habitat for Humanity, Cleveland
Neighborhood Progress Inc., Cleveland
Habitat for Humanity, Columbus
South Lorain CDC, Lorain
New Sunrise Properties Housing Corp., Oberlin
Portage Area Development Corporation, Ravenna
North River Development Corporation, Toledo
Youngstown CHOICE, Youngstown

Oregon
Baker County CDC, Baker City
Cascade Community Development, Bend
Bay Area Enterprises, Coos Bay
Columbia Cascade Housing Corporation, The Dalles
Vincent DePaul Society of Lane County, Eugene
Housing for People, Inc., Hood River
Northwest Housing Alternatives, Milwaukie
CDC of Lincoln County, Newport
Habitat for Humanity, Portland
Central Oregon Community Action Network, Redmond
Umpqua CDC, Roseburg
Farmworker Housing Development, Woodburn

Pennsylvania
Northern Cambria CDC, Northern Cambria
Lancaster Area Habitat for Humanity, Lancaster
Cecil B. Moore Avenue CDC, Philadelphia
Hispanic Association of Contractors and Enterprises, Philadelphia

Puerto Rico
Producir Inc., Canovanas

Rhode Island
Woonsocket Neighborhood Development Corporation, Woonsocket

South Carolina
Charleston Affordable Housing, Inc., Charleston
Five Rivers CDC, Georgetown
Santee-Lynches Affordable Housing and CDC, Sumter

South Dakota
- Oti Kaga Inc., Eagle Butte
- Northeast South Dakota Community Action Program, Sissiton

Texas
- Habitat for Humanity, Dallas
- Neighborhood Housing Services of Dimmit, Carrizo Springs
- Sparks Housing Development, El Paso
- Houston Habitat for Humanity, Houston
- Community Action Council of South Texas, Rio Grande City
- Habitat for Humanity, San Antonio
- Community Council of Southwest Texas, Inc., Uvalde

Utah
- Mountainlands Community Trust, Park City
- Artspace, Salt Lake City
- Utah Nonprofit Housing Corporation, Salt Lake City
- Habitat for Humanity, Salt Lake City

Vermont
- Vermont Housing Managers Association, Burlington

Virginia
- Habitat for Humanity, Richmond
- Virginia Eastern Shore Economic Empowerment, Nassawadox

Washington
- Northeast Washington Rural Resources, Colville
- CHC La Clinicia Self-Help, Pasco
- Office of Rural and Farmworker Housing, Yakima

West Virginia
- Stop Abusive Family Environments, Inc., Welch

Wisconsin
- Impact Seven, Inc., Almena
- Community Enterprises of Greater Milwaukee, Milwaukee
- CAP Services, Inc., Stevens Point

*The list includes groups to which funding commitments had been made as of early 2001 when the data analysis was conducted.

Ms. Kaptur #5

Public Housing Capital Fund

Question: The HUD budget proposes a 15 percent cut to the Public Housing Capital Fund, even though the budget documents cite a $22 billion modernization need in public housing. You propose to make up for the cut by leveraging private funds for modernization through a project-based refinancing initiative. It is my understanding that HUD has not yet fully developed the program, much less tested it to see if it will be successful in leveraging private funds. What evidence does HUD have banks will actually participate in such a program under terms that will not put public housing units at risk?

Answer: HUD has proposed detailed legislation regarding this program (Section 208 of the Administrative Provisions) and has discussed both its viability and necessary non-statutory details with prominent lenders and many other experts. The response generally has been positive. Although HUD could not test this exact proposal under current law, the proposal basically enables PHAs to finance renovations to their real estate in a similar manner to other multifamily properties. With respect to subsidized housing, this would be similar to some current and recent project-based Section 8 financings where the Section 8 is subject to short-term renewals. Both lenders and rating agencies are familiar with such transactions. Moreover, the proposal's provision for a loan loss reserve provides a further potential tool to enhance credit and thus attract additional lenders to the effort.

Ms. Kaptur #6

Public Housing Capital Fund

Question: Given that the housing of low income families, elderly, and disable are at stake, would it not be more prudent for the Department to experiment with this type of financing at a few sites as a demonstration before it proposes significant reductions to the Capital Fund?

Answer: The primary reason the Department has proposed this initiative is to provide another means of addressing the backlog capital needs of public housing developments nationwide. These needs are estimated at $20 billion, far in excess of any proposed funding levels for the public housing capital fund in the foreseeable future. The Department believes that significant resources can be leveraged under the reinvestment initiative and that this activity should commence as soon as possible. PHAs, lenders and others in the field have shown substantial interest in proceeding promptly with this approach.

Apart from these considerations, the proposed Capital Fund amount is enough to cover at least the accrual of new capital needs. It also takes into account the significant amount of unobligated and unexpended capital funds outstanding, as well as other priorities.

Ms. Kaptur #7

Public Housing Capital Fund

Question: Even if it were shown that this program could raise private money for public housing, HUD admits it still has to write the legislation necessary to make the program possible. After that, Congress needs to pass the legislation into law and you, Mr. Secretary, will have to write regulations for the program. After that lenders and housing authorities must structure transactions and have them approved by HUD. I know from experience that this takes time and will likely not be possible before the end of fiscal year 2003. Under the circumstances, doesn't this budget just increase the need for repairs in public housing because the private financing will not be available to make up the difference?

Answer: HUD has included the legislation necessary to make this program possible as an administrative provision in the fiscal year 2003 Budget (Section 208). The proposed legislation is comprehensive and straightforward, using an existing program--project-based Section 8 vouchers--rather than creating a new program. HUD will be in a position to advise PHAs in structuring transactions, before implementation notices or regulations or to some extent, even the law, are finalized. HUD believes that a significant number of transactions can be completed during the time period fiscal year 2003 funds ordinarily would be committed. A number of PHAs have approached HUD already to begin planning in anticipation of the legislation passing.

Ms. Kaptur #8

Public Housing Capital Fund

Question: The President's debt financing model will only be available to a few local housing authorities, but every local housing authority will suffer a cut in the Public Housing Capital Fund. How are the authorities that can't access the debt-financing program supposed to pay for their backlog in repairs?

Answer: Many PHAs will benefit from this initiative, leveraging substantial resources for public housing capital needs beyond any realistic funding level that has been proposed for the Capital Fund. To the extent this occurs, future funds will go further to cover remaining units. For fiscal 2003, even without counting on the new initiative, the amount proposed would cover newly accrued capital needs and takes into account significant outstanding unobligated and unexpended funds as well as other priorities.

Ms. Kaptur #9

Homelessness/Mental Illness

Question: Please provide me with a list of programmatic funding for all federal homelessness programs?

Answer: Following is the requested list of programmatic funding for homelessness programs. Not listed are additional programs where only part of the resources may be used to assist the homeless.

Department/Agency Program Request	FY 01 Enacted	FY 2002 Enacted	FY 2003
HOUSING AND URBAN DEVELOPMENT (HUD)			
McKinney-Vento Homeless Assistance (SHP, SPC, Sec. 8, ESG)	$1.023 billion	$1.023 billion	$1.13 billion
McKinney-Vento Shelter Plus Care Renewal	$100 million	$100 million	$0
HUD-Veterans Affairs Supportive Housing (HUD-VASH) (Housing Component)	$0	$0	500 vouchers
Interagency Council on the Homeless (EOP)	$0.5 million	$0.5 million	$1 million
FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)			
Emergency Food and Shelter Board program	$140 million	$140 million	$153 million (HUD)

HEALTH AND HUMAN SERVICES (HHS)			
Health Care for the Homeless	$100 million	$113.4 million	$125 million
Projects for Assistance in Transition from Homelessness (PATH)	$37 million	$39.9 million	$46.9 million
Grants for the Benefit of Homeless Individuals	$10 million	$0	$0
Runaway and Homeless Youth Act Basic Center and Transitional Living (TLP)	$69 million	$88.1 million	$98.1 million
Runaway and Homeless Youth Act Sexual Abuse Prevention (AKA Street Outreach)	$15 million	$15 million	$15 million
Battered Women's Shelters Grants (VAWA)	$116.9 million	$124.5 million	$124.5 million
EDUCATION (ED)			
Education for Homeless Children and Youth	$35 million	$50 million	$50 million
LABOR (DOL)			
Homeless Veterans Reintegration	$17.5 million	$18.3 million	$17.5 million
VETERANS AFFAIRS (VA)			
Homeless Providers Grant And Per Diem	$31.1 million	$31.1 million	$39.1 million
Health Care for Homeless Veterans (HCHV)	$60.3 million	$62.6 million	$64.6 million

Domiciliary Care for Homeless Veterans (DCHV)	$34.6 million	$36 million	$37.4 million
Compensated Work Therapy/ Therapeutic Residence (CWT/TR)	$8.1 million	$8.5 million	$8.9 million
HUD-Veterans Affairs Supportive Housing (HUD-VASH) (Case Management Component)	$5.2 million	$5.6 million	$5.8 million
Loan Guaranty Transitional Housing for Homeless Veterans	$.366 million	$.6 million	$10.4 million
Totals	**$1.8 billion**	**$1.86 billion**	**$1.93 billion**

Ms. Kaptur #10

Public Housing Mental Health Plan

Question: Section 517 of the 1998 Public Housing Reform Act (P.L. 105-276) required HUD to develop a Mental Health Action Plan for public housing. This plan was to include recommendations for the improvement of mental illness treatment services for residents and public housing and recipients of both project-based and tenant-based rental assistance. In addition, HUD was also charged with developing a best practices guide to assist PHAs and private owners of assisted housing in serving individuals with severe mental illnesses. Can you please update the Subcommittee on HUD's efforts to develop and implement this Mental Health Action Plan?

Answer: In fiscal year 2000 an interagency working group established by the Department completed a draft report. HUD will use the draft report as a foundation in the development of a Mental Action Health Plan and best practices guide for PHAs and private owners of assisted housing serving individuals with severe mental illnesses. We anticipate that the plan will be completed in fiscal year 2003.

Ms. Kaptur #11a

Section 811 Tenant-Based Renewals

Question: Mr. Secretary, the Administration is requesting $251 million for the Section 811 program for people with disabilities for fiscal year 2003. This represents a $10 million boost over the fiscal year 2002 funding. However, according to estimates included in your own budget proposal, renewal of all expiring 811 "mainstream" tenant-based rent subsidies will cost $32 million in fiscal year 2003--consuming more than the entire proposed increase for the program--both tenant-based and capital advance/project-based. The 811 program has historically helped people get into stable housing that they would not have been able to access if this program had not existed.

The 811 program has had some setbacks in funding and support in recent years. What do you think about the 811 program, the future of it and whether funding and support can be restored to previous levels?

Answer: Although the overall level of funding for the Section 811 program has fluctuated from year-to-year, there is a definite and substantial upward trend since 1997. In that year, only $94 million was awarded for new project development. Last year, nearly $150 million was awarded, and the budget provides increased funding for both this fiscal year and for fiscal year 2003 with $162 million for new grant awards in each year. As you note, the budget for fiscal year 2003 has been augmented to accommodate the estimated $9.1 million increase necessary to renew expiring Section 811 mainstream housing vouchers. The additional funds requested, along with recoveries of prior year funds through anticipated recaptures and cancellations, will be more than adequate to maintain these budgeted funding levels.

Ms. Kaptur #11b

Section 811 Tenant-Based Renewals

Question: Is HUD willing to work with this Committee to establish a separate source of funding for Section 811 tenant-based renewals as has been done for Shelter Plus Care renewals under the McKinney-Vento Homeless Assistance Act?

Answer: Yes, last year the Department proposed funding the renewal of Section 811 mainstream vouchers in the Housing Certificate Fund account and provided necessary technical language to accomplish this shift. The Department remains open to proposals that provide the necessary funding to satisfy this growing funding requirement.

Ms. Kaptur #11c

Section 811 Tenant-Based Renewals

Question: Would HUD consider shifting the renewal of these 811 "mainstream" vouchers to the Housing Certificate Fund (HCF)?

Answer: Yes, as noted in our response to the previous question, funding these renewals in the Housing Certificate Fund account was the Department's proposal last year. Inclusion of funding for these renewals in the fiscal year 2003 Budget in the Housing for Special Populations account reflects the enacted fiscal year 2002 Appropriations Act, not a policy preference of the Department.

Ms. Kaptur #12a

Shelter Plus Care Renewals

Question: The Administration's budget for fiscal year 2003 trumpets a new plan to end chronic homelessness over the next decade. This is a goal that many of us on this Committee strongly support. At the same time, the Administration's budget appears to exclude a specific funding request for Shelter Plus Care renewals for fiscal year 2003. By contrast, Congress has allocated separate funding for SPC under the McKinney-Vento program in both fiscal year 2001 and fiscal year 2002. Advocates have raised concerns about whether the goal of ending chronic homelessness could actually be reached, i.e. whether an adequate supply of permanent supportive housing could actually be produced without stable funding for operating subsidies needed to make housing options viable to individuals with disabilities who experience chronic homelessness.

If Congress were to accept the Administration's recommendation for fiscal year 2003, would local Continuum of Care (CoC) applications be forced to apply for renewal of all expiring Shelter Plus Care rent subsidies out of their application for all other permanent housing and service programs?

Answer: No, it is HUD's intention to request funds in fiscal year 2004 for contracts expiring in that year. The fiscal year 2003 CoC competition would be structured in a similar fashion as it has been in fiscal year 2001 and fiscal year 2002 wherein SPC projects expiring in fiscal year 2004 that communities wished to renew would be listed at the bottom of the fiscal year 2003 CoC application Priority Chart for non-competitive, 1–year renewal. Other projects, whether for permanent housing or other eligible activities, would not be competing with SPC renewal projects expiring in 2004.

Shelter Plus Care contract which expire in fiscal year 2003 were funded by the fiscal year 2002 Appropriations and grantees identified their needs in their fiscal year 2002 NOFA applications. For contracts expiring in fiscal year 2004, the Department proposes that funding be provided in the fiscal year 2004 Appropriations Act to fund grantee priorities identified in fiscal year 2003. Providing the funding in fiscal year 2004 reflects the forthcoming proposed which will both consolidate and streamline the homeless assistance grant program. Renewals will continue to receive top priority in funding as designated by the fiscal year 2002 Appropriations Conference Report.

Ms. Kaptur #12b

Shelter Plus Care Renewals

Question: Do you believe that the absence of specific funding for Shelter Plus care renewals makes Continuum of Care applicants more or less likely to seek more resources for permanent supportive housing to address chronic homelessness?

Answer: The absence of specific funding for Shelter Plus Care renewals in fiscal year 2003 simply reflects a technical budgetary change. Funding will be requested in fiscal year 2004 for projects that would expire in that year. This policy is consistent with how renewals are budgeted in other HUD programs. The Department continues to share with Congress the high priority of funding Shelter Plus Care Renewals.

Ms. Kaptur #13

Continuum of Care Process and Block Grants

Question: The Continuum of Care (CoC) process has been important in allowing communities to have input and make decisions about funding based on the unique, individual needs of that community. What do you see for the future of CoC funding, what changes do you anticipate and why?

Answer: The Department agrees that the CoC planning process has been highly effective in ensuring that the community as a whole has input in funding decisions. The consolidation proposal being developed by the Department will carefully preserve the critical components of the current CoC planning process. The changes that will be proposed to the process will provide for a more efficient, locally driven homeless assistance funding process that will enable improved accountability, oversight and management of these critical resources.

Ms. Kaptur #14

Public Housing Drug Elimination Grant Program

Question: Last year during the floor debate on my amendment to partially fund the Public Housing Drug Elimination Grant Program (PHDEP), my chairman said, "All of the PHAs that have received money have not been able to spend it. The gentlewoman's hometown of Toledo, Ohio, is only now in the process of spending 1999 funds." I countered his statement with the following statement, "Mr. Chairman, I wanted to use this moment also to say to the gentleman from New York (Mr. WALSH), my good friend, who I really do not think his heart is in opposition on this program, but I want to say in my own town he said the money was not being spent. I would have to say that is not an accurate statement. In fact, over $700,000 of Federal and local money is being spent every year and is being spent according to the allocation formulas from HUD on schedule." Is it true that the PHA in my district, Lucas Metropolitan Housing Authority is spending the PHDEP funds according to HUD guidelines?

Answer: The Department published a Final Rule that required Public Housing Authorities (PHAs) to reserve 50 percent of the grant funds the first year and obligate at least 25 percent of the funds by the end of year one. Fiscal year 2000 PHDEP funds were made available on June 23, 2000 and fiscal year 2001 PHDEP funds were made available March 2001. Notwithstanding the language in the Final Rule, the obligation of the funds does not take place until PHAs have received approval on their PHA Plan.

The Lucas Metropolitan Housing Authority has expended all of their grant funds from fiscal years 1992 through 1999. The PHAs remaining grant funds were awarded in fiscal years 2000 and 2001, and the authority is in compliance with reporting requirements.

Ms. Kaptur #15

Public Housing Drug Elimination Grant Program

Question: Per my request HUD provided me with a listing of PHAs in Ohio that have outstanding balances regarding from fiscal year 2001 funding for the Public Housing Drug Elimination Grant Program (PHDEP). The list points out that 16 PHAs in Ohio have over $10 million remaining in PHDEP funding. Can you please tell me what HUD policies these PHAs have violated by not spending the remainder of their obligated funds?

Answer: HUD policies contained in the Public Housing Drug Elimination Program Formula Allocation Final Rule dated September 14, 1999 require PHAs to obligate and expend funds in compliance with all funding notifications, regulations, notices, and grant agreements. In addition, the HA must obligate at least 50 percent of funds under a particular grant within 12 months of the execution of the grant agreement, and must expend at least 25 percent of funds under a particular grant within 12 months of the execution of the grant agreement.

Approximately 99 percent of the PHAs in Ohio have not violated HUD policies. Only 1 PHA, Butler Metropolitan Housing Authority, has 91 percent of the fiscal year 2000 PHDEP grant remaining.

Ms. Kaptur #16a

Public Housing Drug Elimination Grant Program

Question: The fiscal year 2002 VA-HUD bill provided $110 million more than requested (representing an 8.1 percent increase over the FY01 level) for the Public Housing Operating Fund to reflect the merger of funds previously provided for drug elimination activities through the Public Housing Drug Elimination Grant Program (PHDEP). The fiscal year 2003 HUD Budget again does not fund the PHDEP, arguing that Justice Department programs could best handle crime in public housing. Do you, Mr. Secretary, have any evidence that the Department of Justice can be as successful as the PHDEP program in reducing crime in public housing?

Answer: We do not have any evidence, such as a feasibility study or research to suggest how successful the DOJ can be in reducing crime in public housing. The DOJ programs are designed to be comprehensive and provide drug and crime prevention assistance in communities on a national, state, and local basis. The Department intends to work with the Department of Justice to ensure that public safety in public housing is at least as successful.

The PHDEP program activities included employment of security personnel, reimbursement of local law enforcement agencies for additional security and protective services, physical improvements which are specific to enhance security, employment of individuals to investigate or administer criminal and judicial proceeding, training and support for voluntary tenant patrol acting in cooperation with local law enforcement agencies, programs to reduce use of drugs, and funding to non profit resident management corporations to develop security and prevention programs. All of these eligible activities through Weed and Seed and comprehensive community efforts are consistent with the Justice Department's program.

The Department will continue to work closely with Department of Justice to promote comprehensive community based strategies to address drugs and drug related-crime within public housing.

Ms. Kaptur #16b

Public Housing Drug Elimination Grant Program

Question: Have funds included in last year's appropriations bill for the DOJ to provide monies to assist public housing in reducing crime reached Public Housing Authorities? If not, why not?

Answer: The Department is currently collaborating with DOJ to apply the $10 million budget set-aside for programs such as Weed and Seed to fund approximately 20 housing authorities that are Weed and Seed recipients.

Ms. Kaptur #17

Public Housing Drug Elimination Grant Program

Question: In his budget, President Bush argues that we should judge the success of public housing by how many tenants they "graduate" out of public housing. Yet, the President eliminated Public Housing Drug Elimination Grant Program (PHDEP), arguing that public housing should concentrate on property management, not service delivery. How can public housing "graduate" families from public housing if HUD eliminates funding for PHDEP that provides job training and other drug-prevention programs for public housing residents?

Answer: The PHDEP Program provided funding for drug prevention activities at public housing developments to create a safe and secure environment for residents of public housing to pursue opportunities for a greater quality of life. The PHDEP eligible activities relating to job training included but were not limited to: drug prevention, intervention, treatment, and structured aftercare programs; security and drug prevention programs; opportunities for resident employment and training as security guard personnel and housing authority or municipal police officers; and employment of personnel for HUD-authorized housing agency police departments.

Even though the PHDEP program has been terminated, the Department has other programs to support self sufficiency for Housing Choice Voucher (HCV) families and public and Indian housing residents. The programs are the Resident Opportunities and Self Sufficiency (ROSS) Program, the Family Self Sufficiency program, the Section 8 (y) Homeownership program and the proposed Section 8 Down Payment Assistance program.

Resident Opportunities and Self Sufficiency Program

The purpose of the ROSS Program is to link services for public and Indian housing residents by providing grants for supportive services and resident empowerment activities to assist residents in becoming economically self-sufficient. Program participants must include those that are currently eligible to receive, currently receiving, or have received within the preceding five years, assistance or services funded under the Temporary Assistance for Needy Families (TANF), SSI, or Food Stamps programs. This requirement must be met for all proposed grant activities for the ROSS Program.

During the 5 years since the passage of welfare reform legislation, experience with welfare reform programs has shown that a single work incentive or training program does not always result in residents reaching desired self-sufficiency goals. The ROSS Program permits proposed grants activities be directed toward building on the foundation created by previous ROSS grants or other Federal, State or local self-sufficiency efforts.

Under the ROSS program eligible activities also include Individual Development Accounts (IDAs). Specifically, ROSS allows grant activities or programs at the local level that encourage resident to contribute to matched savings account or IDAs. Even though ROSS grant funds can not be used as matching funds for the actual saving account, ROSS will fund other aspects related to IDAs which may include financial counseling and educational activities.

In addition, ROSS has created a separate funding category for Homeownership Supportive Services. ROSS funds can be used for homeownership counseling grants and other supportive services. For each grant awarded, PHAs are required to move at least 10 families from renting to homeownership through the use of housing choice vouchers. Eligible applicants include previous ROSS beneficiaries and public housing FSS participants. Applicants must demonstrate an increase over the base year in earned income of at least 35 percent; achieve a level of income within the acceptable range for the local minimum income for home purchases in the local area; and currently resident in public housing.

Family Self Sufficiency Program (FSS)

The Department has implemented and will continue to support the FSS Program. FSS is intended to promote the development of local strategies for helping families obtain employment that will enable them to achieve economic independence and self-sufficiency. Individual plans are developed for public housing or HCV participants to identify and target opportunities for education, job training, counseling, and other services to achieve welfare to work goals.

As part of the individual welfare to work plan, the PHA establishes an interest-bearing FSS escrow account for each participating family. An escrow credit, based on increases in earned income by the participating family, is deposited in the account during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract for the family's completion of an interim goal such as education. If the family completes its contract and no member of the family is receiving welfare assistance, the amount in the FSS account, in excess of any amounts owed to the PHA, is paid to the head of the FSS family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's escrow funds are forfeited.

Section 8 (y) Homeownership Program

The Section 8 (y) Homeownership Program is designed for eligible PHAs with a homeownership program with priority for FSS. Funding for a homeownership coordinator is provided. Under the section 8 (y) homeownership option, PHAs provide tenant-based assistance to an eligible family that purchases a dwelling unit that will be occupied by the family.

Section 8 Down Payment Assistance Program

In addition to the programs cited above, for fiscal year 2003, the Department is requesting authority and funding for a Section 8 Homeownership Program with down payment assistance. Under this proposal, a PHA may, in lieu of paying a monthly homeownership assistance payment on behalf of a family, provide homeownership assistance for the family in the form of a single grant to be used toward the down payment required in connection with the purchase of the home.

The underlying premise for self-sufficiency programs is to create opportunities for public housing residents to achieve economic independence. With economic independence residents can choose those goals, which will satisfy their personal desires to pursue the American dream.

Ms. Kaptur #18

Public Housing Drug Elimination Grant Program

Question: Given new demands on local police departments as a result of the war on terrorism, how can HUD ensure that public housing residents receive the police protection they need without PHDET funds to support these efforts?

Answer: HUD believes that police protection should continue to be addressed primarily by state and local officials. Moreover, PHAs may use their Operating Subsidies to address specific crime prevention needs in their developments, while also working with their local government to leverage community police support for its residents. It should be noted that out of 3,400 PHAs, approximately 1,000 received Drug Elimination Grants each year.

Ms. Kaptur #19a

Downpayment Assistance Initiative

Question: Under the HOME program $50 million was provided last year for the Downpayment Assistance Initiative program, subject to the enactment of authorization legislation by June 30, 2002. In fiscal year 2003, $200 million has been requested by the Administration, but authorizing legislation has still not been introduced by the Administration. Why does the Administration suggest we appropriate funds for this unauthorized program when it has not been able to produce the authorizing legislation that the Administration has promised for two fiscal years now?

Answer: The authorizing legislation was introduced in Congress H.R. 4446 during the week of April 15 by Representative Mike Rogers. We hope it will be considered expeditiously by the authorizing committee.

Ms. Kaptur #19b

Downpayment Assistance Initiative

Question: When does the Administration plan on introducing legislation for this program?

Answer: The authorizing legislation was introduced in Congress during the week of April 15 as H.R. 4446 by Representative Mike Rogers.

Service Coordinator Funds

Question: HUD's fiscal year 2003 Budget Request decreases funding for HUD's successful service coordinator program. Service coordinators orchestrate assistance services to an increasingly frail elderly population in Section 202 properties as well as in other types of HUD properties. The Administration's Budget Request decreases funding from $50 million to $44 million, with a provision that funding could then increase another $9 million in fiscal year 2003 if uncommitted Section 202 funds are recaptured. But, the request is silent on how much HUD actually anticipates recapturing in fiscal year 2003. So, we can only assume at this point that funding will likely decrease for the service coordinator program. And, also in HUD's budget request, the Administration is seeking to expand the types of HUD properties eligible to apply for service coordinator grants (the request seeks expansion of the program to Section 811 properties). The concern is that HUD is cutting funding for this program while increasing the number of applicants for already limited program dollars. If the types of eligible applicants are to increase, so should funding.

Service coordinators are a key ingredient to allowing residents to remain in their homes and avoid much more costly housing and services settings. Unfortunately, HUD's budget request cuts funding for service coordinators unless other, uncommitted Section 202 funds are recaptured. GAO reports HUD did not recapture any Section 202 funds in fiscal year 2001 and did not anticipate any such recaptures in fiscal year 2002. How much in uncommitted Section 202 funds does HUD reasonably expect to recapture in fiscal year 2003?

Answer: A total of $46,718,694 of previously obligated Section 202 funds was recaptured in fiscal year 2001, the major part of a total recovery of $57,971,474 in that fiscal year for the entire Housing for Special Populations account. These funds are routinely reapplied for the same purposes for which they were appropriated, although for fiscal year 2003, the Administration has requested specific language that directs up to $9 million of any funds recaptured or cancelled in this account to be used for Service Coordinators and Congregate Services grants. This additional funding will permit a $3 million increase in overall funding for this purpose and is part of the expansion of the service coordinator program to Section 811 developments for which the Administration is requesting new legislative authority. While the Department does not estimate future year recoveries of funding from recaptures and cancellations in the budget, past experience would indicate sufficient recoveries in fiscal year 2003 to fully fund Service Coordinators and Congregate Services.

Ms. Kaptur #20b

Service Coordinator Funds

Question: If this amount is in excess of the $9 million that could get added to the service coordinator grants, what will happen with any additional recaptures from the Section 202 program?

Answer: Funds recovered through recaptures and cancellations are usually made available for the same purposes for which they were appropriated, although a final decision on potential uses will probably depend on the amounts actually appropriated as well as the amount recovered.

Ms. Kaptur #21a

Interest Reduction Payment (IRP) Rehabiliation Grants

Question: In 1997, Congress authorized rehabilitation grants for certain HUD properties (P.L. 105-65). The source for the grants would be recaptured interest reduction payment (IRP) subsidies from Section 236 insured multifamily properties. The funds would be used to provide rehabilitation grants to properties suffering from deferred maintenance. To date, more than four years after enactment, HUD has yet to issue any of these IRP grants to the many properties in dire need of capital infusion whose units are deteriorating, putting them at risk of no longer being safe and decent homes within the affordable housing inventory. HUD has recaptured at least $300 million in unused Section 236 IRPs, which in return to HUD when Section 236 property sponsors leave this HUD subsidy program. Since the financing for the IRPs had already been appropriated by Congress, these funds are essentially freed up for other purposes when Section 236 owners leave the program. If these funds continue to languish at HUD, they may indeed be used for purposes other than those stated by Congress in 1997 (or for purposes other than affordable housing altogether).

In 1997, Congress authorized HUD to provide grants to an array of federally subsidized properties in need of repair. Why have these grants, funded by unused interest reduction payments (IRPs) from the Section 236 program, not yet been released by HUD? When and how does HUD plan on releasing these funds?

Answer: The Department has been in discussions with the OMB on the availability and appropriate use of interest reduction payments under Section 236(s) of the National Housing Act. Among the issues we have to consider are the universe of eligible projects, the possible need for rulemaking and Notice of Funding Availability competition, and the requirement that the spend-out rate of the funds be no higher than if the funds had not been recaptured. HUD will advise the Committee as soon as possible on next steps once we have completed our discussions with OMB.

Ms. Kaptur #21b

Interest Reduction Payment (IRP) Rehabilitation Grants

Question: How much in grant dollars does HUD anticipate getting to these properties, which are in desperate need of capital infusion?

Answer: Because of the difficult budget and accounting issues associated with converting the archaic contract authority used for the original IRP contracts into modern budget authority terms, and the additional complexity of making grant awards that don't violate the statutory limitation that any resulting outlays be within levels that would have otherwise occurred had the funds not been recaptured, it is not possible at this time to estimate the amount of potential grant awards.

Ms. Kaptur #21c

Interest Reduction Payment (IRP) Rehabilitation Grants

Question: How much does HUD anticipate recapturing annually in IRPs so these can be annual grant awards to needy affordable properties?

Answer: The amount of IRP that might be available for recapture is dependent on individual project owners exercising their option to prepay and refinance the outstanding mortgage on a Section 236 project or to sell the project without the original mortgage. In addition, if the project is subject to restructuring under the Mark-to-Market program, or if the owner agrees to retain existing use restrictions and refinances the outstanding indebtedness with a non-FHA mortgage, the IRP stream of payments may be retained by the project and is not subject to recapture. As issues relating to how this new grant program are resolved, the Department expects to assess the universe of potential candidate projects for recapture, and will be making an estimate of future recaptures.

Ms. Kaptur #22

Underutilization of Section 8 Certificates

Question: Increasingly, the Section 8 program is being underutilized, due largely to the low Fair Market Rents (FMR) set for the program's subsidies. This is the case for both project-based and tenant-based Section 8 certificates. The inadequate FMR set for project-based subsidies do not allow many landlords to appropriate finance their projects, thus forcing them to not use the program. For individuals with tenant based subsidies, the FMR's set are generally too low to pay for the high cost of rent that exists in most parts of the country, thus making it impossible for the individual to use the subsidy. How many Section 8 subsidies, both project- and tenant-based, do you anticipate the program losing around the country as a result of the FMR funding issues?

Answer: None, HUD sets FMRs either at the 40th percentile rent or at the 50th percentile rent. For most areas, the FMR is set at the 40th percentile rent—that is, the rent charged for units in the bottom 40 percent of standard rental housing in the market. For some other areas, the FMR is set at the 50th percentile rent—that is, the median rent—the rent charged for units in the bottom half of the rental market. The increase in the FY 2002 FMRs was almost double the amount of increase in recent years—on average 5.1 percent more than the previous year's FMRs.

HUD also published a new regulation that allows any PHA that is not in an area covered by a 50th percentile FMR to request HUD approval of higher "success rate payment standard amounts" based on the 50th percentile rent.

HUD field offices, at the request of a PHA, may authorize PHAs to establish exception payment standards from 110 percent to 120 percent of the applicable published FMR for a designated part of the FMR area for all units or for all units of a given unit size leased in a designated exception area.

The Assistant Secretary for Public and Indian Housing may approve exception payment standards that exceed 120 percent of the applicable published FMR. Such exception payment standards may be authorized for the total area of a county, or PHA jurisdiction, or place for a program-related reason. There is no major demand for these higher payment standards. To date, the Department has received very few requests for payment standards exceeding 120 percent of the applicable published FMR.

Ms. Kaptur #23

Housing Opportunities For Persons with AIDS

Question: The President's budget has called for an increase in HOPWA funding which we are happy to see. However, despite this increase the funding level $292 million in the President's budget recommendation is still well below the level needed to meet the current housing needs of persons living with AIDS who rely on HOPWA. The National AIDS Housing Coalition is recommending funding at $325 million to come closer to meeting actual need in fiscal year 2003. Do you support further increases in funding for the HOPWA program – at least to the $325 million recommendation – to better meet the current housing needs of people with AIDS?

Answer: The Department is aware that the HIV epidemic has increased the need for housing and services for individuals who are living with HIV and their families. We recognize that the HOPWA program cannot alone meet all the needs of this population. In fact, the HOPWA program was designed to encourage access to other targeted and mainstream health and human service programs, such as the Ryan White CARE Act programs, the AIDS Drugs Assistance Program, Medicaid, Social Security Disability Insurance (SSDI) and other available support. The proposed fiscal year 2003 increase of $14.568 million is 5.25 percent greater than the level of appropriations for this program in the current fiscal year. The Department views this level of increased funding as sufficient to allow for continued program expansion, consistent with the capacity of the recipient organizations to make use of additional funds and to coordinate the HOPWA resource with other essential programs in their communities.

Ms. Meek #1a

Empowerment Zones

Question: Last year, the administration supported Round II Empowerment Zones (EZ's) at a level of $150 Million, but this fiscal year, the administration is proposing no funding at all for Round II EZ's.

Please detail HUD's rationale for zeroing out funding for EZ's.

Answer: HUD's efforts will concentrate on enabling the Empowerment Zones to develop the capacity to use the funds they've received. Both Congress and the Department have highlighted that there are relevant concerns regarding the overall rate of obligations and expenditures in the program. HUD will emphasize tax incentives and leveraging funds in the Empowerment Zone program through greater attention to Tax Incentive Utilization Plans. In fact, the 8 new Round III Empowerment Zones and Renewal Communities are enthusiastically going after tax-free bonds and other incentives that total over $17 billion. One reported that it is refreshing to come to the table with partners who have something to contribute rather than requests for grant dollars.

Ms. Meek #1b

Empowerment Zones

Question: HUD has contended that Round II Empowerment Zones haven't been spending their money fast enough and that there are huge unspent balances in the EZ accounts. HUD also contends that the tax incentives presently in place are sufficient to meet the needs of the program.

I have seen HUD's figures that the Round II Empowerment Zones have over $250 million in "undisbursed" funds.

Please provide for the record HUD's analysis, Zone by Zone, of why this is money is unspent in each EZ and detail, Zone by Zone, negotiations or agreements are in process which would result in the "disbursement" any of these funds, and the dollar amount of any of these negotiations or agreements.

Answer: The chart on the following page provides, by Round II Empowerment Zone, the status of grant funds available from fiscal years 1999 to 2001. There have not been agreements or negotiations per se with individual zones to address this situation, but rather local guidance rendered by HUD field staff and programwide efforts by headquarters staff. Although it is true that Round II Empowerment Zones have approximately $218 million in carryover from previous appropriations, HUD continues to improve zone monitoring and compliance procedures with positive and tangible results over the past nine months. Key to this effort is the development underway that will enable HUD to track obligations of EZ funds within the zones. At this time, the only measures for financial progress available from the performance reporting system (PERMS) are the amount of funds the zone has budgeted for individual projects in zones and the amount of funds eventually expended. HUD is also currently developing specific standards as to what is considered timely in the EZ II grant program.

In addition to conducting progress reviews of each EZ and providing feedback on projects and programs that need improvement, HUD has concentrated its efforts on urging the EZs to implement their projects. While the amount of funds expended by zone varies significantly, eight of the fifteen Round II EZs have more than doubled their draws over the past nine months. To date, the Norfolk/Portsmouth, Virginia and Huntington, West Virginia/Ironton, Ohio EZs have expended the greatest amount (expenditure rate of 48 percent). Boston, Massachusetts expended the least (expenditure rate of 8 percent).

As the chart on the following page indicates, since June 30, 2001, their collective expenditures have increased by 133 percent. Fiscal year 2002 awards of $3 million per EZ were just recently made. Based on funds awarded between fiscal years 1999 and 2001, unexpended balances are:

Grantee Name	State	Total $'s Awarded FYs 1999-2001	Total Disbursed (Drawn Down)	Unexpended Balance	% Expended	% Increase in Expenditures from 6/30/01 to 4/4/02
Boston	MA	18,972,866	1,550,249.00	17,422,617.00	8%	(Was $0 on 6/30/01)
Cincinnati	OH	18,972,866	2,707,801.90	16,265,064.10	14%	27%
Columbia	SC	18,972,866	3,863,989.72	15,108,876.28	20%	685%
Columbus	OH	18,972,867	4,238,148.01	14,734,718.99	22%	431%
Cumberland	NJ	18,972,867	6,444,368.78	12,528,498.22	34%	52%
El Paso	TX	18,972,867	3,871,913.23	15,100,953.77	20%	124%
Gary/Hammond/E. Chicago	IN	18,972,867	3,213,353.91	15,759,513.09	17%	554%
Huntington/Ironton	WV/ OH	18,972,867	9,073,969.86	9,898,897.14	48%	97%
Knoxville	TN	18,972,867	3,413,759.00	15,559,108.00	18%	61%
Miami/Dade	FL	18,972,867	2,431,148.00	16,541,719.00	13%	1800%
Minneapolis	MN	18,972,866	3,975,735.53	14,997,130.47	21%	43%
New Haven	CT	18,972,867	2,982,801.67	15,990,065.33	16%	68%
Norfolk/Portsmouth	VA	18,972,866	9,088,428.00	9,884,438.00	48%	501%
Santa Ana	CA	18,972,867	6,283,208.00	12,689,659.00	33%	106%
St. Louis/East St. Louis	MO/ IL	18,972,866	2,755,961.00	16,216,905.00	15%	60%
TOTAL		$284,592,999	$65,894,835.61	$218,698,163.39	23%	133%

Empowerment Zones

Question: Take Miami, for example. Miami has a commitment from the Federal Government of $18.9 million in federal funding. According to HUD, Miami has been "disbursed" only $2.4 million of this total. But does "Disbursement" make much sense as a measure? In Miami's case, our trust staff is presently working on a deal with Bank of America for $8.8 million in trust funds that will leverage tens of millions of private dollars and create 100 new single family homes in our Empowerment Zone.

Our Miami trust staff is also finalizing a transaction for construction of a $2.7 million restaurant in our Zone that will create scores of new jobs for Empowerment Zone residents, again leveraging large private investment. These deals are moving forward; once completed, that will leave only $3.5 million in "undisbursed" funds. Is it true that EZ funding comes from the federal government as a form of "reimbursement" that is given at the end of the process, rather than up front at the beginning of the process?

Answer: Round II EZ funding, like most Federal funding, comes in the form of a reimbursement for incurred expenses. Disbursement makes sense as one of many measures of performance by allowing HUD to compare the different levels of spend out zone by zone. EZs that are not spending as much money may have issues that require guidance by HUD. However, this is not to imply that a slow spending EZ has unsatisfactory performance. They may have obligated a great deal of money to long term projects. Finally, HUD feels that improvements to PERMS to examine fund obligations by the zones and other changes will assist HUD's monitoring and ultimately improve the performance of the EZs.

Ms. Meek #1d

Empowerment Zones

Question: Please provide a detailed description, flow chart and explanation showing the process by which EZ's encumber federal funds, and how EZ's are reimbursed.

Answer: HUD obligates funds to the designated zones. These funds are held for each zone in HUD's disbursement system, the Line of Credit Control System (LOCCS). When a contractor requests reimbursement for work performed, payment must be authorized by a designated zone official. Once approved, a designated drawdown person requests payment through LOCCS and sends a voucher form to HUD certifying that the payment is to be made for an approved implementation plan. HUD reviews the voucher and instructs Treasury to transfer the funds to the local direct deposit bank account.

A flowchart of the process follows.

Ms. Meek #1e

Empowerment Zones

Question: Has HUD done a Zone-by-Zone analysis that supports the claim that tax incentives, alone, are sufficient to induce economic development in these distressed communities across the country?

Answer: While HUD has not done a zone-by-zone analysis, a HUD study, *Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program (November 2001)*(available at: http://www.huduser.org/publications/econdev/ezec_rpt.html), looks at a statistical sample of Round I EZ/ECs to determine the impact of tax incentives. The researchers found that there is a modest, but statistically significant impact in the economic well being of the Round I EZ/ECs, particularly when you look at unemployment. Because the impact is modest and there are multiple inputs into the program, for example, strategic planning, grants and several tax incentives; it is impossible to determine the impact of tax credits alone.

The complexity of tax incentives creates marketing challenges for local governments in promoting them to the business community. HUD has begun an aggressive effort to provide technical assistance to EZs on tax incentives, with a focus on how to effectively market them to businesses. In light of the potential benefits exclusively earmarked to EZs, the Department believes that, if fully utilized, tax incentives can be an effective tool for revitalizing Empowerment Zones. With the Round III EZ, which receive no additional grants, researchers will be able to explore the question of tax incentives further.

The *Interim Assessment* concludes that businesses have insufficient knowledge of how to effectively use the incentives. In May 2001, HUD published a *Tax Incentive Guide for Businesses in the Renewal Communities, Empowerment Zones and Enterprise Communities* and plans to follow up in 2002 with a publication called *Tax Incentives Plus Businesses Equals Jobs,* both of which are designed as guides to help communities market incentives and attract businesses to their communities. HUD is hosting a conference this Spring for all EZs and RCs that will provide technical assistance in the marketing and use of tax incentives. Follow-up regional workshops are also planned in the next fiscal year. HUD expects that, as more businesses learn about these credits, they will be utilized and have the desired impact.

Ms. Meek #2

Empowerment Zones

Question: According to the EZ Application Guidelines, every successful EZ applicant must identify matching funds to leverage their Federal Funds (whether they are public or private resources). Has HUD completed an analysis of how much funding the Round II EZ's have leveraged thus far?

Answer:

HUD tracks EZ reports of leverage through the Performance Measurement System (PERMS). Reported leverage for Round II EZs totals approximately $1.3 billion private and $1.6 billion non-private as of March 2002. Below is a summary of funds leveraged for the Round II EZs as reported in their 2001 Annual Reports.

(In millions)

	Non-HHS/HUD Funds Leveraged	
Grantee	Private	Non-Private
Boston (MA)	$144	$213
Cincinnati (OH)	$1	$26
Columbia/Sumter (SC)	$5	$14
Columbus (OH)	$304	$140
Cumberland (NJ)	$44	$18
El Paso (TX)	$6	$8
Gary/Hammond/E. Chicago (IN)	$571	$206
Huntington/Ironton (WV)	$46	$115
Knoxville (TN)	$39	$328
Miami/Dade (FL)	$19	$30
Minneapolis (MN)	$25	$53
New Haven (CT)	$10	$50
Norfolk/Portsmouth (VA)	$13	$9
Santa Ana (CA)	$1	$209
St. Louis (MO)/E. St. Louis (IL)	$72	$211
TOTAL	$1,300	$1,630

Ms. Meek #3

Empowerment Zones

Question: Since the EZ's have to leverage federal funds, I would like to know how the EZ's can make financial commitments without knowledge as to what their revenue will be over the term of the zone.

Many EZ's Strategic Plans were developed based upon the financial commitment of $10 Million per year for 10 years. But now, these Empowerment Zones have been forced to try to promote economic development under the worst of circumstances: the Empowerment Zones have no idea how much money they will have to work with. Last year, the Administration proposed $150 million; the EZ's got $45 million. This year, the Administration proposes nothing.

Why does HUD believe that this on-and-off, boom-or-bust, some-or-nothing- at-all approach is the optimal way for the federal government to promote economic development in America's poorest urban areas -- particularly in view of the fact that the Empowerment Zones were promised a stable level of funds?

Answer: The 1994 Notice Inviting Applications and regulations for the Round I Empowerment Zones/Enterprise Communities competition clearly announced $100 million of HHS Social Services Block Grant funds (SSBG). Conversely, the notice for the Round II Empowerment Zones only made references to possible future funding by such phrases as "*HUD anticipates that funding may become available in Fiscal 1999.*"

Although there was never any firm promise of funds availability in either the April 16, 1998 Round II Notice or regulations other than a $100,000 planning grant and tax incentives, the Round II EZs did receive HUD appropriated funds over a four year period, beginning in fiscal year 1999 through 2002 totaling almost $22 million for each of the 15 EZs. HUD has consistently supported these annual appropriations for the Round II Empowerment Zone grants.

At this stage, HUD's efforts will concentrate on enabling the Empowerment Zones to develop the capacity to use the funds they've received. HUD will emphasize tax incentives and leveraging funds in the Empowerment Zone program through greater attention to Tax Incentive Utilization Plans. In fact, the eight new Round III Empowerment Zones and Renewal Communities are enthusiastically going after tax-free bonds and other incentives that total over $17 billion.

Ms. Meek #4a

Community Development Block Grants

Question: As you know, the Community Development Block Grant Program (CDBG) is the cornerstone program for economic assistance to state and local governments geared especially to low and moderate income persons.

I believe that the original law states it quite clearly, that funded activities by the CDBG program must "principally benefit low- and moderate income persons, or eliminate or prevent slums and blight, or address a need that poses a threat to the health and safety of a community".

What measures or regulations does HUD have in place to ensure that the original intent of the CDBG law is enforced, that is, that CDBG funds principally benefit low-and moderate income persons?

How does HUD track abuses in projects funded with CDBG dollars? What administrative reviews or procedures does HUD have in place to insure that CDBG monies are used to benefit low and moderate income people?

Answer: The CDBG program has very specific program regulations in place to ensure that CDBG funds principally benefit low- and moderate-income persons that mirror and are consistent with the applicable provisions in the Housing and Community Development Act of 1974, as amended, P.L. 93-383. In particular, for CDBG entitlement recipients, HUD's regulations are found at 24 CFR 570.208 for the national objectives with specific record keeping requirements for demonstrating compliance with the national objectives found at 24 CFR 570.506. For the CDBG States' administered program, the national objectives provisions are found at 24 CFR 570.483 and are similar to the CDBG entitlement regulations on this subject.

HUD has an electronic information fund disbursement and information system (IDIS) in which CDBG recipients enter current CDBG funding data for each activity funded with CDBG funds, including how the activity qualifies as meeting an appropriate CDBG national objective, accomplishments achieved for the completed activity, and income characteristics for CDBG funded activities that directly benefit low- and moderate-income persons. In addition, HUD staff periodically monitor CDBG jurisdictions on- site to verify the accuracy of the information entered into IDIS, to verify that CDBG activities actually serve the low- and moderate-income areas identified, and to verify that the records are kept demonstrating that individuals served are low and moderate income.

For fiscal year 2001, HUD monitored approximately 380 CDBG grantees for compliance with CDBG program requirements. There were 187 CDBG grantees monitored for compliance with the national objectives that resulted in 209 findings and 154 concerns communicated to grantees. In cases where a grantee was not able to satisfactorily demonstrate compliance, an appropriate corrective action was requested. Typically, the corrective action is a reimbursement

to the CDBG program account for the CDBG funds expended on the activity with non-Federal funds.

Results of these on-site monitoring visits are tracked through the Grants Management tracking system. This system tracks the results of HUD staff monitoring by subject area, including the CDBG national objectives. (Note that problems identified by HUD's Office of the Inspector General are tracked separately by the OIG's office.)

Ms. Meek #4b

Community Development Block Grants

Question: How does HUD respond to jurisdictions that do not meet the 70 percent benefit threshold?

Answer: A CDBG entitlement recipient that does not meet the 70 percent overall program benefit to low- and moderate-income persons during its specified 1- 2- or 3- year period is required to compensate for any shortfall by increasing its overall expenditure for low- and moderate-income persons in the subsequent program year. So, if a recipient's actual percentage of expenditures for program benefit to low- and moderate-income persons was 69 percent, that recipient would be required to expend no less than 71 percent of its CDBG funds in the subsequent period. Most often, such shortfalls in meeting the 70 percent overall benefit requirement result from some planned activities moving faster than other planned activities.

Ms. Meek #5a

Service Coordinators in Public Housing

Question: Service coordinators are a key ingredient to allowing residents to remain in their homes and avoid much more costly housing and services settings. Unfortunately, HUD's budget request cuts funding for service coordinators unless other, uncommitted Section 202 funds are recaptured. GAO reports HUD did not recapture any Section 202 funds in fiscal 2001 and did not anticipate any such recaptures in fiscal year 2002. How much in uncommitted Section 202 funds does HUD reasonable expect to recapture in fiscal year 2003?

Answer: Fiscal year 2001 recaptures from the Section 202 program were $46,718,694. Prospective recaptures are not estimated as part of the budget process, although it is anticipated that well in excess of $10 million in recaptures or cancellations will be available for new obligations in fiscal year 2003.

Ms. Meek #5b

Service Coordinators in Public Housing

Question: If this amount is in excess of the $9 million that could be added to the service coordinator grants, what will happen with any additional recaptures from the Section 202 program?

Answer: Cancelled reservations as well as recaptures are normally made available for the same purposes for which the funds were originally appropriated. The fiscal year 2003 budget request includes language that specifically makes available up to $9 million of any funds recaptured or cancelled to fully fund the request for service coordinators and congregate services grants. It is anticipated that recovered balances of terminated obligations or commitments in excess of this amount will be used for the same purpose of the original commitment.

Ms. Meek #6a

IRP Rehabilitation Grants

Question: In 1997, Congress authorized HUD to provide grants to an array of federally-subsidized properties in need of repair. Why have these grants, funded by unused interest reduction payments (IRPs) from the Section 236 program, not yet been released by HUD? When and how does HUD plan on releasing these funds?

Answer: The Department has been in discussions with the OMB on the availability and appropriate use of interest reduction payments under Section 236(s) of the National Housing Act. Among the issues we have to consider are the universe of eligible projects, the possible need for rulemaking and Notice of Funding Availability competition, and the requirement that the spendout rate of the funds be no higher than if the funds had not been recaptured. HUD will advise the Committee as soon as possible on next steps once we have completed our discussions with OMB.

Ms. Meek #6b

IRP Rehabilitation Grants

Question: How much in grant dollars does HUD anticipate getting to these properties, which are in desperate need of capital infusion?

Answer: Because of the difficult budget and accounting issues associated with converting the archaic contract authority used for the original IRP contracts into modern budget authority terms, and the additional complexity of making grant awards that don't violate the statutory limitation that any resulting outlays be within levels that would have otherwise occurred had the funds not been recaptured, it is not possible at this time to estimate the amount of potential grant awards.

Ms. Meek #6c

IRP Rehabilitation Grants

Question: How much does HUD anticipate recapturing annually in IRPs so these can be annual grant awards to needy affordable properties?

Answer: The amount of IRP that might be available for recapture is dependent on individual project owners exercising their option to prepay and refinance the outstanding mortgage on a Section 236 project or to sell the project without the original mortgage. In addition, if the project is subject to restructuring under the Mark-to-Market program, or if the owner agrees to retain existing use restrictions and refinances the outstanding indebtedness with a non-FHA mortgage, the IRP stream of payments may be retained by the project and is not subject to recapture. As issues relating to how this new grant program are resolved, the Department expects to assess the universe of potential candidate projects for recapture, and will be making an estimate of future recaptures.

Ms. Meek #7

Elderly and Service Issues

Question: According to a recent HUD report, nearly 45 percent of all public housing residents are elderly or disabled. Public housing for the elderly is the largest federally-assisted housing program serving our senior citizens, yet two-thirds of elderly public housing residents live in units that are over 30 years old. A bill has been introduced in the Senate, S. 1885, "The Elderly Housing and Health Support Service Demonstration Act" which would enable public housing authorities to retrofit buildings for the elderly and disabled to provide more health-support services, including assisted living which can be funded in some states with Medicaid waivers. Does HUD plan to support this bill?

Answer: HUD shares the goal of the bill, but supports continued ability of PHAs to use current funding sources for this purpose rather than a separate program. HUD intends to work more closely with the Department of Health and Human Services to seek better alignment of program requirements to maximize federal resources.

Ms. Meek #8a

Lead Poisoning and Lead Based Paint

Question: Mr. Secretary: According to recent CDC estimates, 890,000 U.S. children age 1-5 have elevated blood lead levels, and more than one-fifth of African-American children living in housing built before 1946 have elevated blood lead levels. These figures reflect the major sources of lead exposure: deteriorated paint in older housing, and dust and soil that are contaminated with lead from old paint and from past emissions of leaded gasoline. Mr. Secretary, do you have any programs specific to alerting the African American community to this problem. What can we do to get the word out and have children tested?

Answer: HUD's lead hazard control grantees always target high risk housing for remediation and local outreach and public education campaigns, which are always targeted to those at greatest risk. Because a higher percentage of African-American children are at risk, these efforts are aimed at them and other high-risk populations. One of the important ways to increase testing of children is through The Centers for Disease Control High Intensity Targeted Screening Program, which recently completed a highly effective pilot program in Chicago; HUD's lead hazard control funds in Chicago were used to address hazards in houses occupied by children with elevated blood lead levels who had not been detected previously.

Lead Poisoning and Lead Based Paint

Question: What is being done?

Answer: HUD has done the following:

- Led the Federal Government's effort to develop a 10-year strategy to eliminate childhood lead paint poisoning, which was published by the President's Task Force[1] (this marked the first time the federal agencies had developed a coordinated approach);
- Created an effective lead hazard control grant program to eliminate lead-based paint hazards in privately owned low-income dwellings where hazards are greatest (in 1990, only one state had such a program, but today the HUD program is now active in over 200 jurisdictions across the country;
- Completed a new housing survey showing the number of houses with lead paint declined from 64 million in 1990 to 38 million in 2000;[2]
- Enforced the lead-based paint disclosure regulation;
- Conducted the nation's largest study of modern lead hazard control techniques to determine the effectiveness of the HUD grant program; the results show that children who live in units where hazards have been eliminated have a 25 percent lower blood lead level and their homes have a sustained 50-88 percent decline in dust lead levels;[3]
- Conducted research to reduce the cost and increase the effectiveness of hazard identification and control technologies;
- Published technical guidelines,[4] a 500-page compendium of best practices that is regarded as the state of the art and widely referenced in Federal, state and local regulations; and
- Conducted a scientific study that served as the foundation for the nation's first health-based standards for lead in deteriorated paint, dust and soil, which went into effect in early 2001.[5]

[1] President's Task Force on Environmental Health Risks and Safety Risks to Children. Eliminating Childhood Lead Poisoning: A Federal Strategy Targeting Lead-based paint Hazards. Washington DC: U.S. Department of Housing and Urban Development and U.S. Environmental Protection Agency, February 2000.
[2] HUD, National Survey of Lead and Allergens in Housing, 2001 (available at www.hud.gov/offices/lead)
[3] Galke W, Clark S, Wilson J, Jacobs D, Succop P, Dixon S, Bornschein B, McLaine P, Chen M. Evaluation of the HUD lead hazard control grant program: early overall findings. Env Res 86A:149-156 (July 2001)
[4] Guidelines for the Evaluation and Control of Lead-based paint Hazards in Housing. HUD 1539-LBP, Washington DC: U.S. Department of Housing and Urban Development, 1997.
[5] Lanphear BP, Matte TD, Rogers J, Clickner RP, Dietz B, Bornschein RL, Succop P, Mahaffey KR, Dixon S, Galke W, Rabinowitz M, Farfel M, Rohde C, Schwartz J, Ashley P, Jacobs DE. The contribution of lead-contaminated house dust and residential soil to children's blood lead levels: A pooled analysis of 12 epidemiological studies. Env Res 79:51-68 (1998).

Ms. Meek #8c

Lead Poisoning and Lead Based Paint

Question: Does the request you asked reflect this concern and how?

Answer: The request does reflect this concern. HUD has requested a 15 percent overall increase in funding for the lead-based paint program to enable the nation to address lead-based paint hazards in high-risk populations, and to leverage even more resources from the private sector to ensure that children are protected from lead-poisoning.

Ms. Meek #9a

Lead Poisoning and Lead Based Paint

Question: Mr. Secretary: What efforts can be made to ensure that low income and minority populations purchasing HUD owned or insured properties will be free of health hazards such a lead based paint, mold, pests?

Answer: Prior to occupancy by the buyer, HUD requires that HUD-owned properties being insured by FHA undergo a visual examination to determine if any deteriorated paint exists. If the deteriorated paint is greater than de minimis levels (2 square feet per room or 20 square feet on the exterior), then the deteriorated paint is repaired, followed by specialized cleanup and clearance testing. Clearance testing ensures that the property does not have lead-based paint hazards.

Ms. Meek #9b

Lead Poisoning and Lead Based Paint

Question: Current HUD policies typically turn properties over without any investment in rehabilitation or repairs that would ensure a healthy environment, given current regulations such as the lead based paint rules require lead based paint hazard elimination prior to occupancy, what will the department to ensure compliance with these rules so that the health of young children and families buying HUD properties is protected?

Answer: HUD requires a visual assessment for deteriorated paint, and if necessary, paint stabilization and clearance of properties owned by HUD and insured by FHA prior to occupancy by the buyer. HUD has increased the number of staff devoted to enforcing the lead-based paint regulations. The regulation and increased enforcement appears to be working. Data from HUD's new national survey of lead-based paint hazards in housing shows that for moderate and upper income housing, the prevalence of lead-based paint hazards is 18 percent. For low-income housing that is not Federally assisted, the prevalence rate increases to 41 percent. But for government-assisted housing, the prevalence rate is 17 percent, slightly below the rate for low-risk upper- and middle-income housing. In short, from a lead poisoning prevention viewpoint, government assisted housing is also the safest housing and our efforts are continuing.

Ms. Meek #10

Underutilization of Section 8 Certificates

Question: Increasingly, the Section 8 program is being underutilized, due largely to the low Fair Market Rents (FMR) set for the program's subsidies. This is the case for both project-based and tenant-based Section 8 certificates. The inadequate FMR set for project-based subsidies do not allow many landlords to appropriate finance their projects, thus forcing them to not use the program. For individuals with tenant based subsidies, the FMR's set are generally too low to pay for the high cost of rent that exists in most parts of the country, thus making it impossible for the individual to use the subsidy. How many Section 8 subsidies, both project- and tenant-based, do you anticipate the program losing around the country as a result of the Fair Market Rents (FMR) funding issues?

Answer: None. HUD sets FMRs either at the 40th percentile rent or at the 50th percentile rent. For most areas, the FMR is set at the 40th percentile rent—that is, the rent charged for units in the bottom 40 percent of standard rental housing in the market. For some other areas, the FMR is set at the 50th percentile rent—that is, the median rent—the rent charged for units in the bottom half of the rental market. The increase in the fiscal year 2002 FMRs was almost double the amount of increase in recent years—on average 5.1 percent more than the previous year's FMRs.

HUD also published a new regulation that allows any PHA that is not in an area covered by a 50th percentile FMR to request HUD approval of higher "success rate payment standard amounts" based on the 50th percentile rent.

HUD field offices, at the request of a PHA, may authorize PHAs to establish exception payment standards from 110 percent to 120 percent of the applicable published FMR for a designated part of the FMR area for all units or for all units of a given unit size leased in a designated exception area.

The Assistant Secretary for Public and Indian Housing may approve exception payment standards that exceed 120 percent of the applicable published FMR. Such exception payment standards may be authorized for the total area of a county, or PHA jurisdiction, or place for a program-related reason. There is no major demand for these higher payment standards. To date, the Department has received very few requests for payment standards exceeding 120 percent of the applicable published FMR.

Mr. Price #1a

Accelerated Claims Demonstration

Question: HUD is testing a streamlined approach for FHA loss mitigation and property disposition through the Section 601 Accelerated Claims Demonstration. The program will utilize a joint venture business model with for-profit investors that are financially motivated by sharing in the recovery obtained through use of HUD's loss mitigation tools. How will this approach effectively address the so-called "mission" properties in revitalization areas that have limited value and therefore provide investors with minimal incentives for aggressive loss mitigation?

Answer: During the Section 601 demonstration phase, the initiative will have a limited scope and operate only in certain regions of the country. Further, in those 16 communities that have Asset Control Area (ACA) agreements, properties in those revitalization areas will be excluded from the Section 601 Demonstration, even during the ACA program review period. The Department upon publishing regulations will consider allowing nonprofits to purchase mortgages in the future. A fundamental program assumption is that the joint venture investor will be highly motivated to avoid foreclosure–and its costly process–and to aggressively exhaust all loss mitigation options with the current homeowner. Giving families the greatest range of tools to remain in their homes is the Department's highest priority.

Mr. Price #1b

Accelerated Claims Demonstration

Question: Will the inclusion in the demonstration of defaulted notes on these "mission" properties reduce the price that investors are willing to bid for the right to carry out loss mitigation, thereby diminishing the recovery to the FHA Insurance Fund?

Answer: As the demonstration leverages the market forces, properties of lesser value will be so valued in the bids received from joint venture partners. It is still assumed that the joint venture partner in its disposition strategy will be able to "beat" the recoveries associated with the sale of discounted properties.

Mr. Price #1c

Accelerated Claims Demonstration

Question: Or does HUD plan on restricting the notes that are included in the 601 Demonstration to those in communities with strong or stable markets?

Answer: Consistent with the Department's mission, HUD does not plan on restricting the notes that are included in the 601 Demonstration to those in communities with strong or stable markets. During the Demonstration, all notes that meet the eligibility criteria and that are secured by mortgages in the Philadelphia and Atlanta Homeownership Centers excepting ACA's will be eligible notes.

Mr. Price #1d

Accelerated Claims Demonstration

Question: In keeping with the intent of the Asset Control Area program, authorized by Congress in the same legislation as the 601 Demonstration, what steps is the Department taking to incorporate high capacity non profit organizations in carrying out loss mitigation and asset disposition on notes in impacted revitalization areas?

Answer: In the initial Demonstration phase of the Accelerated Claims Disposition program, the Department wants to learn if the profit-motivated Joint Venture Partner will team with high capacity nonprofit organizations in carrying out loss mitigation and asset disposition on notes in impacted revitalization areas to meet its recovery objectives.

The Department wants to be able to evaluate and report conclusively at the end of the demonstration if the objectives of operationalizing the claim processing, increasing recoveries to the FHA fund and achieving budget savings have been addressed.

After the Department evaluates the demonstration and the program matures, it will be better positioned to consider and explore in later phases influencing asset disposition strategies with more direct involvement with nonprofit partners to explore such alternatives including: seller financing, repair funding, exclusive marketing periods, direct sales programs.

Mr. Price #2a

Lead Poisoning

Question: HUD's lead safety regulations took full effect on January 6, 2002 for jurisdictions across the country. Has HUD made it clear to cities and states and property owners that there will be no more extensions?

Answer: HUD issued the Lead Safe Housing Rule in September 15, 1999; it went into effect 1 year later. Because some jurisdictions indicated that they did not have enough trained and/or certified personnel to implement the rule, HUD provided transition assistance starting in September 2000. HUD extended the transition period twice, as it was helping build the needed capacity. In order to make clear to cities, states and property owners that there will be no more extensions to the transition assistance period for its new Lead Safe Housing Rule, HUD issued Notice OHHLHC-01-05, Final Extension to the Transition Assistance Period for HUD's Lead Safe Housing Regulation, HUD Notice, on August 3, 2001. This Notice stated that the final Transition Assistance Period extension would last until January 10, 2002(not January 6, as originally asked); the Department has not extended the Transition Assistance Period since then.

Mr. Price #2b

Lead Poisoning

Question: Has HUD put in place the mechanism for subsidizing the cost of clearance testing for CDBG rehabilitation projects?

Answer: HUD has put in place the mechanism for subsidizing the cost of clearance testing for CDBG and HOME rehabilitation projects. HUD issued a contract to pay jurisdictions up to $150 for a clearance examination in a housing unit being rehabilitated with funds from either CDBG or HOME grants. The contract, issued to Destiny Management Services, an 8(a) woman-owned business, covers clearance examinations throughout fiscal year 2002.

Mr. Price #2c

Lead Poisoning

Question: Do most jurisdictions now have the capacity to implement these basic lead safety requirements?

Answer: The Transition Assistance program was successful in reducing the number of jurisdictions requesting such assistance from about 650 of the approximately 1,050 eligible jurisdictions in November 2000, to about 400 in April 2001, and about 250 in August 2001. Since the end of the Transition Assistance Period, only 2 jurisdictions have been granted waivers-one to New York City related to the events of September 11, 2001 and the other to the State of Ohio related to training requirements.

Mr. Price #2d

Lead Poisoning

Question: How will HUD be enforcing compliance with its lead-safety rule?

Answer: Revised answer: Because HUD's Lead Safe Housing Rule is an integral component of the Department's housing assistance programs, HUD will be enforcing compliance with the Rule as part of its compliance assistance and enforcement activities for its housing assistance programs. HUD has increased the number of staff devoted to enforcing the lead-based paint regulations to assist in this effort. The Department is coordinating the technical expertise of the Office of Healthy Homes and Lead Hazard Control with the program offices in providing monitoring, training materials, conducting training, providing outreach materials to state and local governments and property owners, and processing tips and complaints from the public and from state and local governments.

Mr. Price #3a

Lead Poisoning

Question: Congress provided $6.5 million for "public/private partnerships" to increase resources for lead hazard control in high-risk housing. What is the status of HUD's NOFA (Notice of Funding Availability) for public/private partnerships?

Answer: HUD, in response to Congressional directive, submitted a status report on the proposed NOFA to Congress in late January. The NOFA has been completed and is now undergoing internal Departmental clearance. We expect it to be published in the Federal Register in early May.

Mr. Price #3b

Lead Poisoning

Question: How much does the President's Budget request for such partnerships in fiscal year 2003?

Answer: HUD is requesting an appropriation of $10 million in fiscal year 2003 to continue such partnerships under the Lead Elimination Action Program (LEAP). This represents an increase of $3.5 million over its fiscal year 2002 appropriation and is the same amount requested for fiscal year 2003.

Mr. Price #4

Technical Assistance for HBCUs

Question: HUD has proposed new funding of $3 million for technical assistance for a wide range of Community Development Block Grant (CDBG) needs, including "capacity building . . . [for] neighborhood based and community development organizations and nonprofits that wish to participate in local community development."

It is my understanding that many Historically Black Colleges and Universities (HBCU's) greatly need such help as well. Capacity building funds would help HBCU's use HUD community development funds more effectively; it would help them attract development funds from other sources, reducing reliance on HUD funds; and it would help them train and retain experienced community development staff.

Given the great demand for technical assistance funding for the CDBG program, which is clearly recognized by HUD, funding above the $3 million requested may well be needed, especially if HBCU's are deemed eligible for the new HUD funding. Are there other funding sources at HUD that can be made available for this purpose?

Answer: There are no other sources of funding available at HUD to provide technical assistance to HBCUs. The proposed $3 million in technical assistance requested for the CDBG account is intended for efforts emphasizing the effective and timely obligation of CDBG grants with a focus on grantees with high balance of funds; efforts to expand homeownership Faith Based Institutions, Colonias. As such no specific funding for HBCU capacity building is not mentioned. HBCU's have been receiving funds for a number of years from Several Federal Departments and capacity building should not be a major problem. It should be noted that the $3 million contrasts to no technical assistance funding in recent years. Of course, both headquarters and fields offices provide information and assistance for all CDBG activities including HBCU's.

Mr. Price #5a

Office of Healthy Homes Research on Mold in Rental Housing

Question: The conference report accompanying the fiscal year 2002 bill included language encouraging HUD to work through the Healthy Homes Initiative with other appropriate Federal agencies to conduct research and public education on health hazards associated with mold, excess moisture, and dust. Please comment on the status and focus of these efforts.

Answer: HUD is working cooperatively with a number of other Federal agencies and institutes, including the National Institute of Standards and Technology (NIST), the National Institute of Occupational Safety and Health (NIOSH), the United States Department of Agriculture (USDA), and the National Institute of Environmental Health Sciences (NIEHS).

NIST is developing and improving technology to detect and model moisture in housing. NIOSH is conducting research on improved methods for detecting residential mold contamination through the use of DNA probes. USDA is working with HUD to disseminate information about housing-related hazards and their effect on residential health through USDA's Cooperative State Research, Education and Extension Service. NIEHS collaborated with HUD in the National Survey of Lead and Allergens in Housing by collecting environmental (dust) and survey data and analyzing the dust for important household allergens.

Office of Healthy Homes Research on Mold in Rental Housing

Question: What are the objectives of the research being conducted?

Answer: The objectives of the mold research generally fall into two categories: (1) to improve methods for the assessment of mold contamination in housing (e.g. funding the development of methods to improve air sampling methods); and (2) to assess the efficacy of low cost methods for remediating residential moisture problems.

Congressional Justifications for 2003 Estimates

February 2002

Department of Housing and Urban Development

Part 1

Departmental Summary

Community Planning and Development

Public and Indian Housing

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FISCAL YEAR 2003

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CONGRESSIONAL JUSTIFICATIONS

INTRODUCTION

The following table summarizes the Department's funding and staffing requests for fiscal years 2001 through 2003.

	2001 ACTUAL	2002 ENACTED	2003 ESTIMATE
	(Dollars in Millions)		
BUDGET AUTHORITY			
Discretionary	$28,418	$31,470	$31,498
Mandatory	4,007	2,855	3,506
Total Budget Authority	32,425	34,325	35,004
BUDGET OUTLAYS			
Discretionary	33,075	34,393	36,206
Mandatory	918	(3,445)	(1,648)
Total Budget Outlays	33,993	30,948	34,558
FULL-TIME EQUIVALENTS			
FTE Staff (includes S&E, OIG, WCF, OFHEO)	10,069	10,273	10,297

NOTE: Detail may not add to totals due to rounding.

These Justifications are in three parts. The first part begins with a set of summary tables outlining the Department's budget authority, outlays, and staffing levels. The tabular material is followed by discussions of the Department's programs.

Throughout the Justifications, all references to years refer to fiscal years (beginning October 1 and ending September 30) unless otherwise noted.

Exhibit I

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2001-2003
(Dollars in Millions)

	2001 ENACTED	2002 ENACTED	2003 REQUEST
DISCRETIONARY PROGRAMS			
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants Fund	5,112	5,000	4,732
Emergency Supplemental:			
Appropriation	...	2,000	...
Transfer	...	[700]	...
Total CDBG	5,112	[7,700]	4,732
Formula Grants	[4,399]	[4,341]	[4,429]
Insular Areas (Added to formula)	[...]	[...]	[7]
CDBG Set-Asides:			
Indian Community Block Grant	[71]	[70]	[73]
Capacity Building (NCDI) a/	[28]	[29]	[30]
Habitat for Humanity	[[3]]	[[4]]	[[5]]
Section 107 Grants	[45]	[43]	[39]
Program Management and Analytical Support	[[5]]	[[...]]	[[4]]
Alaskan Native and Hawaiian Native Institutions	[[3]]	[[4]]	[[2]]
Tribal Colleges and Universities	[[3]]	[[3]]	[[3]]
Technical Assistance	[...]	[...]	[[3]]
Housing Assistance Council	[3]	[3]	[3]
National American Indian Housing Council	[3]	[3]	[2]
2002 Winter Olympics/Utah Housing Finance Agency	[2]	[...]	[...]
Neighborhood Initiatives Demonstration b/	[44]	[42]	[...]
Resident Opportunity and Self-Sufficiency (ROSS)	[55]	[55]	[...]
Self-Help Homeownership	[20]	[22]	[65]
Youthbuild	[60]	[65]	[65]
Youthbuild Technical Assistance	[[4]]	[[2]]	[[2]]
Transfer to the Working Capital Fund c/	[15]	[14]	[3]
EDI Special Purpose Projects	[357]	[294]	[...]
National Housing Development Corporation	[10]	[5]	[...]
National Council of LaRaza for Hope Fund	[...]	[5]	[...]
Hawaiian Home Lands Homeownership	[...]	[10]	[...]
Colonas Gateway Initiative	[...]	[...]	[16]
Community Development Loan Guarantees:			
Credit Subsidy and Administrative Costs	30	15	7
Loan Guarantee Limitation	[1,258]	[609]	[275]
Brownfields Redevelopment Program	25	25	25
Urban Empowerment Zones	185	45	[...]
Rural Empowerment Zones d/	[15]	...	...
HOME Investment Partnerships Program	1,796	1,846	2,084
Homeownership Downpayment Assistance Initiative	[...]	[50]	[200]
Transfer to Working Capital Fund	[17]	[17]	[1]
Technical Assistance & Pgm Mgmt & Anal. Support	[22]	[12]	[12]
Housing Counseling e/	[20]	[20]	[...]
Homeless Assistance Grants f/	1,023	1,123	1,130
Transfer to Working Capital Fund	[5]	[6]	[2]
Technical Assistance and Management Information Systems	[10]	[9]	[18]
Interagency Council on the Homeless	[1]	[1]	[1]
Shelter Plus Care (Renewals)	100	...	...
Total, Homeless	[1,123]	[1,123]	[1,130]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2001-2003
(Dollars in Millions)

	2001 ENACTED	2002 ENACTED	2003 REQUEST
FEMA Emergency Food and Shelter	...	...	153
Housing Opportunities for Persons with AIDS (HOPWA)	257	277	292
Technical Assistance	[3]	[2]	[2]
Rural Housing and Economic Development g/	25	25	...
Subtotal, Community Planning and Development	8,553	10,356	8,423
PUBLIC AND INDIAN HOUSING			
Housing Certificate Fund			
Section 8 Contract Renewals/Amendments	14,272	15,725	16,864
Offsets & Rescissions	(1,329)	(640)	...
Subtotal, enacted	12,943	15,085	16,864
Tenant Protection/Replacement Certificate h/	265	203	260
Olmstead Decision	...	...	[6]
Advanced Appropriation for FY 2001	[4,191]	[...]	[...]
Advanced Appropriation for FY 2002	[(4,200)]	[4,200]	[...]
Advanced Appropriation for FY 2003	[...]	[(4,200)]	[4,200]
Advanced Appropriation for FY 2004	[...]	[...]	[(4,200)]
Contract Administration	192	196	196
Incremental Vouchers -- (18k in '02; 34k in '03)	452	104	204
Jobs Plus	7	...	...
Transfer to Working Capital Fund	11	13	3
Non-Elderly Disabled	40	40	[40]
Subtotal, Housing Certificate Fund	13,910	15,641	17,527
Moving to Work Demonstration	[7]	...	...
Public Housing Capital Fund	2,993	2,843	2,426
Leverage Funding Financing Initiative	[...]	[...]	[417]
Total, Public Housing Capital Fund Resources	[2,993]	[2,843]	[2,843]
High Performers	[...]	[550]	[...]
Modernization TA	[50]	[51]	[54]
Emergency Cap Needs	[75]	[75]	[75]
ROSS (within CDBG until FY 2003)	[...]	[...]	[55]
Transfer to Working Capital Fund	[43]	[53]	[19]
Neighborhood Networks Initiative	[...]	[15]	[15]
Subtotal, Public Housing Capital Fund	[2,993]	[2,843]	[2,843]
Revitalization of Severely Distressed Public Housing	574	574	574
Technical Assistance	[10]	[6]	[6]
Neighborhood Networks Initiative	[...]	[5]	[5]
Gap Financing	[...]	[...]	[50]
Public Housing Operating Fund	3,235	3,495	3,530
Operation Safe Home	[...]	[5]	[...]
Funds to Attorney General to fight crime and drugs	[...]	[10]	[10]
Operation Safe Home Rescission	...	(11)	...
Drug Elimination Grants for Low-Income Housing	309	...	...
Operation Safe Home	[20]	[...]	[...]
New Approach Anti-Drug	[20]	[...]	[...]
Boys and Girls Club	[2]	[...]	[...]
Technical Assistance	[3]	[...]	[...]
Native American Housing Block Grants	649	649	647
Transfer to the Working Capital Fund	[2]	[3]	[1]
Technical Assistance	[6]	[5]	[3]
Native American Indian Housing Council	...	[2]	[2]
Black Mold	[5]	[...]	[...]
Title VI Federal Guarantees for Tribal Housing Activities:			
Program Account	[6]	[6]	[2]
Loan Guarantee Limitation	[55]	[53]	[17]
Indian Housing Loan Guarantee Fund:			
Program Account	6	6	5
Limitation Level	[72]	[234]	[197]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2001-2003
(Dollars in Millions)

	2001 ENACTED	2002 ENACTED	2003 REQUEST
Native Hawaiian Loan Guarantee Fund:			
Program Account	...	1	1
Limitation Level	[...]	[40]	[40]
Native Hawaiian Housing Block Grants	...	...	10
Technical Assistance i/	...	...	[1]
Rescission of Section 8	(1,826)	(1,200)	(1,100)
Rescission of unobligated balances	(114)	...	...
Subtotal, Public and Indian Housing	19,736	21,998	23,620
HOUSING PROGRAMS			
Housing Counseling Assistance j/	[20]	[20]	35
Housing for Special Populations:			
Supportive Housing for the Elderly Housing	777	783	783
PRAC Renewals	NA	[3]	[10]
Transfer to Working Capital Fund	[1]	[1]	[1]
CAP Grants (Rehab)/Conversion to Assisted Living	[50]	[50]	[30]
Service Coordinators	[50]	[50]	[53]
Use of Recaptures	...	...	(10)
Disabled Housing (Section 811)	217	241	251
PRAC Renewals	[NA]	[1]	[3]
Mainstream Voucher Renewals k/	[...]	[23]	[32]
Subtotal, Housing for Special Populations	994	1,024	1,024
FHA Funds:			
Mutual Mort. Ins. and Coop. Mgt. Housing Ins. Funds:			
Program Account:			
Administrative Expenses	330	337	348
Non-overhead expenses:	160	160	86
Additional Contract Expenses l/	...	1	...
Appropriation for BBDO Payment	[8]	...	...
Mortgage Insurance Limitation	[160,000]	[160,000]	[160,000]
Direct Loan Limitation	[250]	[250]	[50]
Transfer to the Working Capital Fund	[97]	[118]	[21]
Legacy - CSRS	16	16	15
General Insurance and Special Risk Insurance Funds:			
Program Account:			
Administrative Expenses	211	216	224
Non-overhead expenses	144	144	94
Credit Subsidy	101	15	15
Emergency Supplemental	39	...	...
Additional Contract Expenses l/	...	4	...
Mortgage Insurance Limitation	[21,000]	[21,000]	[21,000]
Direct Loan Limitation	[50]	[50]	[50]
Transfer to the Working Capital Fund	[34]	[41]	[14]
Legacy - CSRS	10	10	9
Subtotal, FHA Funds	1,011	903	791
Manufactured Home Inspection and Monitoring	6	14	13
Savings from Canceling S. 1029 m/	...	(8)	...
Rescission of Other Assisted Housing and HOPE	(3)	...	...
Subtotal, Housing Programs	2,008	1,933	1,863

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2001-2003
(Dollars in Millions)

	2001 ENACTED	2002 ENACTED	2003 REQUEST
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Guarantees of Mortgage-Backed Securities:			
Program Account	9	9	11
MBS Guarantee Limitation	[200,000]	[200,000]	[200,000]
Subtotal, GNMA	9	9	11
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	43	39	47
Strategic Planning and Performance Measurement	[3]	[...]	[...]
Technology Advancement Partnership (PATH)	10	9	[...]
Millennial Housing Commission n/	...	1	[...]
Commission on Affordable Housing and Health Care Facility Needs n/	...	1	...
Subtotal, PD&R	53	50	47
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Assistance Program	22	26	26
Fair Housing Initiatives Program	24	20	20
Subtotal, Fair Housing Activities	46	46	46
OFFICE OF LEAD-BASED PAINT AND POISONING PREVENTION			
Lead-Based Paint Hazard Reduction	100	110	126
Grant Program	[59]	[80]	[96]
Technical Assistance	[31]	[13]	[10]
Operation LEAP	[...]	[7]	[10]
Healthy Homes	[10]	[10]	[10]
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD	568	582	537
Transfers (FHA/GNMA/CPD)	[558]	[566]	[584]
Subtotal, Salaries and Expenses, HUD	[1,126]	[1,148]	[1,121]
Salaries and Expenses, OIG	56	71	77
Transfers (FHA/PIH)	[33]	[28]	[24]
Consolidated Fee Account	NA	(7)	(8)
Salaries and Expenses, OFHEO	22	27	31
Working Capital Fund (Direct)	...	...	278
Transfers	...	...	[75]
Subtotal, Working Capital Fund	...	...	[353]
Subtotal, Management and Administration	646	673	915
Subtotal, HUD Discretionary Budget Authority (Gross)	31,151	35,175	35,051
Current year Offsetting Receipts	(487)	(914)	(615)
Reclassification of Receipts (MMI)	(2,246)	(2,791)	(2,938)
Total, HUD Discretionary Budget Authority (Net)	28,418	31,470	31,498
Technical Adjustments o/	...	(2,055)	(56)
Adjusted Totals	28,418	29,415	31,442
MANDATORY PROGRAMS			
Low-Rent Public Housing - Loans and other Expenses	25	40	40
FHA MMI/CMHI Program Account	4,026	909	...
FHA GI/SRI Program Account	246	995	...

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2001-2003
(Dollars in Millions)

	2001 ENACTED	2002 ENACTED	2003 REQUEST
FHA MMI/CMHI Liquidating Account	2,246	2,791	2,938
FHA GI/SRI Liquidating Account	2,474	1,009	1,023
Manufactured Housing	2	...	...
Housing for the Elderly or Handicapped Liquidating Account	(463)	(325)	(455)
Subtotal, Gross Mandatory Budget Authority	8,556	5,419	3,546
Mandatory Receipts	(4,549)	(2,564)	(40)
Total, Net Mandatory Budget Authority	4,007	2,855	3,506
Total, Net HUD Budget Authority	32,425	34,325	35,004

a/ FY 2001 includes $3 million for Habitat for Humanity and $5 million for Rural. FY 2002 includes $4 million for Habitat and $5 million for Rural. FY 2003 includes $4.5 million for Habitat and $6 million for Rural.
b/ All $44 million is specified in FY 2001 and all $42 million is specified in FY 2002 Enacted.
c/ Working Capital Fund amounts in FY 2002 are floors.
d/ Funded within Department of Agriculture.
e/ In FY 2003, $35 million is proposed as a separate program under Housing.
f/ Includes 30% for Permanent Housing and a 25% match in all 3 years.
g/ FY 2001 funds must be awarded by June 1, 2001; and FY 2002 funds must be awarded by June 1, 2002.
h/ Eligible activities also include Sec. 23 conversions, Family Unification, and Witness Relocation.
i/ Technical assistance of $400,000 to support the management and oversight of program.
j/ Bracketed amounts in HOME.
k/ Mainstream Voucher Renewals previously requested in HCF.
l/ In prior years, the Office of Management and Budget hasn't scored these items.
m/ This item is scored against the Manufactured Housing Trust Fund BA to reflect the cancellation of a Bill that had been scored as $8 million in BA.
n/ $2.5 million for transfer to two independent commissions in FY 2002, $1.5 million for Millennial Housing Commission, and $1.0 million for the Commission on Affordable Housing and Health Care Facility Needs; and $.5 million for the Commission on Affordable Housing and Healthcare Facility Needs in 2001.
o/ Reflects a reduction to the totals in FY 2002 of changes of $1 million for OIG's disaster supplemental, $2 billion for the emergency supplemental, and $54 million in legacy costs. There is a $56 million adjustment for legacy costs in FY 2003. This allows for a more realistic comparison between FY 2002 and FY 2003.

Exhibit II

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2001-2003
(Dollars in Millions)

	2001 ENACTED	2002 REQUEST	2003 REQUEST
DISCRETIONARY PROGRAMS			
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants Fund	4,939	5,235	5,878
Community Development Loan Guarantees	7	11	15
Brownfields Redevelopment Program	4	26	31
Urban Empowerment Zones	31	90	104
HOME Investment Partnerships Program	1,424	1,551	1,600
Homeless Assistance Grants	965	1,062	1,199
FEMA Emergency Food and Shelter	...	...	153
Housing Opportunities for Persons with AIDS (HOPWA)	241	250	260
Rural Housing and Economic Development	17	25	25
Capacity Building for Community Development	5	2	...
Shelter Plus Care Renewals	2	46	52
Youthbuild	...	1	...
Urban Development Action Grants	1	15	15
Subtotal, Community Planning and Development	7,636	8,314	9,332
PUBLIC AND INDIAN HOUSING			
Housing Certificate Fund	16,720	17,771	18,339
Public Housing Capital Fund	3,550	3,656	3,553
Revitalization of Severely Distressed Public Hsg	487	552	608
Public Housing Operating Fund	3,137	3,385	3,459
Drug Elimination Grants for Low-Income Housing	309	312	247
Native American Housing Block Grants	684	711	740
Native American Housing Loan Guarantee Fund	1	7	8
Native Hawaiian Loan Guarantee Fund	...	...	1
Native Hawaiian Housing Block Grant	...	...	1
Moving to Work	2	3	...
Subtotal, Public and Indian Housing	24,890	26,397	26,956
HOUSING PROGRAMS			
Housing Counseling Assistance	...	...	9
Housing for Special Populations	774	847	885
HOPE Grants	21	25	1
Flexible Subsidy	(13)	(8)	(20)
Nehemiah Housing Opportunity Fund	3	8	5
FHA Funds:			
Mutual Mortgage Ins. and Coop. Management Housing Ins. Funds:			
Program Account	506	527	428
"Reserve for retirees"	16	16	15
General Insurance and Special Risk Insurance Funds:			
Program Account	431	396	346
"Reserve for retirees"	10	10	9
Subtotal, FHA Funds	963	949	798
Other Assisted Housing	672	672	672
Manufactured Housing Fees Trust Fund	2	14	13
Subtotal, Housing Programs	2,422	2,507	2,363

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2001-2003
(Dollars in Millions)

	2001 ENACTED	2002 REQUEST	2003 REQUEST
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Guarantees of Mortgage-Backed Securities	9	9	11
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	64	60	51
LEAD HAZARD CONTROL			
Lead Hazard Reduction	85	95	101
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Assistance Program	14	13	22
Fair Housing Initiatives Program	25	24	24
Subtotal, Fair Housing Activities	39	37	46
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD	579	582	544
Salaries and Expenses, OIG	61	71	75
Salaries and Expenses, OFHEO	23	26	30
Working Capital Fund	...	...	250
Subtotal, Management and Administration	663	679	899
Subtotal, HUD Discretionary Outlays (Gross)	35,808	38,098	39,759
Deductions for Offsetting Receipts (Discretionary)	(487)	(914)	(615)
Reclassification of MMI Receipts	(2,246)	(2,791)	(2,938)
Total, HUD Discretionary Outlays (Net)	33,075	34,393	36,206
MANDATORY PROGRAMS			
Housing for the Elderly or Handicapped Liquidating	(462)	(484)	(529)
Manufactured Home Inspection and Monitoring	8	1	...
FHA MMI Program Account	4,026	909	...
FHA MMI Liquidating	2,095	(3,244)	(1,700)
FHA GI/SRI Program	246	995	...
FHA GI/SRI Funds Liquidating	73	1,278	958
Low-Rent Public Housing--Loans and Other Expenses	21	40	40
Community Development Loan (Liquidating)	(15)	(2)	(2)
Revolving Fund	(76)	3	2
Ginnie Mae Liquidating	(365)	(378)	(377)
Rental Housing Assistance Fund	3	...	...
Consolidated Fee Fund	1	1	...
Working Capital Fund	(88)	...	...
Subtotal, HUD Mandatory Outlays (Gross)	5,467	(881)	(1,608)
Deductions for Offsetting Receipts (Mandatory)	(4,549)	(2,564)	(40)
Total, HUD Mandatory Outlays (Net)	918	(3,445)	(1,648)
Total, HUD Outlays	33,993	30,948	34,558

Exhibit III

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FULL-TIME EQUIVALENT (FTE) EMPLOYMENT
(Excludes Overtime and Terminal Leave)

	ACTUAL 2001	CURRENT ESTIMATE 2002	ESTIMATE 2003	INCREASE (+) DECREASE (-) 2003 vs 2002
Salaries and Expenses, HUD	8,926	9,100	9,100	0
Other Funds:				
Working Capital Fund	354	380	380	0
Office of Inspector General	684	675	675	0
Federal Housing Enterprise Oversight	105	118	142	24
Subtotal, Other Funds	1,143	1,173	1,197	24
Total, HUD Full-Time Equivalent Staff	10,069	10,273	10,297	24

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

COMMUNITY DEVELOPMENT BLOCK GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level:				
Community Development Block Grants (CDBG)	$4,968,032	$8,726,073	$4,731,500	-$3,994,573
Appropriations:				
Enacted or Proposed				
CDBG	$5,602,245 a/	$7,000,000 b/	$4,731,500	-$2,268,500
Rescission	-$489,789	...	...	...
Transfer of Unobligated Balances	...	$700,000 c/	...	-$700,000
Subtotal	$5,112,456	$7,700,000	$4,731,500	-$2,968,500
Budget Outlays (Gross):				
CDBG	$4,939,123	$5,235,000	$5,878,000	+$643,000
SECTION 108 LOAN GUARANTEES:				
Guarantee Commitments (Private Financing) :				
Limitation	[$1,258,096]	[$608,696]	[$275,000]	-$333,696
Commitments made	$263,589	$608,696	$275,000	-$333,696
Budget Authority				
Credit Subsidy	$6,063	$14,000	$6,325	-$7,675
Aministrative Costs	$998	$1,000	$1,000	...
Subtotal	$7,061	$15,000	$7,325	-$7,675
Budget Outlays				
Credit Subsidy	$6,383	$9,898	$13,810	+$3,912
Aministrative Costs	$998	$1,000	$1,000	...
Subtotal	$7,381	$10,898	$14,810	+$3,912
FFB Direct Loans (Liquidating Account)	-$14,522	-$2,000	-$2,000	...

a/ Includes $66.128 million in additional EDI earmarks per P.L. 106-554.
b/ Includes $2 billion appropriated in P.L. 107-117 for recovery from the terrorist attacks in New York.
c/ Funds appropriated in fiscal year 2001 were transferred into CDBG in fiscal year 2002 pursuant to P.L. 107-38 and P.L. 107-73 for recovery from the terrorist attacks in New York.

Community Development Block Grants

SUMMARY OF BUDGET ESTIMATES

The Budget proposes $4.7 billion for the overall Community Development Block Grant (CDBG) account which includes the formula grant program plus the other programs funded within CDBG in fiscal year 2003. Funding includes $4.4 billion for the CDBG Entitlement and State/Small Cities (Nonentitlement) formula grant program and $269 million in set-asides. The overall fiscal year 2003 funding is a $206 million decrease exclusive of fiscal year 2002 supplemental funding related to the September 11th terrorist attack in New York City. The formula program increases by $95 million including a transfer of $7 million for Insular Areas that formerly was funded in Section 107. This increase is more than offset by the deletion of $336 million for individual projects which was funded in fiscal year 2002 but have not been requested for fiscal year 2003. Additional differences include the transfer of the $55 million Resident Opportunities and Supportive Services program to the Public Housing Capital Fund, separate funding for Hawaiian Homelands Homeownership and non-funding of several smaller grant categories.

A summary of the fiscal year 2003 request is as follows (a comparison chart for fiscal year's 2001-2003 is at the end of this section):

- $4.4 billion for the CDBG Formula program, including $3.1 billion for Entitlement cities and counties, $1.3 billion for Nonentitled States and small cities, and $7 million for Insular Areas;
- $72.5 million for the Native American CDBG program, including $1.5 million for an Economic Development Access Center;
- $38.9 million for Section 107 grants, including $3 million for Technical Assistance, $4 million for Program Management and Analytical support, and $31.9 million for University/Community Partnership Grant Programs: $10 million for Historically Black Colleges and Universities (HBCU's), $3 million for Community Development Work Study (CDWS), $5.5 million for Hispanic-Serving Institutions Assisting Communities (HSIAC), $2.4 million for Alaska Native/Native Hawaiian Institutions Assisting Communities Program, $3 million for Tribal Colleges & Universities, and $8 million for Community Outreach Partnership Centers (COPC) programs;
- $65 million for Youthbuild;
- $16 million for the Colonias Gateway Initiative;
- $65 million for the Self-Help Homeownership Opportunity Program;
- $25 million for Capacity Building for the National Community Development Initiative (NCDI);
- $4.5 million for Habitat For Humanity-Capacity Building;
- $3 million for the Housing Assistance Council;
- $2.2 million for the National American Indian Housing Council; and
- $3.4 million for Working Capital Fund transfers.

Community Development Block Grants. CDBG funds are provided to entitlement cities, urban counties and States based on the highest of two formulae. Funds may be used for a broad range of housing revitalization, community and economic development activities, thereby increasing State and local capacity for economic revitalization, job creation and retention, neighborhood revitalization, public services, community development and renewal of distressed communities, and for leveraging of non-Federal sources. The 2003 amounts reflect current (1990) census data and will change as 2000 census information becomes available. New population data have been included for 2002; housing and poverty data will be included in 2003. The Budget proposes to reduce by half the funding for current Entitlement communities that have a per capita income (PCI) equal to or more than 200 percent of the national average. These funds would be reallocated to ensure that CDBG funds go to communities that have lesser local resources for housing and community and economic development needs. The specific communities will be not know until new PCI data, reflecting the 2000 Census, becomes available later this year (Summer 2002). The savings achieved by this proposal assist in providing resources of $16 million for a new legislative proposal, the Colonias Gateway Initiative, which will serve some of the poorest communities in the Nation. The Budget also proposes an authorizing and funding change for Insular areas, which would become effective in 2003.

Community Development Block Grants

CDBG is the primary vehicle for the revitalization of our Nation's neighborhoods, providing opportunities for self-sufficiency to millions of lower income Americans. Since the program's inception in 1974, roughly $100 billion has been allocated to grantees. There are currently 865 cities and 158 counties that are eligible to receive a CDBG entitlement grant directly from HUD. In addition, 49 States and the Commonwealth of Puerto Rico award more than 3,000 CDBG grants to other small cities and counties from CDBG funds allocated to the States by HUD each year. Funds for Nonentitlement grants are awarded by HUD to Hawaii's three nonentitlement counties on a formula basis.

CDBG is generally recognized as the flagship or mainstay for community development of cities, counties and rural areas. It strikes a great balance between local flexibility and national targeting to low- and moderate-income persons. It has developed this reputation over 27 years and is constantly used by local officials to take on new challenges in the areas of housing, neighborhood development, public facilities, economic development and provision of social services. However, the funds for the program continue to be stretched further and further.

One of the cornerstones of the CDBG program has been that it allows grantees to set their own priorities for the funding of activities. Grantees can use the funds for housing activities, economic development, public facilities (such as day care centers or health centers), public improvements (such as street improvements), public services (such as social programs for the elderly, youth, or abused), urban renewal, or planning and administration.

The CDBG program emphasizes the Department's mission and vision of working through partnerships with State and local governments. Because of the significant flexibility in uses of CDBG funds, the CDBG program are used in conjunction with many other HUD programs in a systematic approach to assist communities and target specific populations. Notwithstanding the flexibility of the program, rehabilitating and producing housing is the largest single use (31 percent) of funds by Entitlement communities. Housing activities include rehabilitation of ownership and rental units, assisting new construction, transitional and temporary housing, as well as necessary site improvements and administrative assistance. The second largest use of funds is 25.6 percent for public facilities and improvement.

One criticism of CDBG has been the untimely expenditures of some grantees. But the Department continues to make improvements in reducing the number untimely and the dollars associated with those numbers. In the last 27 months, HUD has worked with grantees to bring the number untimely down from 309 to 145 or a decrease of roughly 53 percent, and that number continues to decline. HUD plans to aggressively pursue this issue and expects to make substantial progress in the coming year. The fact is 85 percent of grantees are now timely and that number is growing.

As a subset of this issue, the Department is proposing a legislative change that would also require State programs to be reviewed for timely expenditures. Currently, the HCDA of 1974 at section 104(e) requires HUD to review entitlement grantees to determine if they are carrying out their activities in a timely manner. The same provision requires HUD to review States to determine if they have distributed funds to local governments in a timely way and for States to review their local governments to determine if the local governments are carrying out their activities in a timely way. It does not however require HUD to review the State program to determine if they are *expending* funds in a timely way. This proposal would add a requirement that HUD review the State program to determine if they are managing the program in a way to ensure that funds are expended timely. This addition is needed to clearly give HUD the authority to take action when necessary to ensure that funds do not build up in unreasonable amounts.

In addition, as a complement to the CDBG program, a commitment level of $275 million is requested for the Section 108 loan guarantee program in fiscal year 2003. The requested appropriation language for this program is separate from the CDBG appropriation language in the President's Budget. As required by the Credit Reform Act of 1990, credit subsidy budget authority of $6.3 million is requested for the Section 108 loan guarantee program. In addition, administrative funds totaling $1 million are requested. The Section 108 loan guarantee program is an effective tool for community and economic revitalization available to States and communities. The Section 108 program provides these entities with a means of leveraging up to five times their CDBG grants and the flexibility to obtain crucial financing for large community revitalization projects and to respond quickly to conditions created by economic distress.

Over the past 9 years, the Department has committed to 773 projects and completed the financing on 500 of those for a total of $2.4 billion--projects such as mixed use commercial/housing developments, industrial parks, and other business ventures. When all 773 projects are completed, it is estimated that over 200,000 jobs will have been created or retained. The Section 108 program allows a locality to issue debt equal to up to five times its annual CDBG grant allotment. The CDBG grant is the main collateral for these loans. Although these loans have a full Federal guarantee, there has never been a default requiring a Federal payment.

Native American CDBG program. This Budget proposes $72.5 million for Native American Housing and Economic Development Block Grant activities. Since 1974, the CDBG program has been the backbone of improvement efforts in many communities, providing a flexible source of grant funds for local governments nationwide. The program provides funds that they, with the participation of local citizens, can devote to a wide range of activities that best serve their development priorities, provided that these projects either: (1) benefit low- and moderate-income families; (2) prevent or eliminate slums or blight; or (3) meet other urgent community development needs. In 1977, the Housing and Community Development Act of 1974 was amended to provide a special funding mechanism, the Indian Community Development Block Grant (ICDBG) program, for Native American communities. Since 1978, more than $750 million has been provided for ICDBG funding.

ICDBG funds are distributed as annual competitive grants. Funds are allocated to each of the six Area Offices of Native American Programs (AONAP), so applicants compete for funding only with other tribes or eligible Indian entities within their area. Eligible Activities: ICDBG funds may be used to improve the housing stock, provide community facilities, improve infrastructure, and expand job opportunities by supporting the economic development of the communities, especially by non-profit tribal organizations or local development corporations. Tribes and Alaskan Native Villages are restricted from using block grants for construction or improvement of governmental facilities, government operations, income payments, or unless extraordinary determinations have been made-new housing construction.

The ICDBG program is authorized by section 106(a) of the Housing and Community Development Act of 1974, as amended (42USC 5301ff). Regulations are found at 24 CFR Part 1003. It is administered by the Office of Public and Indian Housing, and the Office of Native American Programs (ONAP). All Federally recognized Indian Tribes and Alaskan Native Villages are eligible to participate in the ICDBG program. Projects funded by ICDBG must primarily benefit low- and moderate-income persons (generally defined as members of low- and moderate-income families that earn no more than 80 percent of the median income in the area).

As a set-aside within the Native American CDBG program, this Budget also proposes $1.5 million for the Economic Development Access Center initiative. Unemployment in Indian country is significantly higher than off-reservation communities and on some Indian reservations unemployment reaches as high as 75 percent. Lack of economic opportunity, high unemployment and poor housing conditions and lack of affordable housing are intertwined issues. In order to address these conditions, the HUD Office of Native American Programs has led a Federal interagency project on Native American Economic Development.

The purpose of the initiative is to facilitate sustainable economic development within American Indian and Alaska Native communities. This is accomplished through the provision of assistance to Native Americans, tribes, and tribal entities in their pursuit of self-sufficiency and self-determination. A major focus of this effort is the promotion of collaborative efforts between Federal agencies, lenders and foundations, and the private market to find innovative solutions to chronic economic development problems in Indian country.

Within the $1.5 million for the Economic Development Access Center initiative, this Budget requests a set-aside of $1,250,000 to be used for developing and maintaining information technology systems related to the Economic Development Access Center. Also included in the $1.5 million is a set-aside of $250,000 to support contract expertise and training and technical assistance to engage in the management and oversight of the Economic Development Access Center. The training and technical assistance set-aside includes up to $30 thousand for related non-HUD employee travel.

Section 107 grants. A total of $38.9 million is included in this Budget proposal for programs under Section 107 of the Housing and Community Development Act for the following programs:

- $3 million for Technical Assistance;
- $4 million for Program Management and Analytical Support;

University/Community Partnership Grant Programs:

- $10 million for Historically Black Colleges & Universities (HBCUs);
- $3 million for Community Development Work Study (CDWS);
- $5.5 million for Hispanic Serving Institutions Assisting Communities (HSIAC);
- $2.4 million for Alaska & Hawaiian Serving institutions;
- $3 million for Tribal Colleges & Universities; and

- $8 million for Community Outreach Partnerships Centers (COPC).

Insular Areas. This Budget proposes approximately $7 million for Insular Areas. A legislative change will be proposed to move the authorization for providing funding for Insular areas from Section 107 to Section 106 (formula funding) of the CDBG authorization. In addition, the proposal would establish funding at a percentage of the amount available for formula grantees. Section 107 Grants have been the source of funding for community development activities in the Insular areas. Funding Insular Areas in Section 106 would allow for the Insular areas to have statutory assurance of continued funding and would bring them in line with other CDBG grantees. In their present authorization status, Insular areas are the only class of CDBG grantees that do not have statutory assurance of continued funding. Insular areas that have been funded include the Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Marianas.

Technical Assistance. This Budget requests $3 million for Technical Assistance. Technical Assistance is a vital component to the CDBG program. Technical assistance projects have assisted States, communities, and Native American tribes in planning, developing and administering Title I assistance. In 2003, some of these funds will be used to reform the Consolidated Plan to make it more results-oriented and useful to communities in assessing their own progress. A review of the planning process is currently underway. The Technical Assistance program enables the Department to provide assistance both directly and through contractors in the following areas:

- increasing grantee effectiveness to plan and implement Title I assistance; this effort will emphasize improving the timely obligation and expenditure of funds and will contribute to reducing the number of jurisdictions with over balances;
- improving the economic development potential of governmental units and increasing the participation of the private sector in community and economic development assisted under Title I;
- leveraging non-Title I funding sources in the use of Title I assistance; and
- assisting in special areas, such as:
  - Homeownership;
  - Faith-Based initiatives;
  - Colonias and other especially distressed populations;
  - Energy conservation in housing;
  - Lead safe housing;
  - Section 108 grantee document preparation; and
  - Local performance measurement.

The CDBG program has not received any funding for Technical Assistance in the past 3 years and there is increasing pressure for this funding from CDBG grantees because of considerable staff turnover at the local level translating into a pent up need for CDBG training. This request will provide for community development and job creation training for localities and capacity building (including operating and project costs) of neighborhood based and community development organizations and nonprofits that wish to participate in local community development.

Program Management and Analytical Support. This Budget requests $4 million for Program Management and Analytical Support for identifying and analyzing local and national needs, program performance as well as providing localities and other community members with the necessary guidance to plan and track performance.

These funds will specifically assist metropolitan cities, urban counties, consortia, and States in preparing information to be submitted to the Department's information systems; and will be used for the analysis and evaluation of that data in managing and operating their CPD programs. The funds will be used for operational support work including:

- developing and maintaining a web site containing programmatic guidance and system information for grantees to ensure that grantees are meeting statutory and regulatory requirements of CPD programs;
- extracting information from IDIS and other sources and analyzing that information to measure and analyze costs; to assess program performance, services delivered, and

beneficiaries; and to identify, delineate, describe and assess issues on community development programs and policies. CPD contractors will identify, collect, and analyze quantitative and qualitative information and prepare written assessments. Development of our data efforts will expand our performance monitoring and reporting capability for Government Performance and Results Act purposes. Improving the economic development potential of governmental units and increasing the participation of the private sector in community and economic development assisted under Title I; and

- conducting system data purification campaigns necessary to advance data collection related to performance measurement.

University/Community Partnership Grant Programs. This Budget requests $31.9 million for University programs/Community Partnership Grant Programs. HUD currently provides grants to universities under six programs: Historically Black Colleges and Universities (HBCU), Community Development Work Study (CDWS), Hispanic-serving Institutions Assisting Communities (HSIAC), Alaska & Hawaiian Serving institutions, Tribal Colleges & Universities, and the Community Outreach Partnership Centers (COPC) programs. Funds are used for a work study program and to assist institutions of higher education in forming partnerships with the communities in which they are located to undertake a range of activities that foster and achieve neighborhood revitalization.

Below is a brief description of each program:

- Historically Black Colleges & Universities (HBCUs). For fiscal year 2003, a total of $10 million is being requested for funding under this program. The HBCU program has provided funding to HBCUs since 1980, to assist HBCUs in expanding their role and effectiveness in addressing community development needs in their localities, including neighborhood revitalization, housing, and economic development, principality for persons of low- and moderate-income.

- Community Development Work Study (CDWS). This Budget proposes $3 million for the CDWS program. The CDWS is designed to attract more minority and disadvantaged students to academic programs in community planning and development. Colleges and universities throughout the country use this program to offer financial aid and work experience to students enrolled in a full time graduate program in community development or a closely related field.

- Hispanic Serving Institutions Assisting Communities (HSIAC). The Budget proposes $5.5 million for the HSIAC program. This program is designed to help Hispanic-serving colleges and universities expand their role and effectiveness in addressing community development needs--neighborhood revitalization, housing, and economic development--in their localities.

- Alaska & Hawaiian Serving Institutions. This Budget proposes $2.4 million for the Alaska Native/Native Hawaiian Institutions Assisting Communities (AN/NHIAC) program. This program is designed to assist Alaska Native/Native Hawaiian institutions of higher education expand their role and effectiveness in addressing community development needs in their localities. AN/NHIAC grantees carry out projects designed primarily to benefit low- and moderate-income residents, help prevent or eliminate slums or blight, or meet an urgent community development need in the community where the Alaska Native/Native Hawaiian institution is located.

- Tribal Colleges & Universities. This Budget includes $3 million in competitive grants to tribal Colleges and Universities (TCU) to assist them in building, renovating, expanding, and providing equipment for their own facilities, including those that serve these communities.

- Community Outreach Partnerships Centers (COPC). A total of $8 million is being requested in this Budget proposal for the COPC program. The COPC program provides grants to encourage institutions of higher education to join in partnership with their communities. COPC grantees are expected to play an active and visible role in revitalizing their communities including applying research to real urban problems, coordinating outreach efforts with neighborhood groups and residents, acting as a local information exchange, galvanizing support for neighborhood revitalization, developing public service projects and integrating community outreach into the college or university's basic teaching, research, and service mission.

Youthbuild. The fiscal year 2003 Budget requests $65 million for the Youthbuild program. This program is authorized by Section 164 of the Housing and Community Development Act of 1992 (P.L. 102-550), which amended Title IV of the Cranston-Gonzalez National Affordable Housing Act by adding subtitle D, "HOPE for Youth: Youthbuild."

Youthbuild is a key tool to making welfare reform work by enabling low-income youth to make a successful transition from dependency to work. The Youthbuild program, which is targeted to 16- to 24-year old high school dropouts, provides disadvantaged young adults with education and employment skills through rehabilitating and constructing housing for low-income and homeless people. The Youthbuild program has been successful in encouraging at-risk youth to engage in remedial education, including leadership and skills training. The program also furthers opportunities for placement in apprenticeship programs and gainful employment.

Approximately 2,947 youth will have been trained and 1,344 units of housing will be developed under the fiscal year 2001 program. However, HUD received 360 Youthbuild applications and only 115 of these were funded. The fiscal year 2003 request for $65 million will provide more than 3,774 young people with skills they need to obtain jobs. This demand for resources reflects an unmet need in communities that are trying to provide greater opportunities for at-risk young adults. Therefore, HUD is targeting the available funding to the most distressed communities. HUD is also focusing on the Youthbuild program as a way to foster the development of nonprofit organizations which over time can provide the services mentioned above to disadvantaged youth and which at the same time rely less on HUD's financial support to carryout these activities.

Youthbuild effectively reaches one of the most difficult to serve populations: undereducated, and/or adjudicated, unemployed young adults. According to data compiled by YouthBuild USA in 2000 approximately 82 percent of students enter the program without a high school diploma or GED and nearly 31 percent are on public assistance. Slightly over 40 percent of students have been adjudicated and an estimated 12 percent have been convicted of a felony. The issues that the young people are facing--poverty, broken homes, alcoholism and drug addiction, welfare and crime--are common across racial lines and among both men and women. The Youthbuild strategy effectively addresses these issues, in both rural and urban areas across the United States, by providing an alternative. An estimated 63 percent of participants enrolled in the Youthbuild program graduate, and over 86 percent of graduates attain placement in jobs or in school.

The amendments to the Minimum Wage law enacted in 1996 encourage the hiring of at-risk youth by making the Work Opportunities Tax Credit available to employers who hire these young people. Youthbuild programs market this tax credit to encourage employers to hire Youthbuild graduates in their businesses, thereby helping to break the cycle of poverty and enabling at-risk youth to become contributing members of society.

Colonias Gateway Initiative (CGI). This Budget includes $16 million for the Colonias Gateway Initiative (CGI) as a legislative proposal. The CGI would be a regional initiative, focusing on the 1,500 mile stretch of Southwest border where the more than 12 million individuals live. The Colonias are characterized by substandard housing, lack of availability of basic infrastructure services and public facilities, little socioeconomic data, weak implementation capacity of intermediaries working on housing and economic development initiatives, and little focus on cost recovery and financial sustainability.

The $16 million funding request centers upon providing CGI with the required ***start-up seed capital*** to: (1) develop the necessary baseline of information, and in particular the socioeconomic data and a Geographic Information System for the border region, (2) undertake the required business planning to establish and roll-out the CGI and (3) equip, staff, develop the management tools and begin the outreach process of informing local stakeholders of the mission and modus operandi of the CGI, (4) identify and structure new projects and training initiatives, and (5) fund training, business advice and provision of matching funds required to develop and implement sustainable housing and economic development projects that once proven could be taken forward by the private sector.

The CGI will be established with the mission of improving the coordination of public, private and community-based resources in the Colonias. Its main activities will center upon: (1) identifying, prioritizing, and promoting market-based housing, infrastructure and economic development undertakings in the Colonias, (2) promoting private sector funding and management expertise in support of such development, (3) supporting capacity building activities of constituents working on such activities, (4) tracking/assessing the impact and sustainability of such investments, (5) collecting and disseminating socio-economic data and best practices/lessons learned, and (6) to capitalize and pilot commercially viable business and financial service models. The Department would provide $16 million in fiscal year 2003 to fund business planning and start-up technical assistance and information dissemination activities of the CGI.

Self-Help Homeownership Opportunity Program. The fiscal year 2003 Budget proposes $65 million for the Self-Help Homeownership Opportunity Program (SHOP) for land acquisition, infrastructure improvements, and administrative costs. This request reflects the President's announcement to triple this popular and successful homeownership program in his May 20th speech at Notre Dame University. The request also reflects the growing capacity of self-help housing

organizations to expand upon recent successes in making homeownership a viable option to low-income families who otherwise would not be able to acquire a house and the efficiency and success of the model for increasing homeownership. This request further reflects Congressional decisions to support these activities and to provide other funding to expand the capacity of self-help housing organizations.

The SHOP program embodies HUD's focus on nurturing partnerships with non-profit organizations by providing competitive grants to national and regional non-profit housing organizations and consortia that specialize in self-help homeownership. Funds have been appropriated for SHOP as a set-aside in the CDBG Program appropriation. Annual appropriations of $20 million were made available in fiscal years 1999 and 2000. There was a decrease in funding to $19.956 million for fiscal year 2001 and a $2 million increase to $22 million in fiscal year 2002. Funding for eligible SHOP activities from these four grant years will produce approximately 8,000 new housing units for low- and very low-income homebuyers. Grantees have completed 917 units and 2,213 units are under development from funding in fiscal years 1999 and 2000. Fiscal year 2001 funds were awarded last fall and the availability of the fiscal year 2002 funds will be announced in the fiscal year 2002 SuperNOFA. Current SHOP grantees are Habitat for Humanity International, Housing Assistance Council, Northwest Regional Facilitators, and ACORN Housing Corporation.

In addition, $56.7 million in SHOP grants were awarded in fiscal years 1996 and 1998 as a direct allocation to Habitat for Humanity International and to other providers through expressions of interest. A minimum of 6,605 new homes will be produced from these two grant years, of which 5,411 units are completed, and 1,194 units are under construction. Grantees have completed construction on 6,329 housing units from all funding years.

The SHOP program has assisted homebuyers with an average income range of between 50 to 65 percent of area median income, with some grantees assisting homebuyers at 30 percent of area median income. The SHOP program has assisted new homebuyers with incomes as low as $15,000 per year. The homebuyer's sweat equity contribution reduces the cost of construction, and has resulted in purchase prices as low as $31,000. The requested appropriation would assist approximately 5,200 low-income families to become new homeowners.

SHOP has been successful because it provides funding for the acquisition and preparation of land to assist the efforts of national and regional organizations and consortia, which have already demonstrated a strong ability to obtain materials and mobilize volunteer labor to develop high quality affordable housing. Land costs and infrastructure expenses most often are responsible for driving the cost of homeownership beyond the reach of low-income families. SHOP funds serve as the "seed money" which provides momentum for greatly expanded levels of construction investment.

The presence of Federal funds increases the ability of non-profit organizations to leverage funds from other sources, providing a substantial return on a Federal investment that does not exceed an average of $10,000 per unit. SHOP provides a tremendous boost to building efforts across the country. Grantees indicate that the use of SHOP funds cover about one-quarter of the cost of producing a unit. Thus, SHOP funds reinforce the very grassroots nature that has made self-help housing organizations so successful at improving housing opportunities for low-income families across the country.

Capacity Building for Community Development and Affordable Housing. This program is authorized by Section 4 of the HUD Demonstration Act of 1993, which established HUD's participation in the privately organized and initiated National Community Development Initiative (NCDI). This Budget proposes $25 million for NCDI, in which HUD has been actively involved across three phases of the Initiative's work since 1994. A fourth phase of this highly successful, public/private partnership will emphasize the capacity building of community-based development organizations, including community development corporations (CDCs), in the economic development arena and related development and community revitalization activities through the work of the intermediaries, Local Initiative Support Corporation (LISC) and Enterprise Foundation.

An independent evaluation by the Urban Institute in 2001 indicated that NCDI has had a major impact on the organizational growth and capacity development of CDCs in 23 of the Nation's poorest communities. As a result of $150 million invested since 1991, which has leveraged several times that amount from other sources, the number of capable CDCs in those localities has nearly doubled, the top tier has grown by approximately 45 percent, and operating budgets have grown by almost two-thirds (63 percent), translating into greater effectiveness at empowering communities and their residents.

NCDI has thus far emphasized housing development—the core business product for most CDCs nationwide—along with some investments in economic development, workforce development, child care, and community safety. Without abandoning these important areas, each of which is a critical foundation and complement to economic development, this Budget proposes to accelerate

and expand NCDI's potential in the arena of economic development and related areas. CDCs are important anchor institutions in communities across America, but many CDCs have limited expertise at pre-development, joint venturing, finance layering, commercial asset management, or the other activities that would make these organizations more effective partners with private investors in the effort to trigger untapped markets, increasing employment and creating jobs. As the Nation's leading partnership of public and private funders and intermediaries, NCDI is well-positioned to help dramatically expand the economic and community development capacity of CDCs and other community-based and nonprofit organizations, as well as joint ventures involving these organizations.

Since revitalized housing and safer communities lead to stronger retail demand and otherwise stimulate neighborhood economies, and since becoming effective at housing development is often the first step for CDCs in mastering the distinct challenges of economic development, this fourth phase represents the logical evolution of NCDI's successful investments to date.

Habitat for Humanity - Capacity Building. The fiscal year 2003 Budget requests $4.5 million for Habitat for Humanity's capacity building efforts related to its "sweat equity" homeownership program. Through capacity building efforts, additional staff are trained and made available to local affiliates which then possess the expanded ability to assist families reach their homeownership goals. For example, projections of local Habitat for Humanity affiliates using capacity building funds appropriated in the fiscal year 1997 supplemental budget indicated a potential increase in houses built of 169 percent over a 3-year period. The scale of Habitat for Humanity's efforts are likely to produce demonstrable results across the Nation's communities and provide homeownership opportunities for low and moderate income families who have no other workable options to become homeowners.

Housing Assistance Council. This Budget proposes $3 million for a cooperative agreement with the Housing Assistance Council (HAC). Building housing for low-income rural Americans has been HAC's work for 31 years. In 2003, HAC will use HUD funds to continue to work towards this goal in many ways. HAC will continue to build homes by making loans and grants to local groups. HAC will continue to build organizations by providing technical assistance to develop local capacity in rural areas nationwide, focusing attention and funding on areas traditionally underserved. HAC will continue to build knowledge by conducting research, and publishing and distributing the "HAC News" and "Rural Voices."

As in the past, HAC expects to approve at least 90 loans from its various loan funds for the development of both owner and rental housing in rural areas. To date, HAC has made approximately 1,500 loans totaling over $118 million representing 38,500 units and 13,425 water and wastewater corrections. For fiscal year 2003, HAC expects, to deliver at least 3,000 hours per month of technical assistance and training. Also, HAC will undertake at least 8 new research projects, and publish 24 issues of the "HAC News" and four issues of its quarterly rural housing magazine "Rural Voices."

National American Indian Housing Council. This Budget proposes a $2.2 million cooperative agreement with the National American Indian Housing Council (NAIHC). Established in 1974, NAIHC delivers technical assistance and training to Tribally Designated Housing Entities (TDHEs) and undertakes research and provides information on Native American Housing issues.

In fiscal year 2003, NAIHC will continue to deliver technical assistance and training to the many tribal housing entities, including Indian Housing Authorities (IHAs), tribal housing agencies and regional housing associations. In fiscal year 2003, NAIHC will continue to provide direct support to regional housing associations, IHAs, and tribal housing groups in areas such as Low-Income Housing Tax Credits, homebuyer counseling, the HUD Section 184 Loan Program, the leveraging of funds, and in meeting the monitoring and other requirements outlined in the Native American Housing Assistance and Self Determination Act (NAHASDA). NAIHC's training efforts will continue to be directed at assisting IHAs/TDHEs in understanding and utilizing NAHASDA. NAIHC will also undertake at least two research projects in areas concerning housing and community development in tribal areas, and will develop and collect materials for the Native American Housing Resource Center.

Working Capital Fund transfers. This budget proposes a $3.4 million to the Working Capital Fund (WCF) to allow for systems development and enhancements for CPD programs.

Community Development Block Grants

The following table summarizes the distribution of the 2001 and 2002 appropriations, and the 2003 Budget request:

DISTRIBUTION OF APPROPRIATIONS

	ACTUAL 2001	ACTUAL 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Entitlement Cities and Counties	$3,079,510	$3,038,700	$3,100,300
Nonentitlement (States and Small Cities)	1,319,790	1,302,300	1,328,700
Insular Areas	...	...	7,000
Subtotal	4,399,300	4,341,000	4,436,000
Native Americans	70,844	70,000	72,500
Economic Development Access Center	...	[1,000]	[1,500]
Section 107 Grants	45,400	42,500	38,900
Working Capital Fund (WCF) Transfer	14,967	13,800	3,400
Economic Development Earmarks	357,340 a/	294,200	...
Youthbuild	59,868	65,000	65,000
Resident Opportunity & Supportive Services	54,879	55,000	[55,000] g/
Housing Assistance Council	2,993	3,300	3,000
National American Indian Housing Council	2,594	2,600	2,200
Neighborhood Initiatives Demonstration	43,903 b/	42,000	...
Self-Help Homeownership Opportunity Program	19,956	22,000	65,000
Habitat for Humanity Capacity Building	3,442	4,000	4,500
Capacity Building (NCDI)	24,945	25,000	25,000
2002 Winter Olympics/Utah Housing Finance Agency	1,996	...	...
National Housing Development Corp	9,978	5,000	...
Tribal Colleges and Universities	[2,993] c/	[3,000] c/	[3,000] c/
Alaska & Hawaiian Serving Institutions	[2,993] c/	[4,000] c/	[2,400] c/
Nat'l Council of LaRaza for Hope Fund	...	5,000	...
Hawaiian Homelands Homeownership	...	9,600	...
Colonias Gateway Initiative	...	...	16,000
Subtotal	5,112,406 d/	5,000,000	4,731,500
Recovery from terrorist attacks in New York			
Transfer of Unobligated balances	...	700,000 e/	...
New Budget Authority	...	2,000,000 f/	...
Total - CDBG	$5,112,406 d/	$7,700,000	$4,731,500

a/ Includes amounts appropriated under P.L. 106-377 and P.L. 106-554. The total amount was earmarked for specific projects.
b/ Amounts appropriated are earmarked for specific projects.
c/ Funded as a set-aside under Section 107.
d/ All amounts appropriated in fiscal year 2001 include an across the board rescission of .22 percent.
e/ $700 million was transferred into the CDBG program pursuant to the fiscal year Emergency Supplemental Appropriations Act (P.L. 107-38) and Section 434 of the fiscal year 2002 Appropriations Act (P.L. 107-73), to be used in response to the terrorist attacks in New York.
f/ $2 billion was appropriated in P.L. 107-117 for recovery from the terrorist attacks in New York.
g/ The fiscal year 2003 request for the Resident Opportunity & Supportive Services (ROSS) program is reflected within the Public Housing Capital Fund.

EXPLANATION OF INCREASES AND DECREASES

The Budget proposes $4.7 billion for CDBG in fiscal year 2003. Obligations are expected to decrease reflecting the assumption that all available funds in 2002 will be obligated in 2002, and that there will be no carryover of unobligated balances into fiscal year 2003. Outlays are expected to increase by $643 million from fiscal year 2002 to fiscal year 2003, reflecting spendout of balances and recent program funding increases, including $2.7 billion for recovery from the terrorist attacks in New York.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. CDBG is authorized by Title I of the Housing and Community Development Act of 1974, as amended. Two legislative proposals related to the CDBG program are being developed.

2. Program Area Organization. The Community Development Block Grant (CDBG) program provides flexible funding for communities across the Nation to develop and implement community and economic development strategies that primarily benefit low- and moderate-income individuals. Community Development Block Grants are provided to units of local government and States for the funding of local community development programs which address housing and economic development needs, primarily for low- and moderate-income persons.

Grantees access their CDBG funding through the Consolidated Plan process, under which States and localities establish their local priorities and specify how they will measure their performance. A locality's Consolidated Plan serves as the planning, application and reporting mechanism for CDBG funds. The Consolidated Plan is the vehicle by which communities identify community and neighborhood development needs, actions to address those needs (including specific activities on which CDBG dollars will be spent), and the measures against which their performance will be judged. The Consolidated Plan also provides a means for identifying key low-income neighborhoods for targeted multiyear investment strategies. Communities establish performance measurement systems to evaluate progress toward meeting locally established priorities and objectives. HUD works closely with States and localities to facilitate comparison of performance among jurisdictions, and publicizes "best practices" so that communities can learn from one another.

a. Program Purpose. Title I of the Housing and Community Development (HCD) Act of 1974, as amended, authorizes the Secretary to make grants to units of general local government and States for the funding of local community development programs. The program's primary objective is to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low- and moderate-income. This objective is achieved by limiting activities to those which carry out one of the following broad national objectives: (1) benefit low- and moderate-income persons; (2) aid in the prevention or elimination of slums and blight; or (3) meet other particularly urgent community development needs. At least 70 percent of all CDBG funds received by a grantee must be used for activities that benefit persons of low- and moderate-income over a period of up to 3 years. Historically, communities have used more than 90 percent of their CDBG funds for such activities.

The underlying principle of the CDBG program is that recipients have the knowledge and responsibility for selecting eligible activities most appropriate to their local circumstances. In addition, instead of competing for categorical project dollars each year, the entitlement communities and States have a basic grant allocation so they know in advance the approximate amount of Federal funds they will receive annually.

b. Eligible Recipients and Activities.

Eligible Recipients. Eligible CDBG grant recipients include States, units of general local government (city, county, town, township, parish, village or other general purpose political subdivision determined to be eligible for assistance by the Secretary), the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, the Commonwealth of the Northern Marianas, and recognized Native American tribes and Alaskan Native villages.

Eligible Activities. Section 105 of the HCD Act of 1974, as amended, permits a broad range of activities to be undertaken by communities assisted under the program, ranging from the provision of public facilities or services to economic development or residential rehabilitation and, in some cases, substantial reconstruction of housing.

Fund Distribution. CDBG funds are allocated to States and localities based on the formulae described below. After deducting designated amounts for set-asides, 70 percent of funds go to entitlement communities and 30 percent go to States for nonentitlement communities (small cities).

c. Explanation of Funds Allocated by Recipient Category.

1. Formula Entitlement. The HCD Act of 1974, as amended, provides for the distribution of funds to eligible recipients (metropolitan cities and urban counties) for community purposes utilizing the higher of two formulas, as shown:

ORIGINAL FORMULA	SECOND FORMULA
Poverty - 50 percent	Poverty - 30 percent
Population - 25 percent	Population growth lag (1960-2000) - 20 percent
Overcrowded housing - 25 percent	Age of housing stock - 50 percent

"Age of housing stock" means the number of existing year-round housing units constructed before 1940, based on Census data. "Population growth lag" means the extent to which the current population of a metropolitan city or urban county is less than the population it would have had if its population growth rate between 1960 and the date of the most recent population count had been equal to the growth rate of all metropolitan cities over the same period.

Metropolitan Cities. Cities in Metropolitan Statistical Areas (MSAs) with a population of 50,000 and over and central cities of MSAs are entitled to funding on the basis of one of the formulas. For fiscal year 2002, 865 metropolitan cities are eligible to receive grants. Of these, 23 have elected to enter into joint grant agreements with their urban counties.

Urban Counties. The statute also entitles urban counties to formula grants. In fiscal year 2002, 159 counties met the required population threshold and were eligible for formula funding. These urban counties include over 4,000 cooperating local incorporated units receiving funding under the program. A test for designation as an urban county requires that the county be authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas which are not units of general local government.

The urban county must have authority to perform such functions in its participating incorporated communities either under State law or through cooperative agreements. These agreements must express the intention of the urban county and its incorporated jurisdictions to cooperate in essential community development and housing assistance activities, specifically urban renewal and publicly assisted housing. Participation by any included unit of government is voluntary. An urban county's qualification is valid for a 3-year period.

2. Nonentitlement (States and Small Cities Program). Nonentitlement funds are allocated among the States according to a dual formula, with the allocation being the higher of amounts determined under the original formula or a second formula which is identical to that used for entitlement communities except that population is substituted for growth lag.

Under the HCD Act of 1974, as amended, any State that elects to administer the Small Cities program in fiscal year 1985 or thereafter shall be considered to have assumed this responsibility permanently and, if it fails to provide an annual submission, funds will be reallocated among all other States in the succeeding year since 1982. States have had the option of assuming responsibility for administering the program and awarding grants to nonentitled units of government. Where the State does not so elect, HUD distributes the funds. HUD currently administers the State CDBG program only for Hawaii.

Legislative change to treat Hawaii's Nonentitlement program as entitled. Since the New York State programs were transferred to State control in 2001, Hawaii remains as the only State that has not taken the program. Hawaii has only 3 eligible applicants, 3 counties. HUD currently, by regulation, distributes funds to the counties by the CDBG formula. While this works fairly well, it still causes each program policy to be rethought and published separately for Hawaii. The Department is proposing a statutory change that would allow HUD to treat the three counties as entitlements and continue distributing the funds as we have been. The program currently provides about $5.1 million to the 3 counties. However, HUD will develop a means to take the funds from the 30 percent nonentitlement component and not further reduce the 70 percent entitlement component. This change would allow HUD to administer one less program with all those implications, which would be helpful to staff in Headquarters and the field. It would also solidify the counties' status as direct entitlements.

3. Section 107 Grants. The Housing and Community Development Act of 1992 (P.L. 102-550) expanded Section 107 authorization to include Community Outreach Partnership Act funding, Community Adjustment Planning, assistance to joint State/local government/university programs, and Regulatory Barrier Removal Act funding. Section 107 grants have also included five program categories providing assistance for Insular Areas; Historically Black Colleges and Universities; Community Development Work Study; funding to States and units of general local government to correct any miscalculation of their share of funds under section 106; and technical assistance in planning, developing and administering programs under Title I.

As mentioned earlier in this justification, the Department is also proposing a legislative change to move the authorization for funding for the Insular areas out of Section 107 and into Section 106.

A total of $38.9 million is requested for Section 107 grants in fiscal year 2003. These amounts and other set-asides are subtracted from the total appropriation prior to allocating funds that are provided directly to States and units of local government. The proposed distribution of Section 107 grants follows:

DISTRIBUTION OF SECTION 107

	ACTUAL 2001	ACTUAL 2002	ESTIMATE 2003
		(Dollars in Thousands)	
Insular Areas	6,985	7,000	[7,000] a/
Technical Assistance	...	...	3,000
Program Management and Analytical Support	4,989	...	4,000
Historically Black Colleges and Universities	9,978	10,500	10,000
Community Development Work Study	2,993	3,000	3,000
Hispanic-Serving Institutions Assisting Communities	6,486	7,500	5,500
Alaska Native & Native Hawaiian Institutions Assisting Communities	2,993	4,000	2,400
Tribal Colleges & Universities	2,993	3,000	3,000
Community Outreach Partnership Centers	7,982	7,500	8,000
Total Section 107	$45,400	$42,500	$38,900

a/ Funded as part of Section 106 formula grants.

d. Reallocation of Entitlement Funds. CDBG amounts allocated to a metropolitan city or urban county in a fiscal year which become available for reallocation as a result of an eligible community not applying for its allocation are first reallocated in the succeeding fiscal year to other metropolitan cities and urban counties in the same Metropolitan Statistical Area (MSA). These communities must follow a simple certification process to qualify for receipt of these funds.

e. Reallocation of Nonentitlement Funds. Existing law requires that amounts allocated for use in a State in a fiscal year which become available for reallocation must be reallocated according to the following criteria:

- in the case of actions against small cities, amounts that become available for reallocation are to be added to amounts available for distribution in the State in the fiscal year in which the amounts become available; and
- in the case of actions against a State, these amounts will be allocated among all States in the succeeding fiscal year.

f. Section 108 Loan Guarantees. Section 108 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to issue Federal loan guarantees of private market loans used by entitlement and nonentitlement communities (the latter beginning in 1991 pursuant to the Cranston-Gonzalez National Affordable Housing Act) to cover the costs of acquiring real property, rehabilitating publicly owned real property, housing rehabilitation, and certain economic development activities.

A 1994 amendment makes the acquisition, construction or reconstruction of public facilities an eligible use of these loan funds. The 1994 amendments also authorized the "Economic Revitalization Grants" program to assist the financing of economic development projects in conjunction with loans under the Section 108 program. Since 1994, more than $575 million has been awarded for Economic Development Initiative (EDI) and Brownfields Economic Development grants under this authority. In the past, EDI and BEDI grants must be used in conjunction with Section 108 loan guarantees to leverage private investment in urban economic development projects. This Budget also proposes a legislative change that would eliminate the requirement that a Section 108 loan guarantee accompany the application for Brownfields funding.

Beginning in 1996, budget authority for credit subsidy and administrative costs were requested to comply with the Federal Credit Reform Act of 1990. For fiscal year 2003, $6.3 million is requested for credit subsidy budget authority and $1 million is requested for administrative costs of operating the Section 108 loan guarantee program to support a commitment level of $275 million. These amounts are required to be scored, in accordance with the Federal Credit Reform Act of 1990, to measure more accurately the cost of this loan guarantee program to the Federal Government. Administrative costs are used for staff and related requirements, as well as to contract out for certain credit extension functions.

This Section 108 loan guarantee program uses a credit subsidy rate of 2.3 percent, which takes many factors into account, including the fact that the borrowers are considered units of general local government, and that the Federal Government has never had to cover defaulted loans.

g. Consolidated Plan Requirement. In order to receive CDBG entitlement funds, a grantee must develop and submit to HUD its Consolidated Plan and Annual Action Plans, which is a jurisdiction's comprehensive planning documents and application for funding under the following Community Planning and Development formula grant programs: CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS (HOPWA), and Emergency Shelter Grants (ESG). In its Consolidated Plan, the jurisdiction must identify its goals for these community planning and development programs, as well as for housing programs. In addition, the Consolidated Plan must include the jurisdiction's projected use of funds and required certifications. These certifications include that the grantee is following a current HUD-approved Consolidated Plan, that not less than 70 percent of the CDBG funds received over a 1-, 2- or 3-year period specified by the grantee, will be used for activities that benefit persons of low- and moderate-income, and that the grantee is following other applicable laws, regulations, OMB circulars, and is affirmatively furthering fair housing. A Consolidated Plan submission will be approved by HUD unless the Plan (or a portion of it) is inconsistent with the purposes of the National Affordable Housing Act or it is substantially incomplete. The Department is working with stakeholders to streamline the Consolidated Plan process to reduce the burden on grantees while making the plan more useful to communities in assessing their own progress.

States participating in the State CDBG program must also develop and submit to HUD a Consolidated Plan similar to those required of entitlement communities. However, in place of a listing of proposed funded activities, each State must merely describe its funding priorities and must describe the method it intends to use to distribute funds among communities in nonentitlement areas. Each participating State must submit certifications that it will: (1) follow the Act's citizen participation requirements and require assisted local governments to follow citizen participation; (2) conduct its program in accordance with the Civil Rights Act of 1964 and the Fair Housing Act of 1988 and affirmatively further fair housing; (3) set forth and follow a method of distribution that ensures that each of the funded activities will meet one or more of the three broad national objectives of the program; (4) consult with affected local governments in determining the method of distribution and identifying community development needs; (5) and comply with Title I of the HCD Act and all other applicable laws. It must also certify that each housing activity funded will be consistent with the State's Consolidated Plan.

h. Performance Review. CDBG grantees (entitlement communities and states) that have approved Consolidated Plans must annually review and report to HUD on its progress in carrying out its strategic and action plans for community development. This includes a description of CDBG, HOME, ESG and HOPWA funds made available to the grantee, the activities funded, the geographic distribution and location of the activities and the types of families or persons assisted (beneficiaries), and a report of the actions taken to affirmatively further fair housing. The report is an assessment by the grantee of the relationship of its use of funds to the specific objectives identified in the Consolidated Plan.

HUD is required to review or audit a grantees' performance, at least annually, to determine whether activities have been carried out in a timely manner, whether activities and certifications have been carried out in accordance with all applicable laws, and whether the grantee has continuing capacity to carry out the program. In the case of States, HUD performs reviews to determine if the state has distributed funds in a timely manner, consistent with its method of distribution, is in compliance with CDBG requirements and other applicable laws and whether appropriate reviews of grants awarded to local governments have been conducted by the State. HUD is authorized to terminate, reduce or limit the availability of the funds of a grantee according to review findings following the opportunity for a consultation or in some cases following a hearing before an administrative law judge. For nonentitlement grants made by HUD to small cities, HUD may adjust, reduce, or withdraw such funds, or take other action as appropriate according to review findings.

Community Development Block Grants

STATUS OF FUNDS

Balances Available

a. Unobligated balances. The following table compares program obligations with funds available for distribution by year:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Unobligated balance, start of year.....	$883,177	$1,026,073	...
Appropriation.....	5,602,245	7,000,000	$4,731,500
Rescissions	-489,789	...	...
Writeoffs	-3,139	...	...
Transfer of Unoblig. Balances	...	700,000	...
Prior Year Recoveries.....	4,201	...	...
Total Available.....	5,996,695	8,726,073	4,731,500
Obligations, gross (excluding reimbursements).....	-4,968,032	-8,726,073	-4,731,500
Unobligated balance expiring.....	-2,590	...	...
Unobligated balance, end of year.....	1,026,073	...	...

b. Obligated Balances. The status of obligated balances is as follows:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Obligated balance, start of year.....	$9,074,089	$9,090,950	$12,582,023
Obligations, gross.....	4,968,032	8,726,073	4,731,500
Subtotal.....	14,042,121	17,817,023	17,313,523
Outlays (Gross).....	-4,939,123	-5,235,000	-5,878,000
Adjustment in expired accounts.....	-7,847	...	...
Adjustment in unexpired accounts.....	-4,201	...	...
Obligated balance, end of year.....	9,090,950	12,582,023	11,435,523

NOTE: Actual outlays are governed by the rate at which communities expend funds which have been made available to them.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

See attached Performance measurement table.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$1,584,861	$2,170,000	$1,466,765
FTE			
Headquarters	33	34	34
Field	114	118	118
Subtotal	147	152	152
Strategic Objective 2.1: Expand national homeownership opportunities.			
Indicator: The number of homeowners who have used sweat equity to earn assistance with SHOP funding is maximized	1,400 anticipated	1,400	1,800
Strategic Objective 2.3: Increase the availability of affordable rental housing.			

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
The number of households receiving housing assistance with CDBG, HOME, HOPWA, NHHBG and IHBG increases.	CDBG - 172,445	CDBG - 178,391	CDBG - 180,260
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$383,434	$525,000	$354,863
FTE			
Headquarters	8	8	8
Field	28	28	29
Subtotal	36	36	37
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			
Indicator: HUD will monitor 5 percent more Consolidated Plan grantees on site for compliance with their plans.	42%	35%	37%
Indicator: The number of CDBG entitlement grantees that fail to meet regulatory standards for timeliness of expenditure decreases by 10 percent to 123, and the number that carry balances above 2 times their most recent grant decreases by 15 percent.	1.5 x = 152; 2.0 x = 44	1.5 x = 137; 2.0 x = 37	1.5 x = 123; 2.0 x = 32
Streamline Consolidated Plan	NA	NA	NA
Strategic Goal 8: Support community and economic development efforts.			
Discretionary BA (Dollars in Thousands)	$3,144,161	$4,305,000	$2,909,872
FTE			
Headquarters	101	66	67
Field	192	234	233
Subtotal	293	300	300
Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.			
Indicator: The number of households receiving housing assistance with CDBG, HOME, HOPWA, and NAHBG increases.	172,445	178,391	180,260
Indicator: A total of 122,897 jobs will be created or retained through CDBG and 15,000 through Section 108.	CDBG 116,777 Section 108 26,629	CDBG 121,662 Section 108 25,000	CDBG 122,897 Section 108 15,000
Indicator: A total of 3,774 at-risk youths are trained in construction trades through Youthbuild.	2,947	3,774	3,774
Indicator: The share of State CDBG funds that benefit low- and moderate-income persons remains at or exceeds 98 percent.	96.4%	98%	98%
Indicator: COPC grantees will receive an extra 20 percent in non-Federal funds above the match	20% anticipated	20%	20%

Community Development Block Grants

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
amount originally claimed in their application between the times they start and complete their projects.			
Indicator: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.	94.9%	92%	92%
Indicator: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.	94.9	92	92
FTE Total	476	488	489

NA = Not Applicable

Community Development Block Grants

DISTRIBUTIONS OF FUNDS BY STATE

The following table shows combined entitlement and nonentitlement allocations, by State, for 2001, 2002 and 2003 appropriations. The 2003 amounts represent preliminary estimates which are subject to change.

STATE OR TERRITORY	ACTUAL 2001	ACTUAL 2002	ESTIMATE 2003
	Dollars In Thousands		
Alabama	$61,911	$62,370	$63,634
Alaska	5,672	5,560	5,673
Arizona	54,730	54,454	55,558
Arkansas	33,788	33,751	34,435
California	538,300	528,549	539,264
Colorado	43,278	42,223	43,079
Connecticut	50,049	49,715	50,723
Delaware	8,147	8,075	8,239
District of Columbia	24,333	23,206	23,676
Florida	182,185	180,892	184,559
Georgia	90,285	89,990	91,814
Hawaii	18,584	18,308	18,679
Idaho	12,384	12,350	12,600
Illinois	218,564	215,228	219,591
Indiana	84,596	83,059	84,743
Iowa	48,895	48,398	49,379
Kansas	34,893	34,561	35,262
Kentucky	58,644	58,237	59,418
Louisiana	84,942	83,824	85,523
Maine	23,026	22,896	23,360
Maryland	66,861	65,842	67,177
Massachusetts	131,937	129,996	132,631
Michigan	166,671	167,294	170,685
Minnesota	72,723	70,828	72,264
Mississippi	46,607	46,415	47,356
Missouri	85,705	84,752	86,470
Montana	10,860	10,775	10,993
Nebraska	23,960	23,940	24,425
Nevada	16,949	17,079	17,425
New Hampshire	15,078	15,068	15,373
New Jersey	124,735	121,685	124,152
New Mexico	23,784	23,660	24,140
New York	427,382	415,894	424,325
North Carolina	75,682	75,577	77,109
North Dakota	8,377	8,280	8,448
Ohio	198,398	197,634	201,640
Oklahoma	38,208	37,593	38,355
Oregon	39,958	39,396	40,195
Pennsylvania	274,979	271,142	276,639
Rhode Island	20,949	20,236	20,646
South Carolina	46,839	46,840	47,790
South Dakota	10,154	10,054	10,258
Tennessee	61,396	60,874	62,108
Texas	305,515	302,217	308,343
Utah	24,343	23,889	24,373
Vermont	10,009	9,956	10,158
Virginia	71,243	70,369	71,796
Washington	68,191	66,682	68,034
West Virginia	30,895	30,768	31,392
Wisconsin	82,180	81,141	82,786
Wyoming	4,728	4,763	4,860
Puerto Rico	136,798	134,715	137,446
Insular Areas	... a/	... a/	7,000 a/
Subtotal Entitlement & Non-Entitlement	4,399,300	4,341,000	4,436,000
Other activities	713,106	659,000	295,500
TOTAL CDBG	5,112,406	5,000,000	4,731,500

a/ Insular Areas are included under other activities in fiscal years 2001 and 2002. There is a legislative proposal in fiscal year 2003 to move authorization for funding Insular Areas out of Section 107 and into Section 106.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

HOME INVESTMENT PARTNERSHIPS PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level: (Obligations)				
HOME Program	$1,705,862	$1,846,040	$2,084,100	+$238,060
Appropriations: (Enacted or Proposed)				
HOME Program	$1,800,000	$1,846,040	$2,084,100	+$238,060
Rescission	-$3,960	NA	NA	NA
Subtotal	$1,796,040	$1,846,040	$2,084,100	+$238,060
Budget Outlays (Gross):				
HOME Program	$1,424,332	$1,551,000	$1,600,000	+$49,000

NA = Not Applicable

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget proposes $2.084 billion for the HOME Investment Partnerships Program, which will provide $2.06 billion for HOME formula grants, consisting of $1.1 billion for local Participating Jurisdictions (PJs) and $746 million for States, and includes $200 million for a "Down Payment Assistance for Home Buyers," which will assist low-income homebuyers. The $200 million Down Payment Assistance for Home Buyers programs will be distributed by a separate formula, which considers a participating jurisdiction need for, and prior commitments to assistance to homebuyers.

The following table shows the distribution of the 2001, and 2002 appropriation, and the 2003 Budget request:

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
		(Dollars in Thousands)	
HOME:			
Local	$1,040,147	$1,046,009	$1,119,499
States	693,431	697,339	746,333
Down Payment Assistance Initiative	...	50,000	200,000
Subtotal Formula Grants	1,733,578	1,793,348	2,065,832
Insular Areas	3,592	3,692	4,168
Housing Counseling	19,956	20,000	[...]a/
Program Mgmt. & Analytical Support.	...	...	1,000
HOME/CHDO Technical Assistance	21,952	12,000	12,000
Working Capital Fund Transfer	16,962	17,000	1,100
Total	1,796,040	1,846,040	2,084,100

a/ Funded under Housing.

HOME Investment Partnerships Program. The HOME program helps to expand the supply of standard, affordable housing for low- and very low-income families by providing grants to States, units of general local government and consortia of units of general local governments that are participating jurisdictions (PJs). PJs use their HOME grants to fund housing programs which meet local needs and priorities. PJs have a great deal of flexibility in designing their local HOME programs within the guidelines established by the HOME program statute and Final Rule. PJs may use HOME funds to help renters, new homebuyers or existing homeowners through rehabilitation of substandard housing, acquisition of standard housing (including downpayment assistance), new construction or tenant-based rental assistance. HOME works well with other HUD programs such as Community Development Block Grant(CDBG), Empowerment Zones/Enterprise Communities(EZ/EC)and HOPE VI to complement comprehensive neighborhood revitalization and economic revitalization strategies.

HOME Investment Partnerships Program

Down Payment Assistance Initiative. This Budget proposes allocating $200 million among PJs and states for low-income families in need of down payment assistance. Homeownership provides low-income families with an opportunity to build assets and share in the American dream. The Administration believes that providing such an opportunity to these households is an important national policy objective whose achievement will be maximized through the establishment of a set-aside within the HOME Program. Obtaining the resources to meet upfront downpayment and closing costs is the most significant obstacle to homeownership among lower income groups. The Downpayment Initiative would eliminate that obstacle for thousands of additional families each year. The funds will enable jurisdictions to increase homeownership rates, especially among minority groups, who generally have lower rates of homeownership compared to the national average, and stabilize neighborhoods. This initiative is subject to legislative enactment.

PJ and CHDO Technical Assistance. The HOME budget proposes $12 million for technical assistance (TA) activities for States and local government participating jurisdictions (PJs) and non-profit Community Housing Development Organizations (CHDOs). Technical assistance projects provide the support and tools needed to strengthen local capacity, improve program compliance, expand participation by non-profit housing providers, ensure cost-effectiveness and design innovative approaches to affordable housing needs. TA funds provide both direct assistance to individual State and local PJs upon request, as well as national training courses ranging from HOME basics to advanced techniques. In addition, TA funds the production of a variety of written and web-based materials which provide guidance to HOME participants. To date, 19 model guidebooks have been produced including guides on comprehensive monitoring techniques, property and asset management, employer-assisted housing, and special needs housing. Future funds will address PJs' requests for additional on-site TA, training courses and written products. Six national training courses, eight new or updated publications and a core-curriculum for web-based training are being developed. Specific topics respond to areas of particular concern to the Department (such as lead-based paint remediation) and to State and local governments (such as building CHDO capacity).

Program Management and Analytical Support (PMAS). The HOME budget proposes $1 million for PMAS which would provide program management and analytical support in identifying and analyzing local and national needs, program performance, as well as providing localities and other community members with the necessary guidance to plan and track performance.

These funds will specifically assist metropolitan cities, urban counties, consortia, and States in preparing information to be submitted to the Department's information systems; and will be used for the analysis and evaluation of that data in managing and operating their CPD programs. The funds will be used for operational support work including:

- developing and maintaining a web site containing programmatic guidance and system information for grantees to ensure that grantees are meeting statutory and regulatory requirements of CPD programs;
- extracting information from the Integrated Disbursement and Information System (IDIS) and other sources and analyzing that information to measure and analyze costs; to assess program performance, services delivered, and beneficiaries; and to identify, delineate, describe and assess issues on community development programs and policies. CPD contractors will identify, collect, and analyze quantitative and qualitative information and prepare written assessments. The Department's data efforts will expand our performance monitoring and reporting capability for Government Performance Results Act purposes. HUD will improve the economic development potential of governmental units and increase the participation of the private sector in community and economic development assisted under Title I; and
- conducting system data purification campaigns necessary to advance data collection related to performance measurement.

Working Capital Fund Transfer. This budget proposes a transfer of $1.1 million to the Working Capital Fund (WCF) to allow for systems development and enhancements for CPD programs.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 Budget request of $2.084 billion for HOME (including set-asides) is $238 million above the fiscal year 2002 Budget enacted amount. Obligations are expected to increase by $238 million from 2002, reflecting the assumption that all available funds in 2003 will be obligated in 2003, and that there will be no carryover of unobligated balances into fiscal year 2004. Outlays for 2003 are expected to increase by $49 million as prior year obligations are spent out. The increase in budget authority is largely the fourfold increase to $200 million for the Down Payment Assistance Initiative, which compares to $50 million appropriated in fiscal year 2002. In addition, the non-Down Payment Assistance formula component increases by $122 million or 7 percent.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. The HOME Investment Partnerships program is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act (NAHA) (P.L. 101-625), as amended. A legislative proposal for the Downpayment Assistance Initiative will be forwarded to the Congress prior to the June 30, 2002 deadline.

HOME Investment Partnerships Program

2. Program Description.

HOME Investment Partnerships Program. The HOME program plays a key role in addressing the shortages of affordable rental housing and homeownership in America. States, urban counties, consortia of local governments, and cities use their annual HOME allocations to expand affordable rental housing opportunities by building, rehabilitating, and buying multifamily rental properties, and by providing tenant-based rental assistance. Participating Jurisdictions (PJs) use HOME funds to expand and improve homeownership among low-income households by rehabilitating owner-occupied housing, and providing assistance to new homebuyers. The HOME Program continually exceeds the low-income benefit requirements established by the HOME Statute, which mandates that all households assisted have incomes below 80 percent of area median and 90 percent of those assisted with rental housing have incomes below 60 percent of median (see Low-Income Benefit below).

The following aspects of the HOME program make it an effective and efficient provider of affordable rental and homeownership opportunities for the nation's low-income families:

- Production. Beginning with fiscal year 1992, the year the HOME program began through September 30, 2001, States and local governments have committed over $9.8 billion in Federally allocated HOME funds (based on data from the Integrated Disbursement and Information System). Of this amount, $3.8 billion has been disbursed for completed projects, with an additional $4.7 billion disbursed for ongoing projects. These funds have leveraged over $15 billion in other funds for a total of over $18.8 billion in resources for completed projects. The number of households assisted is 687,160.

- An estimated 613,460 units have been newly constructed, rehabilitated, or acquired in standard condition and 73,700 families have received tenant-based rental assistance. Of the units to which funds have been committed, 398,245 units have been completed, of which 37 percent are homebuyers. Based on historical usage, it is projected that 36 percent of funds will be for new construction, 47 percent for rehabilitation, 14 percent for acquisition, and 3 percent for tenant-based rental assistance.

- Low-Income Benefit. All households assisted through the HOME program must have annual incomes that do not exceed 80 percent of the area median income. HOME makes homeownership affordable to lower income households. Eighty-two percent of existing homeowners and 52 percent of new homebuyers receiving assistance have incomes below 60 percent of the median income. The majority of the new homebuyers are purchasing housing outside areas of poverty concentration. The average poverty rate of census tracts in which assisted homebuyers purchase new homes is less than 20 percent.

- In addition, the HOME statute requires that at least 90 percent of the households receiving HOME rental assistance have incomes that do not exceed 60 percent of the area median income. The HOME program consistently exceeds this income targeting requirement. Ninety-nine percent of households receiving tenant-based rental assistance and 96 percent of households occupying assisted rental units have incomes below 60 percent of the area median, for a combined 97 percent. Furthermore, 56 percent of assisted rental households are those likely to have the worst-case housing needs, with incomes below 30 percent of the area median income.

- Modest Cost Per Unit. The average HOME subsidy for a HOME assisted unit remains modest. In fiscal year 2001, the average unit subsidy was only $15,539. The average unit subsidy drops further to below $14,218 per unit when tenant-based rental assistance, which averages $3,529 per family assisted, is included. HOME funds are effectively leveraged, with over $3:92 contributed from other public and private funds for every $1 of HOME funds.

- Flexible Program Design. HOME's flexible program design allows States and local PJs to be successful in meeting their needs in a manner most appropriate to local housing markets. There have been many creative uses of HOME funds, including addressing the needs of special needs populations with both tenant-based rental assistance and units linked to supportive services, new models of assistance to new homebuyers, and large and small rental projects, some newly constructed and some acquired and/or rehabilitated. The program also helps to meet the need for permanent housing for homeless persons and families.

- Non-profit Housing Development. The HOME statute requires that at least 15 percent of each PJ's annual allocation be reserved for housing which is developed, sponsored or owned by Community Housing Development Organizations (CHDOs). As of September 30, 2001, State and local government PJs had reserved almost $2.6 billion or 18 percent for CHDO housing activities. Non-profit organizations, including those sponsored by faith-based organizations, also participate in the HOME program as subrecipients acting on-behalf of the PJ in accordance with written agreements.

- Capacity. State and local PJs, as well as their non-profit partners, have the capacity to use additional HOME funds. Since the program began in fiscal year 1992, the number of local PJs has increased from 387 to 602 in fiscal year 2002 (a 55 percent increase) due to the formation of new consortia and new metropolitan

cities and urban counties. Thus, despite increases in HOME appropriations, the amount of funds going to individual local PJs has not had a proportionate increase, as more and more local jurisdictions have qualified for HOME allocations. As an example, in fiscal year 1992, with a national appropriation of $1.6 billion, Miami, Florida's allocation was $5,314,000, while in fiscal year 2002 they will receive $5,409,000 although the national appropriation was nearly $1.8 billion. In addition, when inflation is considered, the real dollar value has declined for most PJs. The amended lead hazard removal requirements will also raise the cost of producing a HOME assisted unit, further reducing the number of housing units which can be assisted by States and local participating jurisdictions.

a. Eligible Recipients. Eligible recipients of HOME funds include States, metropolitan cities (including the District of Columbia), urban counties, Puerto Rico and the Insular areas of the Virgin Islands, American Samoa, Guam and the Northern Marinas. Under certain circumstances, a consortium of geographically contiguous units of general local government may also be eligible for funding. In order to apply for HOME funds, State and local governments must develop a Consolidated Plan covering assisted housing and community development activities. The Plan must be approved by the Department before HOME funds can be received. Insular areas are not required to submit a Consolidated Plan to apply for HOME funding.

b. Formula Allocation. Annual HOME allocations to States and eligible local government PJs are determined by a formula which reflects the severity of local affordable housing needs. After certain amounts are identified for program set-asides and other purposes, 60 percent of the remaining funds are awarded to participating local governments and 40 percent are awarded to States. All States receive a minimum annual allocation of at least $3,000,000. In addition, the greater of 0.2 percent of the total allocation or $750,000 is available to Insular Areas. Through 1997, funds for the Native American HOME program were requested as a part of the appropriation. Beginning in 1998, this funding was included under the Native American Block Grant. For fiscal year 2003, funding for set-asides total $18 million, or less than 1 percent of the appropriation (exclusive of Down Payment Assistance), leaving $1.86 billion for allocation to States and participating local governments using the following six formula factors (factors are based on 1990 census data):

- vacancy-adjusted rental units where the head of household is at or below the poverty level;
- occupied rental units with at least one of four problems (overcrowding, incomplete kitchen facilities, incomplete plumbing, or high rent costs);
- rental units built before 1950 occupied by poor families;
- a ratio of the jurisdiction's costs of producing housing divided by the national cost;
- the number of families at or below the poverty level; and
- the population of a jurisdiction multiplied by the net per capita income.

The formula ensures that PJs with the greatest housing needs receive the most funding.

c. Reallocation of Funds. The HOME statute provides that HOME funds will be available to PJs for affordable housing projects for 24 months. Thus, the Department must deobligate HOME funds that have been available to PJs, but that have not been committed to affordable housing at the end of the last day of the month of the 24-month period. The Department must also deobligate funds that are required to be reserved for Community Housing Development Organizations (CHDOs) (15 percent of a PJ's allocation) but that have not been reserved for CHDOs at the end of the last day of the month of the 24-month period. As of October 31, 2001, the Department has deobligated $9.1 million in non-CHDO funds and $4.4 million in CHDO funds. The deobligation process ensures that HOME funds are used in a timely manner. As of October 31, 2001, the Department has also made $650,000 in grant reductions as a corrective action for incomplete or ineligible activities. Deobligated non-CHDO funds and grant reduction funds are available for formula reallocation to all PJs during the next formula allocation cycle. Deobligated CHDO funds are held for a future competitive allocation.

d. Eligible Activities. HOME funds can be used for assistance to new homebuyers, acquisition, and rehabilitation of affordable rental and ownership housing, construction of housing and tenant-based rental assistance. By statute, funds may not be used to provide tenant-based rental assistance for certain special purposes of the existing Section 8 program, to provide non-Federal matching requirements for other programs, or to finance public housing operating subsidies or modernization.

e. Matching Requirements. Effective with the 1993 appropriation, PJs must provide matching contributions of at least 25 percent of HOME funds spent for tenant-based rental assistance, rehabilitation, acquisition and new construction. The Housing and Community Development (HCD) Act of 1992, however, provides that the matching requirement shall be reduced by 50 percent for jurisdictions that are in fiscal distress and by 100 percent for jurisdictions that are in severe fiscal distress. The Secretary may also reduce the matching requirement for jurisdictions that are Presidentially declared disaster areas.

HOME Investment Partnerships Program

STATUS OF FUNDS

Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Unobligated balance, start of year	$189,263	$284,196	$284,236
Appropriation	1,796,040	1,846,040	2,084,100
Transfers to other accounts	...	...	...
Recoveries from prior years	8,932	...	...
Cash Adjustment	-4,177	...	...
Total Available	1,990,058	2,130,236	2,368,336
Obligations	-1,705,862	-1,846,000	-2,084,100
Unobligated balance, end of year	284,196	284,236	284,236

b. Obligated Balances. The status of obligated balances is as follows:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Obligated balance, start of year	$4,106,546	$4,383,321	$4,678,321
Obligations incurred, Grants	1,705,862	1,846,000	2,084,100
Transfers to other accounts	...	...	...
Subtotal	5,812,408	6,229,321	6,762,421
Outlays, HOME (Gross)	-1,424,332	-1,551,000	-1,600,000
Adjustment in unexpired accounts	-4,755	...	...
Obligated balance, end of year	4,383,321	4,678,321	5,162,421

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The HOME Program advances the Department's Strategic Goal #2, "Help families move from rental housing to homeownership." HOME is one of HUD's primary tools for accomplishing Objective 2.1 "Expand national homeownership opportunities," and Objective 2.3 "Increase the availability of affordable rental housing," by increasing the supply of affordable, standard rental housing; improving substandard housing for existing homeowners; and assisting new homebuyers through expended downpayment assistance acquisition, construction, and rehabilitation of housing; and by providing tenant-based rental assistance. HOME works in partnership with other HUD programs including FHA insurance, HOPE VI, Section 8 and CDBG to help local partners meet local needs. The following efforts also advance Strategic Objective 2.1:

- increasing the number of units produced with the assistance of HOME funds, including increasing the homeownership rates of minorities, as measured by the number of rental, new buyer, and existing homeowner units, and tenant-based rental assistance to which HOME funds are committed; and
- increasing the number of units produced with the assistance of HOME funds as measured by the number of rental, homebuyer, and existing homeowner units which are completed.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$1,616,436	$1,661,436	$1,875,690
FTE			
Headquarters	30	31	31
Field	65	66	66
Subtotal	95	97	97

HOME Investment Partnerships Program

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Objective 2.1: Expand national homeownership opportunities.			
Indicator: The number of homeowners who have been assisted with HOME is maximized.	42,256	49,420	47,886
The homeownership Downpayment Assistance Initiative will be fully implemented and assist 10,000 new homebuyers.	NA	Establish Baseline	10,000
Strategic Objective 2.3: Increase the availability of affordable rental housing.			
The number of households receiving housing assistance with CDBG, HOME, HOPWA, NHHBG and IHBG increases.	81,468	85,658	87,602
The number of HOME production units that are completed within the fiscal year will be maximized.	55,148	60,643	62,019
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$179,604	$184,604	$208,410
FTE			
Headquarters	3	4	4
Field	7	7	7
Subtotal	10	11	11
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			
Indicator: HUD will monitor 5 percent more Consolidated Plan grantees on site for compliance with their plans.	42% anticipated	35%	37%
Streamline Consolidated Plan	NA	NA	NA
FTE Total	105	108	108

NA = Not Applicable

HOME Investment Partnerships Program

DISTRIBUTION OF FUNDS BY STATE

The following table shows HOME Investment Partnerships Program allocations, by State, for 2001, 2002 and 2003.

STATE OR TERRITORY	ACTUAL 2001	ACTUAL 2002	ESTIMATE 2003
	(Dollars In Thousands)		
Alabama	$25,294	$25,624	$27,423
Alaska	4,069	4,070	$4,356
Arizona	21,425	21,474	$22,981
Arkansas	15,284	15,416	$16,498
California	235,173	235,351	$251,872
Colorado	19,682	19,779	$21,167
Connecticut	19,571	19,835	$21,227
Delaware	4,758	4,766	$5,101
District of Columbia	7,654	7,775	$8,321
Florida	72,642	72,965	$78,087
Georgia	38,765	39,116	$41,862
Hawaii	7,711	7,724	$8,266
Idaho	5,695	5,776	$6,181
Illinois	83,469	83,905	$89,795
Indiana	30,837	31,126	$33,311
Iowa	16,423	16,657	$17,825
Kansas	13,734	13,884	$14,859
Kentucky	25,770	26,140	$27,975
Louisiana	34,308	34,635	$37,066
Maine	7,328	7,340	$7,855
Maryland	25,344	25,492	$27,281
Massachusetts	44,666	44,801	$47,946
Michigan	66,219	66,729	$71,413
Minnesota	22,743	22,972	$24,585
Mississippi	18,200	18,466	$19,762
Missouri	30,813	31,168	$33,356
Montana	5,489	5,574	$5,965
Nebraska	9,136	9,230	$9,878
Nevada	9,031	9,025	$9,659
New Hampshire	5,124	5,211	$5,577
New Jersey	44,994	45,087	$48,252
New Mexico	9,829	9,950	$10,648
New York	190,395	190,697	$204,083
North Carolina	35,310	35,507	$37,999
North Dakota	3,995	4,062	$4,347
Ohio	78,146	78,839	$84,373
Oklahoma	19,690	19,903	$21,300
Oregon	20,365	20,596	$22,042
Pennsylvania	76,659	77,056	$82,465
Rhode Island	7,971	8,057	$8,623
South Carolina	18,497	18,684	$19,996
South Dakota	4,276	4,346	$4,651
Tennessee	29,723	30,066	$32,177
Texas	112,149	112,561	$120,462
Utah	8,846	8,917	$9,543
Vermont	3,990	4,074	$4,360
Virginia	31,408	31,566	$33,782
Washington	31,314	31,351	$33,552
West Virginia	13,050	13,212	$14,139
Wisconsin	32,815	32,782	$35,083
Wyoming	3,500	3,500	$3,746
Puerto Rico	30,398	30,609	$32,758
Subtotal Formula Grants	1,733,577	1,743,448	1,865,832
Other activities a/	62,462	102,592	218,268
TOTAL HOME	1,796,040	1,846,040	2,084,100

a/ Subtotal includes the $50 million Downpayment Assistance Initiative in fiscal year 2002, and $200 million in fiscal year 2003.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

HOMELESS ASSISTANCE GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level: (Obligations)				
Homeless Assistance Grants	$998,907	$2,530,635	$1,129,500	-$1,401,135
Shelter Plus Care Renewals	$24,100	$75,680	...	-$75,680
Subtotal	$1,023,007	$2,606,315	$1,129,500	-$1,476,815
Appropriations: (Enacted or Proposed)				
Homeless Assistance Grants	$1,025,000	$1,122,525	$1,129,500	+$6,975
Rescission	-$2,255	...	...	...
Shelter Plus Care Renewals	$100,000	...	...	...
Rescission	-$220	...	...	...
Subtotal	$1,122,525	$1,122,525	$1,129,500	+$6,975
Budget Outlays				
Homeless Assistance Grants	$964,958	$1,061,733	$1,199,463	+$137,730
Shelter Plus Care Renewals	$1,876	$45,897	$52,007	+$6,110
Subtotal	$966,834	$1,107,630	$1,251,470	+$143,840

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget proposes $1.13 billion for Homeless Assistance, including $1.109 billion for Homeless Assistance Grants, $1 million for the Interagency Council on the Homeless, and $19.1 million for technical assistance and homeless management information systems. Of this amount, $1.5 million will be transferred to the Working Capital Fund for homeless assistance projects, $11 million will be for homeless management information systems and $6.6 million will be for technical assistance.

The total requested funding of $1.13 billion provides approximately $7 million over the enacted 2002 level. The request supports the Department's commitment to end chronic homelessness in 10 years, including an emphasis on increasing the supply of permanent housing for the chronically homeless. The request is based on a legislative proposal to consolidate three competitive homeless assistance programs to provide more consistent funding and eliminate the burden of administering the current competitive program.

The funding request also reflects HUD's increased emphasis on our core mission of providing housing with attention given to coordinating HUD's efforts with the mainstream programs of other Departments. HUD will continue to review the current structure of the homeless programs and a more streamlined system of delivery to continue to sort out different agencies' responsibilities in this area.

The mission of HUD's homeless assistance programs is to help homeless individuals and families break the cycle of homelessness and move to permanent housing and self-sufficiency. The Continuum of Care (CoC) strategy effectively delivers a broad range of housing and services needed to move people out of homelessness. The process encourages the creation of linkages to other housing and community development programs (public housing, Section 8, Community Development Block Grant (CDBG), HOME block grant, Housing Opportunities for Persons with AIDS (HOPWA) and State and local housing programs), as well as to mainstream social service programs critical to the success of homeless assistance efforts (Medicaid, State Children's Health Insurance Program, Food Stamps, Temporary Assistance for Needy Families (TANF) and services funding through the Mental Health and Substance Abuse Block Grant, Workforce Investment Act, and the Welfare-to-work grant program). HUD is working with HHS to help increase access to HHS mainstream programs so that an increasing portion of HUD homeless funds can be used for housing.

The fiscal year 2003 funds will be used for renewing a significant portion of the vital housing and supportive services projects already established, as well as for providing funding for new projects, particularly permanent supportive housing, that will fill housing and services gaps in local communities. Grant funds will provide support for an estimated 55,000 transitional beds and permanent beds in new and renewal projects. The demand for renewal assistance—to ensure that homeless persons are not forced back onto the streets and into emergency shelters—is significant and growing. For instance, $555 million (59 percent) of the $948 million awarded in 2001 was for renewal projects. Just 3 years earlier in 1998, only $359 million (50 percent) of the $723 million awarded was for renewals.

The 2002 Appropriations Act requires a 25 percent match for all HUD-funded services, which HUD supports. With this match requirement and HUD's emphasis that non-HUD McKinney resources also be used to address homelessness, the HUD funds are expected to leverage other public and/or private funds at a 1:1.5 ratio, or more. These requirements will be continued in fiscal year 2003. HUD will also continue to reserve 30 percent of the total funding for permanent housing projects which is a key element to eliminating chronic homelessness.

HUD remains unable to meet the significant demand for either housing or supportive services for homeless persons. In each year since the McKinney-Vento Act programs were created, there has been a gap between requested and awarded homeless assistance grants. The $948 million awarded during the 2001 competition represented only 71 percent of the funds requested and only 62 percent of the projects requesting assistance. Furthermore, these numbers do not take into account the number of agencies who did not submit grant proposals, knowing their programs would not likely be funded given the keen competition for limited funds.

The Budget requests $1 million for the Interagency Council on the Homeless (ICH) which will allow the Council to carry out its work. The ICH will carry out specific functions as directed by the Congress, including quantifying the number of mainstream program participants who become homeless, how mainstream programs prevent homelessness, and how they assist homeless people.

This Budget also requests $19.1 million for technical assistance and homeless management information systems. Included in this amount is $6.6 million for technical assistance, $1.5 million for the Working Capital Fund and $11 million for Homeless Management Information Systems. The $1.5 million to be transferred to the Working Capital Fund will be used for CPD programs/system development and enhancements. Funding for technical assistance to grantees is critical given the growing number of awarded organizations, many of which are relatively small non-profit organizations. In addition, these funds are needed to respond to the various mandates contained in Congressional reports specifically related to homeless management information systems. In particular, HUD is charged with assisting communities in developing unduplicated counts of homeless persons and generating client-level data nationally by 2004.

EXPLANATION OF INCREASES AND DECREASES

This Budget proposes $1.13 billion for Homeless Assistance in fiscal year 2003, including $1.109 billion for homeless Assistance Grants, $1 million for the Interagency Council on the Homeless and $19.1 million technical assistance and homeless management information systems, including $1.5 million for the Working Capital Fund, $6.6 million for technical assistance and $11 million for management information systems. An increase of $7 million in budget authority is requested between fiscal year 2002 and fiscal year 2003. Outlays will increase by $144 million, reflecting the spendout of recent increases in appropriation levels.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. The Supportive Housing, Shelter Plus Care, Section 8 Moderate Rehabilitation (Single Room Occupancy), and Emergency Shelter Grants homeless assistance programs are authorized under the McKinney-Vento Homeless Assistance Act of 1987, as amended.

2. Program Area Organization. Reducing homelessness is one of HUD's top priorities. Comprehensive community-based efforts are necessary to address homelessness. The Consolidated Plan serves as a community's basis for applying for homeless assistance, identifying its needs and inventory, assessing the needs of homeless people, and linking efforts to address homelessness together with other housing and community development resources. Under the Continuum of Care strategy, localities and States are encouraged to develop and maintain assistance systems which integrate programs and services for the homeless or potentially homeless. These programs facilitate the effective and efficient management of HUD's homeless assistance programs by:

- reducing and preventing homelessness by supporting the creation and maintenance of community-based, comprehensive systems dedicated to returning families and individuals to self-sufficiency;
- assisting States and local governments, in partnership with private nonprofit service providers, to use homeless funding more efficiently and effectively;
- advancing the goal of meeting the needs of the homeless population through mainstream programs and establishing continuum of care systems necessary to achieve

that goal; and simplifying and making more flexible the provision of Federal homeless assistance;

- enhancing the efficient and equitable distribution of homeless assistance;
- reducing the Federal role in local decision making for homeless assistance programs; and
- reducing the costs to governmental jurisdictions and private nonprofit organizations in applying for and using assistance.

The Department is proposing a legislative proposal which will restructure the program with the goal of further streamlining the delivery of services.

The 2001 survey of 27 major cities by the U.S. Conference of Mayors indicated that requests for emergency shelter increased by 13 percent; with 81 percent of the cities reporting an increase. An average of 37 percent of requests for emergency shelter by homeless people overall and 52 percent of requests by homeless families are estimated to have gone unmet during the last year.

Clearly, the need for homeless assistance remains acute. Of the total homeless population--an estimated 600,000 persons are literally homeless on any given night--some suggest that the percentage of total homelessness represented by families with children now exceeds 30 percent, underscoring the need for stable, long-term housing with access to day care, decent education, and other family support. Some homeless persons suffer from mental illness or substance abuse, and need a variety of services beyond immediate shelter. HUD's Continuum of Care system, which coordinates Federal, State and local resources and services for homeless people, assists a growing number of homeless families and individuals in moving into transitional and permanent housing. Nevertheless, there remains a significant shortfall between the current scale of the homeless population's need for assistance and the level of resources that are available to be addressed by development of the longer-term responses which will focus on leveraging the resources that are necessary.

The CoC system addresses the issues that lead to homelessness through a community-based process that provides a comprehensive response to the different needs of homeless individuals and families. A comprehensive and coordinated housing and service delivery approach helps communities plan for and provide a balanced response to homelessness. Communities establish cost-effective continuums that identify and fill gaps in housing and services that are needed to move homeless families and individuals into permanent housing. The CoC system attempts to serve the specific needs of all homeless sub-populations within a particular community. It is an inclusive process that is coordinated with non-profit organizations, State and local governmental agencies, housing developers and service providers, private foundations, local businesses and the banking community, neighborhood groups, and homeless or formerly homeless persons.

A typical CoC would include components such as outreach and assessment to identify an individual's or family's needs and connect them to appropriate facilities and services; immediate shelter as a safe, decent alternative to the streets; transitional housing with appropriate supportive services, such as job training, job placement, child care, substance abuse treatment, mental health services and instruction in independent living skills; and permanent housing or permanent supportive housing. With a CoC approach, the community can design a strategy that works best to assist homeless persons and families achieve permanent housing and self-sufficiency. The CoC model is based on the understanding that homelessness is not caused merely by a lack of shelter, but involves a variety of unmet needs--physical, economic, and social.

HUD will continue to foster and support CoC systems in communities with significant homeless populations throughout the United States. This has been accomplished by including such a strategy within the framework of the Consolidated Plan and by encouraging joint applications and coordinated approaches when issuing Notices of Funding Availability for homeless assistance. The U.S. Conference of Mayors released an annual survey on "Hunger and Homelessness in American Cities" in December 2001. Many of the cities surveyed reported that the Federal Government's CoC policy has made a difference in their community's effort to address homelessness. Some examples of what some city officials said are:

- Boston. The process resulted in the prioritization of funding for underserved populations and created complimentary and non-duplicative services.
- Chicago. The increased resources have assisted the city with creating more permanent housing for the homeless.
- Seattle. Housing stability remains the city-primary goal and the CoC is the city's major tool to successfully achieve that goal.

a. Program Purpose. HUD's homeless assistance programs provide Federal support to one of the nation's most vulnerable populations. These grants assist localities in establishing systems that can address the needs of different homeless populations while providing coordinated

CoC systems that ensure the support necessary to help those who are homeless attain permanent housing and move toward self-sufficiency.

b. Eligible Applicants/Participants. While eligibility for the individual programs varies, in general, eligible applicants/participants are States, units of local government, nonprofit organizations and public housing authorities. Broad community participation in the development and implementation of a homeless strategy is encouraged to facilitate comprehensive, effective and coordinated approaches to homelessness.

c. Eligible Activities. Recipients are authorized to carry out activities to benefit homeless individuals and families, including acquisition, rehabilitation, new construction, operations, real property leasing, tenant assistance, supportive services, and administration. These activities support the following types of projects: Emergency Assistance (prevention, outreach and assessment, and emergency shelter); Safe Haven Housing; Transitional Housing; Supportive Services Only; Permanent Housing and Permanent Supportive Housing for Homeless Persons with Disabilities; Single Room Occupancy Housing; or other projects that the Secretary determines will further the purposes of this Program.

d. Program Allocation. Emergency Shelter Grants are distributed by formula; all other program funds are distributed by competition. This Budget includes a legislative proposal to consolidate three competitive homeless assistance programs to provide more consistent funding and eliminate the burden of administering the current competitive programs. The Budget also proposes that $19.1 million be appropriated for technical assistance and homeless management information systems support.

Until 1998, technical assistance was available only for the Supportive Housing Program. HUD's 1999, 2000 and 2001 proposals and Congress's agreement to expand the availability of technical assistance will enable grantees of all homeless assistance programs to better handle and overcome a variety of problems that hinder successful completion and implementation of projects. These include difficulties with capital financing for initial acquisition and rehabilitation; resistance from residents to homeless shelters in their neighborhoods; and coordination of project development, project operations, and ongoing service delivery. Technical assistance improves the ability of grantees to develop and maintain CoC systems and to effectively and efficiently provide assistance to those in need.

The 1999 Appropriations Act and subsequent Appropriation Acts directed and authorized the use of funds by HUD to require client-level information from all jurisdictions and grantees, aggregate this and other data, and work with a representative sample of jurisdictions to collect information on the unduplicated number of clients serviced and the disposition of the clients exiting homeless programs. A total of $11 million, a sizeable portion of the $19.1 million requested for technical assistance and homeless management information systems, is intended to be used to help complete these various mandated initiatives.

RENEWAL ESTIMATES

Pursuant to the 2002 Appropriations Conference Report, the Department is providing, as part of the 2003 Budget Justifications, projected costs for renewing projects funded through the Supportive Housing Program-Permanent Housing for Persons with Disabilities (SHP-PH) component and the Shelter Plus Care Program. As required, projections for both programs are provided for each of the next 5 years. To appreciate the basis of these estimates, the following caveats are provided.

Shelter Plus Care (S+C) Renewals

The estimates of total 1-year Shelter Plus Care renewal needs as shown below are based primarily on two factors: (a) the amount of new S+C awards made 5 years prior to the year for which renewal demand is being estimated (the term of new S+C projects by law is 5 years) and (b) HUD's experience regarding the percentage of S+C grants eligible to seek renewal that actually seek renewal in any given year. Additionally, a 3 percent annual adjustment is added based on anticipated annual increases in average Fair Market Rents.

On the basis of this approach, the following chart displays the total estimated S+C renewal need for the year in which the term of the S+C projects needing renewal actually expire. One-year renewal terms are assumed:

Fiscal Year	Estimated S+C Renewal Need
2003	$118 million
2004	$194 million
2005	$263 million
2006	$349 million
2007	$446 million

Supportive Housing Program (Permanent Housing for Persons with Disabilities component).

While estimating future renewal costs for Shelter Plus Care is difficult, projecting the cost of renewal SHP-PH renewals is even more daunting.

First, the law allows for varying SHP grant terms 1,2 or 3 years are used. As such, some grantees will be requesting to renew an SHP-PH project for 1 year, whereas other grantees will opt for a 2- or 3-year grant period. With over 450 communities receiving HUD McKinney competitive funds and over 6,000 currently operating projects, HUD cannot know with any certainty how many funds in the future will be requested for each grant term in order to estimate future renewal demand. However, for purposes of this requirement, HUD assumes that from 2003 through 2007, an increasing share of SHP-PH funds, especially for renewals, will be for 1-year terms. This is assumed because HUD believes that communities will continue to request *new* permanent housing funding to meet the statutory requirement that 30 percent of Homeless Assistance Grants be awarded to permanent housing projects. A related complication is that from 2003 through 2007, *new* SHP-PH project funding will also be requested to meet the 30 percent requirement. Many new projects develop new housing through acquiring, rehabilitating, and newly constructing facilities. Their progress often varies, depending on Not-In-My-Backyard (NIMBY) concerns, financing, etc. As the SHP grant term does not begin until the facility is finished and clients begin to be served, any delays can directly impact when a new grant will need to be renewed. Moreover, grantees often but not always renew projects for a shorter term than the original grant to comply with local planning process, further complicating the ability to accurately estimate renewal demand.

Second, these estimates assume that for 2004 through 2006 funds will be available for Shelter Plus Care renewals. If these additional funds are not provided, then a large share of HAG funds will necessarily be devoted to renewing SPC renewals and therefore fewer funds would be available for SHP, including SHP-PH new projects.

Third, unlike SPC, there are numerous eligible SHP activities, some of which are renewable (e.g., operating costs) and some of which are not (e.g., acquisition). HUD cannot know in advance to what extent new SHP-PH projects will be funded for non-renewable activities in order to accurately reflect the actual amount of the grant that is renewable. HUD assumes that, based on the results of 2001, over two-thirds of new SHP-PH funds will be renewed. Depending on the types of new SHP-PH projects submitted and awarded, this percentage may not be accurate.

Notwithstanding these various cautionary notes, HUD estimates the following SHP-PH renewal demand for each of the next 5 years:

Fiscal Year	Estimate SHP-PH Renewal Needs
2003	$119 million
2004	$158 million
2005	$208 million
2006	$279 million
2007	$324 million

STATUS OF FUNDS

1. Authorization. Homeless assistance programs are authorized under the McKinney-Vento Homeless Assistance Act of 1987, as amended.

2. Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year for the Homeless Assistance Grants and Shelter Plus Care Renewals:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Unobligated balance, start of year	$1,340,356	$1,483,791	...
Appropriation:			
Homeless Assistance Grants	$1,022,745	1,122,525	$1,129,500
Shelter Plus Care Renewals	99,780	...	...
Recovery of Prior Year Amounts	43,659	...	...
Offsetting Collections Amounts	258	...	...
Total Available	2,506,798	2,606,316	1,129,500
Obligations incurred	-1,023,007	-2,606,316	-1,129,500
Unobligated balance, end of year	1,483,791	...	...

Homeless Assistance Grants

b. Obligated Balances. The status of obligated balances for the Homeless Assistance Grants and Shelter Plus Care Renewals is as follows:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Obligated balance, start of year	$2,510,157	$2,522,413	4,021,098
Obligations incurred	1,023,007	2,606,315	1,129,500
Subtotal	3,533,164	5,128,728	5,150,598
Outlays	-966,834	-1,107,630	-1,251,470
Adjustment in unexpired accounts	-43,917	...	...
Obligated Balance, end of year	2,522,413	4,021,098	3,899,128

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

Some of the indicators for the Homeless assistance program have been revised to better reflect how the funds are being utilized and the homeless population assisted. A new indicator has been added to track the number of people moving from any HUD competitively funded McKinney-Vento project to any type of permanent housing. Pursuant to the new Goals and Objectives of the Department, all resources from the Homeless Assistance Grants program are dedicated to Goal 5, effectively addressing the challenge of homelessness.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full Annual Performance Plan document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 5: Effectively address the challenge of homelessness.			
Discretionary BA (Dollars in Thousands)	$1,006,905	$1,006,905	$1,013,162
FTE			
Headquarters	30	30	28
Field	118	122	122
Subtotal	148	152	150
Strategic Objective 5.1: End chronic homelessness in ten years.			
Indicator: At least 25,000 formerly homeless persons move into HUD McKinney-Vento funded permanent housing.	NA	20,000	25,000
The number of homeless individuals declines by up to 50 percent by 2005.	NA	NA	NA
The number of homeless individuals declines by up to 50 percent by 2005.			
Strategic Objective 5.2: Help homeless individuals and families move to permanent housing.			
Indicator: At least 29,000 homeless persons will leave HUD transitional housing and move to permanent housing.	NA	NA	29,000
Indicator: At least 115,000 people move into HUD-funded transitional housing.	N/A	115,000	115,000
Indicator: At least 19,000 homelss persons become employed while in HUD's homeless assistance project.	NA	NA	19,000
Indicator: The number of communities with Homeless Management Information Systems increases by 50.	12	25	75
At least 34,000 homeless persons served by HUD-	NA	NA	34,000

Homeless Assistance Grants

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
funded supportive services programs will move to permanent housing.			
Strategic Objective 5.3: Expand efforts to prevent households from becoming homeless.			
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$115,620	$115,620	$116,338
FTE			
Headquarters	3	4	3
Field	14	14	14
Subtotal	17	18	17
Strategic Objective 6.2: Improve accountability, service dolivery and customer service of HUD and our partners.			
Streamline Consolidated Plan	NA	NA	NA
FTE Total	165	170	167

NA = Not Applicable

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA)

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level:				
Obligations	$238,527	$277,432	$292,000	+$14,568
Appropriations:				
Enacted or Proposed	$256,000	$277,432	$292,000	+$14,568
Rescission	-$568	NA	NA	NA
Subtotal	$257,432	$277,432	$292,000	+$14,568
Budget Outlays				
Outlays	$240,566	$250,000	$260,000	+$10,000

NA = Not Applicable

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget proposes $292 million for the HOPWA program to meet the housing and related needs of approximately 55,900 low-income households with the HIV-AIDS. The funding request for this program is significantly demand driven and reflects most recent AIDS data provided by the Center for Disease Control and Prevention (CDC). The funding continues the enacted legislative provisions of recent years to give priority to renew all existing grantees that provide permanent supportive housing and also includes funding for the projected inclusion of three to four new formula grantees. Assistance is provided through rental assistance, community residences and other facilities, and short-term payments for rent, mortgage and utility payments to prevent homelessness. This request would provide an increase of $14.568 million over fiscal year 2002 funding.

EXPLANATION OF INCREASES AND DECREASES

Obligations increased by $14.6 million due to the higher level of funding that will serve 2,800 additional households. Outlays are expected to increase by $10 million in fiscal year 2003, reflecting the expanded capacity of AIDS housing providers to implement and manage programs and increased program funding levels in recent years. Due to administrative difficulties following the terrorist attack, the New York City HOPWA program was delayed in filing reimbursements in fiscal year 2001. In November 2001, the city was reimbursed for activities accomplished in fiscal year 2001.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. The Housing Opportunities for Persons with AIDS program is authorized by the AIDS Housing Opportunity Act, 42 U.S.C. 12901 (Title VIII, Subtitle D, of the Cranston-Gonzalez National Affordable Housing Act (NAHA) as amended by the Housing and Community Development Act of 1992).

2. Program Area Organization.

a. Program Purpose. The HOPWA program is an essential component of the national efforts to address the housing needs of people impacted by the HIV epidemic. HOPWA remains the only Federal program solely dedicated to providing housing assistance to persons living with HIV/AIDS and their families. Housing funded by HOPWA provides a basis for helping persons at the lowest income levels access appropriate care and acts as a base to help maintain often-difficult therapies and medical regimens. The program provides States and localities with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with HIV/AIDS and their families. In addition to the development of housing and rental assistance, funds can be used for short-term rent, utility payments, and supportive services for persons with HIV/AIDS and their families to help maintain their homes and avoid homelessness.

The fiscal year 2002 Appropriations Act authorizes the use of $2 million for technical assistance, training and oversight. The same amount is proposed for these purposes in fiscal year 2003. Authorizing legislation (Section 854c of NAHA) requires that 90 percent of the

remaining appropriated funds be distributed by formula to qualifying States and metropolitan areas on the basis of two factors: (1) the cumulative number and the incidence of AIDS reported to the Center for Disease Control (CDC) by March 31 of the year preceding the appropriation year; and (2) to metropolitan areas that have higher than average incidence of AIDS, based on AIDS surveillance data reported for the prior years. The remaining 10 percent of funds are distributed through a national competition that HUD includes in the SuperNofa announcement. The 2002 Appropriations Act required HUD to renew expiring contracts for permanent supportive housing prior to awarding funds to new projects. This authority is requested to be continued.

HOPWA formula funds are made available under the Department's Consolidated Plan process which serves as the vehicle for a community to comprehensively identify each of its needs, consult with citizens and organizations in the community, and coordinate a responsive plan of action for addressing them with Federal and other resources. For a community to successfully address its often complex and interrelated problems, including homelessness and the risk of homelessness among persons living with HIV/AIDS and their families, the community must marshal its varied housing, community and economic development resources, health care and service programs, and use them in a coordinated and effective manner.

b. Eligible Applicants. As indicated above, 90 percent of each year's appropriation is distributed by formula to those jurisdictions that meet the minimum requirements, as reported to the CDC. Metropolitan areas with a population of at least 500,000 which have at least 1,500 reported cumulative cases of AIDS and areas of a State outside of qualifying metro areas which have at least 1,500 reported cases of AIDS qualify for formula awards. In response to a Congressional directive in the fiscal year 1999 Appropriations Act, the Department made recommendations for updating the statutory formula to use an estimate of persons living with AIDS and housing costs to distribute formula funds.

HUD is proposing to continue three administrative provisions on eligibility contained in the fiscal year 2002 Appropriations Act: (1) which maintained eligibility for States that had received prior grants; (2) provided authority for the State of New Jersey to administer funds for the New Jersey portion of the Philadelphia metropolitan area; and (3) authorized Wake County to administer the allocation to the Raleigh-Durham, NC metropolitan area.

Based on HUD's review of CDC data, an additional three to four States or localities are likely to become newly eligible for formula-based allocations in 2003. The following displays the number of jurisdictions that have qualified for a formula allocation in recent years and an estimate of the number that will qualify in fiscal year 2003:

Year	Number of Qualifying Jurisdictions
1999	97
2000	101
2001	105
2002	108
2003	111-112

Ten percent of funds are awarded by national competition as provided in the Department's Notice of Funds Availability (NOFA) process. The 2002 Appropriations Act requires HUD to renew funding to expiring competitive grants that provide permanent supportive housing prior to making new awards. The renewal priority was first established in the fiscal year 2001 Appropriations Act and pertained to all expiring grants, not just those with permanent supportive housing efforts. HUD implemented the new requirement in the 2001 SuperNOFA competition. The competition resulted in 22 renewal grants for $21.5 million in awards and the availability of about $4 million that was used to select three new project grants.

Competitive grants are available to State and local governments and private nonprofit entities for projects in areas which do not qualify for a formula allocation. The NOFA establishes the renewal procedures and the selection criteria and procedures, consistent with NAHA and the HUD Reform Act. Recipients of either formula or competitive grants must use HOPWA assistance consistent with a HUD-approved Consolidated Plan.

c. Eligible Activities. Grants are available for activities designed to carry out strategies to prevent homelessness and include: housing information and coordination of housing and services; short-term supportive housing and services; rental assistance; the development and operation of single room occupancy dwellings and community residences and services; program development; administrative costs; and technical assistance in operating a community residence.

The 2002 Appropriations provided that $2 million be allocated for training, oversight and technical assistance to support program performance by grantees and sponsors and it is likewise proposed for 2003. This provision was included in the 2000 Appropriations Act and, at a higher level (1 percent or $2.57 million) in the 2001 Appropriations Act. Technical assistance is a vital tool in helping HOPWA programs, which operate through about 700 nonprofit projects, to grow in their capacity to undertake activities and manage programs. Technical assistance efforts ensure that recipients fully utilize funds to carry out activities within the public trust in addressing clients' needs in a comprehensive and cost effective manner. Since 1992, communities have developed greater and more effective capacities for providing AIDS housing assistance, as seen in the year-to-year increases in program outlays. Such a trend illustrates an overall increase in the effective use of program funds, due to the increased capacity of HOPWA

program providers. Technical assistance will be provided to communities to fund national and local training conferences, assist nonprofit sponsor in sustaining on-going programs, assist in local development and financing of projects, support operational issues, service delivery models, program evaluation and the use of publications, handbooks, reports, guidance, and other communications.

HOPWA funding is integrated into the overall Federal response to the HIV/AIDS epidemic. HUD is working in collaboration with the Department of Health and Human Services (HHS) and the Department of Veterans Affairs (VA) to implement technical assistance targeting the development of comprehensive approaches to better integrate health care, housing, and supportive services to persons living with HIV/AIDS. HUD and HHS provide program staff who present annually at the U.S. Conference on AIDS, and at Ryan White (HHS) and HOPWA grantee meetings, as well as other HIV/AIDS conferences. This interagency cooperation will emphasize the importance of local and State comprehensive planning to streamline and integrate services and to maximize local, State, and Federal resources. This is especially highlighted through the Department's Consolidated Planning Process which encourages States and local communities to develop comprehensive housing and supportive service strategies that help coordinate Federal programs as well as State, local, and private funding. In addition, HUD staff work closely with communities to assist them in bringing together community stakeholders to facilitate more holistic approaches to local issues. Through these collaborations and strategies, the Department strives to meet the goal of increasing the availability of affordable housing for the target population and integrating assistance from other sources for needed health care and supportive services for persons living with HIV/AIDS.

The requested increase in funding is necessary because with the growing number of persons living with HIV/AIDS, there are accordingly additional persons in need of housing assistance and other related services. The CDC reported that, as of December 2000, a total of 774,407 Americans have been diagnosed with AIDS and that an estimated 322,865 persons are living with AIDS. CDC reported that 42,156 cases of AIDS were diagnosed in the prior 12-month period. CDC also has estimated that 800,000 - 900,000 persons are living with HIV infection, including persons living with AIDS. Although the advancements in AIDS drugs and therapies offer significant hope, they have not been appropriate for, accessible to, or successfully used by all persons, especially persons who are homeless, have very low-incomes, or are challenged by mental illness or substance abuse problems. Additionally, as the costs for care increase, cities and States have to share available funding among more clients who are in need of housing and other support. A number of recipients report having waiting lists for HOPWA assistance and the need to reach underserved populations. The long-range effectiveness of treatment advances is currently unknown and evidence of toxicity in treatments is a concern. Thus, low-income families dependent on HOPWA support will also continue to require assistance. Experience from grantee performance reporting suggests that the requested funding will be used as follows:

	2001 Units	Persons Assisted a/	2002 Units	Persons Assisted a/	2003 Units	Persons Assisted a/
Rental Assistance (1-3 years)	11,800	14,700	12,700	15,900	13,400	15,750
Short-term rent, mortgage & utility payments to prevent homelessness, and short-term facilities	29,700	37,100	31,900	39,900	33,600	42,000
Community residences, Single Room Occupancy dwellings, and other facilities with construction rehabilitation, acquisition, operating costs and services	7,900	9,900	8,500	10,600	8,900	11,125
Subtotals for housing assistance	**49,400**	**61,700**	**53,100**	**66,400**	**55,900**	**68,875**
Other Services, including supportive services, housing information and technical assistance to non-profit organizations b/	N/A	27,000	N/A	29,000	N/A	30,000
Total Assistance	**49,400**	**88,700**	**53,100**	**95,400**	**55,900**	**98,875**

NOTE: Table reflects the number of units funded with appropriations provided during the fiscal year, not necessarily the actual numbers of units assisted during the fiscal year.

NA = Not Applicable

a/ Includes family members residing with the person living with HIV/AIDS.

b/ Persons receiving supportive services only from HOPWA (housing needs covered by other sources); persons receiving both housing assistance and services are included in the three housing assistance categories.

HUD's Office of Policy Development and Research undertook a National Evaluation of the Housing Opportunities for Persons with AIDS Program (HOPWA), and the findings issued in January 2001 noted:

- The HOPWA program predominantly serves extremely low-income and very low-income persons living with HIV/AIDS, including many people with additional burdens; the report documents that 54 percent are persons with extremely low-income (less than 30 percent area median) and another 27 percent are very low-income 30-50 percent area median);
- The HOPWA program's flexibility helps meet clients' housing needs and preferences;
- The HOPWA program appears to enhance clients' housing stability;
- Clients report a high level of satisfaction with the housing they are receiving;
- Most grantees and housing assistance providers report some degree of coordination with Ryan White CARE Act and HUD's Continuum of Care systems;
- On average, each dollar used for HOPWA housing assistance is being combined with a dollar for housing assistance from other government and private sources;
- Collaboration is a key component to successful project implementation and in preventing duplication and assisting clients focus on health goals; and
- Special Projects of National Significance are providing effective models for replication.

Grantee performance reports indicate that clients who receive housing assistance through this program are often at the lowest income levels, with approximately 94 percent of beneficiaries in households that receive less than $1000 per month in family income.

Grantees report that 70 percent of all HOPWA dollars are allocated to deliver housing assistance, such as rental assistance, short-term rent, mortgage assistance, and utility payments to prevent homelessness; assistance in short-term facilities; and community residences, SRO dwellings and other housing facilities. Facility based assistance may include funds for construction, rehabilitation, acquisition, operating costs, and supportive services provided at the site. Funds may also be used for housing information, technical assistance in operating community residences, and resource identification activities to establish, coordinate, and develop housing resources.

While housing continues to be the primary focus of the program, grantees may use funds for supportive services (such as support with daily living activities, substance abuse treatment and counseling, child care, etc.) in response to the needs of persons living with HIV/AIDS, to ensure these clients remain in stable housing. Grantees report that 22 percent of HOPWA program funds are expended for supportive services in connection with housing activities. Supportive services are defined as including, but not limited to, health (if not reimbursable from other sources), mental health, assessment, permanent housing placement, drug and alcohol abuse treatment and counseling, day care, nutritional services, intensive care when required, and assistance in gaining access to local, State, and Federal Government benefits and services.

Grantee and project sponsor administrative costs, as reported by grantees, represent the remaining 8 percent of program funds. Administrative costs are defined by statute as up to 3 percent for grantee administration and up to 7 percent for project sponsor administration.

Housing Opportunities for Persons with AIDS

STATUS OF FUNDS

1. Authorization. Authorizing legislation is not required to continue the program.

2. Balances Available.

a. Unobligated Balances. The following table compares the program obligations with funds available by year.

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Unobligated balance, start of year	$69,225	$88,263	$88,263
Appropriation	258,000	277,432	292,000
Rescission	-568	...	...
Subtotal	326,657	365,695	380,263
Recoveries from prior years	133	...	...
Total Available	326,790	365,695	380,263
Obligations	-238,527	-277,432	-292,000
Unobligated balance, end of year	88,263	88,263	88,263

b. Obligated Balances. The status of obligated balances is as follows.

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Obligated balance, start of year	$440,722	$438,683	$466,115
Obligations incurred	238,527	277,432	292,000
Subtotal	679,249	716,115	758,115
Outlays	-240,566	-250,000	-260,000
Adjustment in unexpired accounts	...	...	...
Obligated balance, end of year	438,683	466,115	498,115

Housing Opportunities for Persons With AIDS

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The HOPWA program contributes to meeting Strategic Goal 2 (below) reflecting the efforts to provide increased housing options for people with AIDS and Strategic Goal 6, reflecting increased efforts to ensure accountability in program involved with the Consolidated Plan process.

SELECTED PERFORMANCE MEASURES:

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$241,729	$260,509	$274,188
FTE			
Headquarters	10	10	10
Field	9	9	9
Subtotal	19	19	19
Strategic Objective 2.3: Increase the availability of affordable rental housing.			
The number of households receiving housing assistance with CDBG, HCME, HOPWA, NHHBG and IHBG increases.	49,515	49,400	53,100
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$15,703	$16,923	$17,812
FTE			
Headquarters	1	1	1
Field	1	1	1
Subtotal	2	2	2
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			
Indicator: HUD will monitor 5 percent more Consolidated Plan grantees on site for compliance with their plans.	42%	35%	37%
Streamline Consolidated Plan	NA	NA	NA
FTE Total	21	21	21

NA = Not Applicable

Housing Opportunites for Persons with AIDS

DISTRIBUTION OF FUNDS BY STATE

The distribution of HOPWA funds for the 2001, 2002 and 2003 appropriations are shown below. The cumulative amounts are for local and State grantees located within these States.

STATE OR TERRITORY	ACTUAL 2001	ACTUAL 2002	ESTIMATE 2003
Alabama	1,393	1,545	1,758
Alaska	---	---	---
Arizona	1,646	1,796	2,044
Arkansas	640	706	803
California	30,573	31,852	36,244
Colorado	1,281	1,374	1,563
Connecticut	2,730	2,839	3,230
Delaware	772	1,165	1,326
District of Columbia (Metro area)	8,721	10,451	11,892
Florida	29,209	34,878	39,687
Georgia	5,933	5,585	6,355
Hawaii	561	598	680
Idaho	-	-	-
Illinois	5,479	5,992	6,818
Indiana	1,340	1,459	1,660
Kentucky	721	795	905
Louisiana	4,131	4,534	5,159
Maryland	5,525	7,033	8,003
Massachusetts	4,924	4,023	4,578
Michigan	2,518	2,769	3,151
Minnesota	858	924	1,051
Mississippi	955	1,097	1,248
Missouri	2,417	2,598	2,956
Nevada	1,014	1,116	1,270
New Jersey	13,186	14,503	16,503
New Mexico	459	501	570
New York	57,360	54,725	62,271
North Carolina	2,366	2,599	2,957
Ohio	2,646	2,851	3,244
Oklahoma	820	982	1,117
Oregon	860	950	1,081
Pennsylvania	8,098	9,147	10,408
Rhode Island	481	521	593
South Carolina	2,617	2,958	3,366
Tennessee	2,128	3,949	4,494
Texas	12,580	13,165	14,980
Utah	439	486	553
Virginia	2,047	2,209	2,514
Washington	2,078	2,249	2,559
Wisconsin	801	868	988
Puerto Rico	6,845	10,097	11,485
Subtotal formula grants	229,372	247,889	261,000
Competitive Grants	25,486	27,543	29,000
Technical assistance	2,574	2,000	2,000
TOTAL HOPWA	257,432	277,432	292,000

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

EMERGENCY FOOD AND SHELTER PROGRAM

PROGRAM HIGHLIGHTS

	ESTIMATE 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level: (Obligations)	[...]	[...]	$153,000	+$153,000
Appropriations: (Enacted or Proposed)	[...] a/	[...] a/	$153,000	+$153,000
Budget Outlays	[...]	[...]	$153,000	+$153,000

a/ As part of FEMA, the program received $139.7 million in appropriations in fiscal year 2001, and $140 million in fiscal year 2002.

SUMMARY OF BUDGET ESTIMATES

HUD is requesting the transfer of the administration of the Emergency Food and Shelter program (EFSP) from FEMA. This would result in all emergency shelter assistance--both EFSP and HUD's long-standing Emergency Shelter Grants (ESG) program being under one agency, HUD. The transfer would help consolidate and streamline the Administration's efforts to effectively address homelessness. The fiscal year 2003 request is for $153 million. The intent of the program is to help meet the needs of the hungry and homeless people throughout the United States and its territories by allocating federal funds for the provision of food and shelter.

EXPLANATION OF INCREASES AND DECREASES

In fiscal year 2003, HUD requests $153 million for this program. Funds will be distributed in accordance with established criteria through the National Board to provide homeless and hungry people with emergency assistance as expeditiously as possible. HUD will disburse funds to the National Board within the time frames required by law.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority

The Emergency Food and Shelter Program is authorized under Title III of the Stewart B. McKinney Homeless Act.

2. Program Area Organization

The National Board awards funds to jurisdictions based on a formula involving population, poverty, and unemployment data to determine the eligibility of a civil jurisdiction. The National Board will be chaired by HUD and its non-profit partners, the American Red Cross, The Salvation Army, United Way of America, and others who will provide their expertise. Poverty data will be from the 2000 decennial Census, unemployment data is from the Bureau of Labor Statistics. Additionally, applicants may be eligible for funds from State set-aside committees that have more discretionary power to distribute funds. The program supplements the work of local agencies already providing such help at the community level. During the first 13 years of operation, the program distributed funds to over 10,500 non-profit and local government agencies in more than 2,500 jurisdictions.

a. Program Purpose. This program distributes funds rapidly and equitably to local jurisdictions to supplement community efforts to provide emergency food and shelter services to alleviate the problems associated with hunger and homelessness. Funds will continue to be obligated to a National Board. This National Board then works through similarly composed Local Boards to advertise the availability of funds, assess community needs, and make allocation choices. These community-based Local Boards also assure coordination of effort and development of systems to prevent duplication of benefits. Program funds are allocated for the purpose of providing food and shelter in the following ways: food, in the form of served meals or groceries;

lodging in a mass shelter or hotel; 1 month's rent or mortgage payment; one month's utility bill; minimal repairs to allow a mass feeding or sheltering facility to function during the program year; and equipment necessary to feed or shelter people, up to $300 limit per item.

b. Eligible Applicants/Participants. Each jurisdiction funded by the program must constitute a Local Board. The Board must be composed of the same organizations as those on the National Board, with a local government official replacing the HUD representative. The Local Board may also have additional members. Since 1993, Local Boards have been required to include a homeless or formerly homeless person as a member. Jurisdictions that do not qualify under the formula and thus do not receive funding directly from the National Board may receive funds through the state set-aside process, and jurisdictions that do qualify may receive additional funding the same way.

c. Program Allocation. Award amounts are determined by dividing the available funds by the number of unemployed persons within each jurisdiction that qualifies. Jurisdictions that do not qualify under the formula and thus do not receive funding directly from the National Board may receive funds through the state set-aside process; jurisdictions that do qualify for direct funding may receive additional funding the same way.

In 1985, the National Board created a State set-aside process to identify and fund areas of need not reflected in the national criteria. State set-aside committees, with members mirroring Local Boards, receive funds based upon the number of unemployed people in counties within their state that do not qualify under the National Board's criteria. State committees may use any criteria they wish to develop a needs-based formula to determine which jurisdictions receive funding. The committees must give priority to jurisdictions that have not qualified under the National Board formula, but they may also select, with National Board approval, jurisdictions that were funded by the National Board.

STATUS OF FUNDS

Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year for the Emergency Food and Shelter program:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Unobligated balance, start of year	...	...	...
Appropriation:			
Emergency Food and Shelter program	...	...	...
Total Available	...	...	$153,000
Obligations incurred	...	...	-153,000
Unobligated balance, end of year	...	...	...

b. Obligated Balances. The status of obligated balances for the Emergency Food and Shelter program is as follows:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Obligated balance, start of year	...	...	...
Obligations incurred	...	...	$153,000
Subtotal	...	...	153,000
Outlays	...	...	-153,000
Obligated Balance, end of year	...	...	...

Emergency Food and Shelter Program

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Emergency Food and Shelter program supports the Department's Strategic Goal 5, "effectively address the challenge of homelessness."

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ESTIMATE 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 5: Effectively address the challenge of homelessness.			
Discretionary BA (Dollars in Thousands)	...	...	$153,000
FTE			
Headquarters	...	...	2
Field	...	...	...
Subtotal	...	...	2
Strategic Objective 5.2: Help homeless individuals and families move to permanent housing.			
Strategic Objective 5.3: Expand efforts to prevent households from becoming homeless.			
Indicator: At least 110,000 households will receive emergency rental or mortgage payment assistance through the Emergency Food and Shelter Program to prevent homelessness.	NA	NA	110,000
FTE Total	...	...	2

NA = Not Applicable

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

EMPOWERMENT ZONES

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level:				
Obligations	$184,593	$45,214	NA	NA
Appropriations:				
Enacted or Proposed	$185,000a/	$45,000	NA	NA
Rescission	-$407	NA	NA	NA
Subtotal	$184,593	$45,000	NA	NA
Budget Outlays	$31,350	$90,000	$104,000	+$14,000

NA = Not Applicable

SUMMARY OF BUDGET ESTIMATES

No funding is proposed for Urban Empowerment Zones (EZs) in fiscal year 2003. Both the Department and the Congress have noted the slower rate of obligation and expenditure within the program and the significant level of unexpended balances.

EXPLANATION OF INCREASES AND DECREASES

The 2003 Budget does not propose continued funding of EZs. Current available balances as well as CDBG and HOME formula funds are sufficient to cover needs. The 2002 Budget enacted $45 million for Round II urban EZs.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. The Omnibus Budget Reconciliation Act of 1993 authorized the Secretary to designate 15 Round II urban EZs. This Act had also authorized the Secretary of HUD to designate 6 Round I urban EZs and 65 urban Enterprise Communities (ECs). The Taxpayer Relief Act of 1997 later authorized two additional Round I urban EZs. The 2000 Community Renewal Tax Relief Act authorized the designation of 40 renewal communities (28 urban, 12 rural) and 9 new Round III Empowerment Zones (7 urban, 2 rural) designated on December 21, 2001, which utilize only tax incentive provisions.

2. Program Area Organization. The EZ/EC Initiative marked an effort launched by the Federal Government on behalf of the Nation's distressed inner cities and impoverished rural communities. Launched in 1993, the Initiative is an interagency effort focused on the creation of self-sustaining, long-term development in distressed urban and rural areas throughout the nation. The Initiative is based on a holistic, participatory approach whereby community stakeholders partner together to develop and implement innovative and comprehensive strategic plans for revitalization. Utilizing a combination of Federal tax incentives and flexible grant funds, (for Rounds I & II) these partners are reinvigorating communities that have been in decline for decades. Businesses are expanding and creating jobs, residents have access to the services they need to take advantage of new economic opportunities, and crime and violence are down.

This Initiative seeks to revitalize city neighborhoods in a way that retains and attracts middle-class residents and empowers low-income residents to become a part of the middle class. EZ grant funds are used at local discretion for a broad range of activities that assist residents, businesses, and organizations including: affordable housing and activities promoting homeownership; workforce preparation and job creation efforts linked to welfare reform; neighborhood development; technical and financial assistance to businesses; support for capital projects; financing of projects in conjunction with the Section 108 Loan Guarantee program and other economic development projects; community policing; education; and social services. HUD promotes partnerships with private and community service providers who can help residents achieve self-sufficiency.

Empowerment Zones

In addition to Round II EZ grant funding, the Federal Government contributes tax incentives to promote revitalization in EZ areas. EZ businesses can take advantage of several incentives, including: the EZ Employment Credit (currently available to Round I EZs and available to businesses in Round II EZs for wages paid or incurred after December 31, 2001); the Environmental Clean-up Cost Deduction; Section 179 expensing of investments in capital; and the Work-Opportunity and Welfare-to-Work tax credits. EZs can also take advantage of Qualified Zone Academy Bonds to help promote private sector involvement in local schools and provide funding for teacher training, rehabilitation, or equipment, as well as tax-exempt Enterprise Zone Facility Bonds, to subsidize job-creation and business expansion in the Zones.

The conceptual framework of the EZ program is embodied in four key principles:

- **The Strategic Vision for Change** identifies what a community will become in the future and includes a clear statement of the values that the community used to create its vision. The vision should include coordinated strategies that will help to achieve the community's goals, and should take into account the development of a performance measurement system that will provide the framework for evaluating progress and adjusting the Strategic Plan.

- **Community-Based Partnerships** emphasize the importance of involving all community stakeholders in the revitalization of distressed neighborhoods. Key partners include residents; businesses; local political leaders; local, State and Federal Governments; community development corporations; local public health and social service departments; regional planning organizations; unions; environmental groups; schools and universities; interfaith non-profit organizations; and other community groups. A successful EZ should be able to leverage the resources that these partners bring to the table. Key partners should be included in the governance structure, and all partners should be held accountable for their commitment to revitalizing the community.

- **Sustainable Community Development** advances the creation of livable and vibrant communities through physical, environmental, community, and human development. In successful Zones, these approaches preserve the environment and historic landmarks; address brownfields cleanup and redevelopment; advance the use of telecommunications as a means of improving community coordination and interaction; explore the economic development advantages of energy efficiency and the use of renewable energy resources; and improve the quality of and/or access to programs supporting families, affordable housing, youth development, substance abuse prevention, healthcare, human services, education, childcare, transportation, and public safety.

- **Economic Opportunity** includes creating jobs for Zone residents and linking residents to jobs within the Zone and throughout the region. Successful economic opportunity strategies provide entrepreneurs with technical assistance and greater access to capital and credit; assist businesses to expand and create job opportunities for residents; provide residents with jobs; and provide residents with job training and placement services, with an emphasis on linkages to welfare-to-work and school-to-work initiatives.

These principles are drawn from the experiences of communities around the Nation that have used them successfully to develop holistic approaches to community revitalization. Applicants were challenged to address these principles in their Strategic Plans, which describe in detail the community's strategy for revitalization and is the vehicle for building commitments, large and small, among all of the individuals and organizations that will be working together to strengthen their community.

Progress for any EZ/EC is measured by the progress that the community makes in implementing its Strategic Plan. A wide range of indicators have been developed, based on three of the four core principles, against which EZ/ECs report specific activities. (There are no specific indicators for the Strategic Vision for Change goal.) Under Community-Based Partnerships, communities report on governance and capacity building activities; under Economic Opportunity, communities report on workforce development, business assistance and capital and credit access activities; and under Sustainable Community Development, communities report on housing, public safety and crime prevention, infrastructure, environment, health, education, human services and family support, and other similar activities. The Performance Measurement System (PERMS), a computerized system implemented in late 1998, is used to collect this data.

a. Eligible Recipients. Round II Empowerment Zones are eligible to receive grant monies and benefits of tax incentives. Round III Empowerment Zones and Renewal Communities will benefit solely from tax incentives through their Tax Incentive Utilization Plans.

b. Allocation of Funds. Criteria for competitive selection included several factors, such as the extent to which the activities proposed in the application:

- create permanent jobs accessible to low-income persons, minority persons, persons receiving public assistance, and unemployed persons;

- complement welfare reform initiatives that empower low-income persons and families receiving public assistance to become economically self-sufficient;

- involve interagency and intergovernmental coordination of Federal, State and local public and private (including nonprofit) resources;
- use private resources to leverage assistance under this Act, including the extent to which there is a firm commitment for the use of the resources; and
- establish or expand business opportunities within the Empowerment Zones.

c. Eligible Activities. Eligible activities include those that are consistent with the EZ/EC's Strategic Plan. Grant funds are available to support the financing of capital projects, including housing and economic development, in urban EZs. Eligible activities include financing of projects in conjunction with the Section 108 loan guarantee program and other economic development projects, business assistance, and workforce development; and support of affordable housing and homeownership initiatives. The funds could also integrate human capital needs with economic and community development initiatives. This includes day care, transportation, education, job training and other social service support designed to enable the recipients to achieve economic self-sufficiency.

d. Program Accomplishments. The following list of accomplishments provides a national snapshot of the cumulative successes of the Urban EZ/EC Initiative as reported by the EZ/ECs in HUD's Internet-based EZ/EC Performance Measurement System (PERMS).

- ***Projects and Programs:*** The EZ/ECs report that over 2,800 neighborhood-based projects and programs have been developed and are underway as a result of each EZ/ECs' locally derived Strategic Plan. One billion dollars in Federal EZ/EC seed money has leveraged over $13 billion in additional public and private sector investments related to the implementation of local EZ/EC Strategic Plans.
- ***Private Sector Involvement:*** Private sector involvement has played a vital role in the EZ/EC Initiative. Countless corporations have hired Zone residents and actively participated in EZ/EC governance, as well as providing funds and in-kind technical assistance to the Zones. Well-known companies involved in the Zones include General Motors, Ford, Chrysler, Home Depot, The Walt Disney Company, GAP, Ameritech, Rite Aid, Microsoft, Starbucks, MCI/Worldcom, IBM, Amazon.com, and hundreds of others.
- ***Housing:*** The Empowerment Zones and Enterprise Communities report that they have completed over 6,650 new housing units and have rehabilitated another 18,900. Over 43,000 homeless people have been served under the various homeless housing and social service programs. The Empowerment Zones and Enterprise Communities serve over 22,500 residents through 375 homeownership programs.
- ***Workforce Development:*** The Empowerment Zones and Enterprise Communities report that they are engaged in more than 1,300 job training programs with over 88,800 Zone residents having received job training. Over 40,000 Zone residents have been placed in jobs as a result of these job training programs. Zone residents have attended approximately 330 job fairs resulting in over 12,000 job placements.
- ***Access to Capital:*** As a result of the EZ/EC Initiative, access to cheap sources of capital–the lifeblood of commerce–has greatly improved. Loan pools totaling over $2 billion dollars have been created with approximately 16,000 loans processed and over 13,000 jobs created from those loans. In total, the EZ/EC's report that over 13,000 businesses have received financial assistance and over 18,000 have received technical assistance to improve operations. Over 43,000 jobs have been created or retained as a result of this assistance.
- ***Environment:*** The EZ/ECs report that they are engaged in many Brownfields projects - transforming abandoned and contaminated commercial and industrial sites into clean, reusable parcels of land for development. EZ/EC's have remediated over 250 brownfield sites to date. The EZ/EC's are also involved in approximately 272 beautification programs.
- ***Public Safety:*** The EZ/ECs report that over 750,000 people have been served by 300 public safety programs operating in the Empowerment Zones and Enterprise Communities. There are also over 450 crime prevention programs which have served over 820,000 residents.
- ***Health Care:*** There are over 900 health-related programs in the EZ/ECs serving approximately 475,000 residents. Forty-one new health-care facilities have opened in the EZ/EC neighborhoods and 10 have been remodeled, providing expanded service to greater numbers of families.
- ***Human Services:*** Within the Empowerment Zones and Enterprise Communities, there are:
  - over 279 child care programs serving over 29,000 Zone families;

- approximately 328 elderly programs serving nearly 42,000 Zone residents;
- over 679 youth programs serving 220,000 Zone youth; and
- over 600 recreation/arts programs serving over 560,000 Zone residents.

- *Education:* Education is vital to the well-being and economic development of the EZ/EC's. The following are educational successes:
  - over 10,000 children have been served by almost 125 head-start/pre-school programs;
  - over 129,000 EZ/EC residents have been served by 1,100 K-12 education programs;
  - over 7,300 residents have been served by 45 post-secondary assistance programs; and
  - over 6,900 residents have been served by 73 vocational education and GED programs.

Urban and rural EZ/EC programs and projects are highlighted in the publication, *What Works! In the Empowerment Zones and Enterprise Communities, Volume IV*, providing reason to celebrate the successful revitalization of our Nation's communities. They serve as models for programs throughout the country, helping to bring businesses and residents back to America's most distressed areas and giving hope to the people of every community. Some examples of successes are:

- In Spring 2001, the Huntington, WV-Ironton, OH Round II EZ broke ground on the Huntington Business and Technology Park located on its developable site. Amazon.com will be the anchor tenant for the new business park. In November 2000, Amazon.com established initial operations in a 26,000-square-foot area of the Jean Dean Municipal Safety Building located in the EZ. This location serves as a temporary home while a new state-of-the-art facility is constructed. The West Virginia Development Office, in conjunction with the City of Huntington, the Huntington Area Development Council, the Huntington/Ironton EZ, and Marshall University, had worked together to recruit Amazon.com to West Virginia. Amazon.com was attracted to the EZ for various reasons; the availability of labor and a pre-planned site helped the partners form their proposal. Economic incentives (such as wage credits and tax-exempt bonds) available in the EZ also were crucial factors in the bid's success. Employing as many as 347 full-time workers, Amazon.com's first customer service center on the East Coast responds to a growing global customer base.

- In 2000, the El Paso EZ has brought together lenders and technical assistance professionals from all over the city to establish a one-stop capital shop (OSCS). The El Paso Business Resource Center provides a number of services such as business development assistance, financial planning help, and even a development design shop. With the new center, the EZ plans to promote the growth of entrepreneurship in the community and provide greater access to capital. Located in the Center for Workforce Preparedness, the OSCS is equidistant from the two noncontiguous parts of the EZ. The 10,000-square-foot facility provides space for approximately 30 offices that surround a common area with training and conference space, a comprehensive business resource library, 10 computer workstations, administrative support, and a reception area. The center includes a small business development center, a procurement technical assistance center, a business information center, the local Service Corps of Retired Executives, and ACCION Texas (a microlender). Several additional programs, such as the local U.S. Small Business Administration and the Business Resource Division of the Greater El Paso Chamber of Commerce, are also located in the facility. The organizations are complemented by two offices devoted to bank and non-bank lending agencies.

- In Philadelphia, Pennsylvania, 3 acres at the center of the American Street corridor have been cleaned up and redeveloped to become the new home of Asia Foods, the second largest distributor of Asians foods in the mid-Atlantic. The EZ helped to secure $900,000 in State funds and the city provided $300,000 to remediate the contaminated site. Drug addicts were moved out of an abandoned office building, and above and below ground storage tanks were removed. Construction of the new warehouse began in December 1998 and the 60,000 square foot distribution center was dedicated on March 23, 1999. The EZ provided $500,000 for construction of the new facility in addition to more than $1 million from the City's development authority. The principal owners of Asia Foods have added 24 people from the EZ to their staff of 46. They are partnering with other companies in the EZ and envision Phase II, a plan to bring in 6 to 8 small distributors of fresh produce, fish, and other foods to complement their current enterprise.

Empowerment Zones

Status of Funds

a. Unobligated Balances. This table compares obligations with funds available by year.

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
		(Dollars in Thousands)	
Unobligated balance, start of year	$214	$214	...
Appropriation	184,593	45,000	...
Collections	...	...	...
Recovery of Prior Year Obligations	...	...	...
Total Available	184,807	45,214	...
Obligations	-184,593	-45,214	...
Unobligated balance, end of year	214	...	...

b. Obligated Balances. The status of obligated balances is as follows:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
		(Dollars in Thousands)	
Obligated balance, start of year	$93,214	$246,457	$201,457
Obligations incurred	184,593	45,000	...
Subtotal	277,807	291,457	201,457
Outlays (Gross)	-31,350	-90,000	-104,000
Obligated balance, end of year	246,457	201,457	97,457

Empowerment Zones

STRATGEIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE AND RESULTS

The EZ/EC program most directly advances Strategic Goal #8 Support community and economic development efforts through increasing the number of jobs and other community development related projects. However, the EZ program also supports several other Strategic Goals by advancing homeownership and affordable housing.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 8: Support community and economic development efforts.			
Discretionary BA (Dollars in Thousands)	$184,593	$45,000	...
FTE			
Headquarters	9	10	10
Field	1	1	1
Subtotal	10	11	11
Strategic Objective 8.1: Provide capital to create and retain jobs to improve economic conditions in distressed communities.			
Indicator:EZ and EC projects achieve local goals in seven activities.	See table below	See table below	See table below
Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.			
FTE Total	10	11	11

Summary of EZ/EC accomplishments and goals

	Percent of EZ or EC Projects Achieving Planned Goals		
Goals Identified in Implementation Plans	2001 (actual)	2002 (goal)	2003 (goal)
Residents receiving homeownership assistance	87%	90%	90%
New affordable housing completed	88%	85%	85%
Rehabilitated affordable housing completed	85%	80%	80%
Homeless residents served by homeless assistance programs	88%	90%	90%
Residents served by social service programs	86%	85%	85%
Residents find gainful employment	64%	85%	85%
Residents served by public safety and crime prevention programs	83%	90%	90%

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

BROWNFIELDS REDEVELOPMENT PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level:				
Obligations	$48,880	$26,065	$25,000	-$1,065
Appropriations:				
Enacted or Proposed	$25,000	$25,000	$25,000	...
Rescission	-$55	NA	NA	NA
Subtotal	$24,945	$25,000	$25,000	...
Budget Outlays	$3,570	$26,000	$31,000	+$5,000

NA = Not Applicable

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget requests $25 million for the Brownfields Economic Development Initiative (BEDI) to enable reclamation and redevelopment of approximately 19 brownfield sites. Brownfields are abandoned, idled or under-used real property where expansion or redevelopment is complicated by real or perceived contamination. The Budget also proposes a legislative change that would eliminate the requirement for a Section 108 loan guarantee to accompany the application for BEDI funding. As a freestanding competitive grant program, BEDI will attract far more participants by allowing communities, especially non-entitlements, more flexibility in developing and funding brownfields sites.

The Department proposes to further integrate HUD's and EPA's efforts in the brownfields area so that HUD can better integrate our expertise in community development with EPA's environmental expertise which focuses on the clean-up of sites.

Secretary Martinez and EPA Administrator Whitman have formed a working partnership under which each institution focuses on its relevant area of expertise. Specifically, HUD will focus its financial and human resources on redevelopment of brownfields sites, while EPA will concentrate its resources on up-front project assessment and remediation. The BEDI program represents a key strategic component in the interagency effort as HUD and EPA will continue to work closely in targeting and utilizing BEDI funds; jointly evaluating proposals; pro-actively helping grantees to find complementary sources of funding; and providing technical assistance to bring BEDI-supported projects to successful closure.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 proposal of $25 million is level with the enacted 2002 Budget. The entire 2003 appropriation is expected to be obligated by fiscal year end. As stated above, a change in legislation is being proposed that de-links the BEDI grant program from the requirement that it be used with Section 108 loans and instead makes that usage optional.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. BEDI grants are Economic Development Grants, and are authorized by Section 108(q) of the Housing and Community Development Act of 1974, as amended.

2. Program Area Organization. This program makes competitive economic development grants for economic development and remediation of qualified brownfields projects. The program currently requires that BEDI grants be utilized with Section 108 loans, this requirement is proposed for elimination. It is anticipated that in some cases, grants and Section 108 loans will still be used together in part to meet the leveraging requirements of the Brownfields program. Grants used with 108 loans either enhance the security of Section 108 guaranteed loans or improve the feasibility of proposed projects. BEDI grants allow brownfield sites to be restored to productive, job-creating uses and to address the economic development needs of communities in and around such sites.

a. Eligible Recipients. Eligible recipients include Community Development Block Grant (CDBG) entitlement communities and non-entitlement communities.

b. Allocation of Funds. Grants are made on a competitive basis in accordance with Section 108(q) selection criteria, including: (1) level of distress in the community to be served and in the jurisdiction applying for the assistance; (2) financial need for the assistance; (3) quality of the proposed plan and capacity of the applicant; and (4) extent to which the applicant is operating a brownfields program and is working with appropriate environmental regulatory agencies. The grant process will closely coordinate and further integrate the Department's efforts with those of the EPA, reflecting the joint partnership goal of restoring brownfield sites to safe and productive uses.

c. Eligible Activities. Eligible BEDI activities are CDBG-eligible housing and economic redevelopment activities. These include: (1) assistance to private, for-profit entities for economic development projects; (2) acquisition of property; (3) rehabilitation of buildings or construction of real property improvements carried out by public or private nonprofit organizations; (4) infrastructure improvements, including construction, reconstruction or installation of public and other site improvements; (5) clearance, demolition, removal and rehabilitation of buildings and improvements; and (6) the investigation and clean-up of environmental contaminations in connection with any of these eligible activities.

An estimated 450,000 brownfields exist, the vast majority of which are located in urban areas. While brownfields are often perceived as environmental problems, they are also barriers to community revitalization. Brownfields redevelopment is identified as a priority by the U.S. Conference of Mayors (USCM), the National Association of Counties, the Large Urban Counties Caucus and the National Governors Association. A survey by the USCM on brownfields in over 200 cities estimated that brownfields redevelopment could add up to $2.7 billion in additional tax revenue and create 675,000 jobs if the sites were returned to productive use.

Existing environmental laws may discourage the investment required to successfully stimulate new economic activities on environmentally hazardous sites. Communities must address these requirements when carrying out economic redevelopment efforts in areas that have low or moderate amounts of contamination from prior industrial uses. The lack of cleanup funds has been ranked a top impediment by cities. Because these costs and related obstacles of redeveloping brownfields were not anticipated by communities, they have neither the resources nor the proven capability to address these sites. As a result, economic redevelopment often excludes these areas which otherwise could become significant parts of local economic development strategies. BEDI funds provide the capital to help address these issues.

Cities are addressing brownfield redevelopment issues with BEDI funds, as well as Community Development Block Grant (CDBG), Economic Development Initiative (EDI) funds, and Section 108 guaranteed loans. Some examples are:

- Broward County, FL - Broward County has received $1,000,000 in BEDI funds and $7,600,000 in Section 108 funds to assist the city of Lauderdale Lakes in redevelopment of a Brownfields site into a complete entertainment production facility. Gravity entertainment studios will manage the project, which will generate 1,250 new jobs. The BEDI and Section 108 funds will leverage $46,000,000 in private funds.

- Montgomery County, PA - The Redevelopment Authority of Montgomery County will receive $2 million of BEDI funds and $3 million in Section 108 loan guarantees to redevelop a 63-acre site located along the northern banks of the Schuylkill River in West Norriton Township which was the former headquarters of the Synthane Taylor Corporation. The proposed redevelopment project will consist of commercial office space, multi-family residential units, a hotel, and ancillary retail services. It is anticipated that this will provide significant economic and other public benefits to West Norriton Township and Montgomery County. The County estimates the Riverview at Valley Forge Redevelopment Project will create at least 200 new jobs. The County will use an additional $1.25 million in other public funds, and an estimated $102.4 million in provate funds.

Brownfields Redevelopment Program

STATUS OF FUNDS

Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year.

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Unobligated balance, start of year	$25,000	$1,065	...
Appropriation	25,000	25,000	$25,000
Rescission	-55	...	...
Total Available	49,945	26,065	25,000
Obligations	-48,880	-26,065	-25,000
Unobligated balance, end of year	1,065	...	...

b. Obligated Balances. The status of obligated balances is as follows:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Obligated balance, start of year	$46,181	$91,491	$91,556
Obligations incurred	$48,880	26,065	25,000
Subtotal	95,061	117,556	116,556
Outlays	-3,570	-26,000	-31,000
Obligated balance, end of year	91,491	91,556	85,556

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Brownfields program supports the Departments goal to "Support Community and Economic Development Efforts," and the objective of helping communities more readily access revitalization resources to become more livable. It does so by supporting economic development and job creation on sites that would otherwise be unused or underutilized.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 8: Support community and economic development efforts.			
Discretionary BA (Dollars in Thousands)	$24,945	$25,000	$25,000
FTE			
Headquarters	3	3	3
Field	1	1	1
Subtotal	4	4	4
Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.			
Indicator: Brownfields Economic Development Initiative grants will support the creation of 5,400 jobs.	7053	5400	5400
FTE Total	4	4	4

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

RURAL HOUSING AND ECONOMIC DEVELOPMENT

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level:				
(Obligations)	$24,760	$50,918	...	-$50,918
Appropriations: (Enacted or Proposed)				
Appropriation	$25,000	$25,000	...	-$25,000
Rescission	-$55	...	...	...
Subtotal	$24,945	$25,000	...	-$25,000
(Regular Program)	NA	NA	NA	NA
Budget Outlays	$16,910	$25,000	$25,000	...

SUMMARY OF BUDGET ESTIMATES

No funding is proposed for the Rural Housing and Economic Development (RHEO) program in fiscal year 2003. The Department will continue to address rural needs through existing programs, including the Community Development Block Grant program.

In addition, HUD will continue to work closely with the U.S. Department of Agriculture (USDA) and other Federal agencies (Economic Development Administration, Appalachian Regional Commission and Department of the Interior) to structure a more effective response to the housing and economic development needs of the Nation's rural areas. This includes determining whether legislative and/or regulatory changes may be necessary to make programs more responsive to rural needs.

EXPLANATION OF INCREASES AND DECREASES

Funding for the Rural Housing and Economic Development program is not requested because it duplicates several programs, including Community Development Block Grants (CDBG) and those of the Department of Agriculture.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. Funding was included in the fiscal years 1998-2002 Appropriations Acts.

2. Program Area Organization. The Office of Rural Housing and Economic Development is located in the Office of Community Planning and Development. This Office focuses on issues related to rural housing and economic development needs, and works with other HUD offices, the Department of Agriculture and other Federal agencies with related programs on rural issues.

a. Eligible Recipients. Eligible recipients included local rural non-profit organizations, community development corporations, Indian tribes, State housing finance agencies, and State economic development or community development agencies.

b. Allocation of Funds. Grants were made on a competitive basis in accordance with the HUD Reform Act.

c. Eligible Activities. For fiscal year 2002, there are 2 funding categories. Eligible housing and economic development activities include: (1) support of innovative housing and economic development activities is intended to support, but not be limited to other costs including the preparation of plans, architectural and engineering drawings; financial assistance for acquisition of land and buildings, demolition, purchase of materials, construction, the use of local labor markets, and the provision of infrastructure. Funds can also be used to establish private community development financial institutions, lines of credit, revolving loan funds, micro-enterprises, and small business incubators; and (2) Capacity Building activities, including "up front" money for acquiring space and support facilities, hiring qualified staff, supporting and training existing staff, providing software and other tools to provide networking and research capability, obtaining expertise from outside sources, and technical support and development. Capacity building funds can also be used to improve management capability, including the development of Management Information Systems (MIS) support, apprenticeship programs and related activities.

d. Other RHED program initiatives. To facilitate informational services, technical assistance, training and identification of resources for investment capital in rural areas, with priority focus on the Colonias and other underserved areas, the Office of RHED has contracted services to create a rural clearinghouse. Legislation from fiscal year 2000 authorized a set-aside for the creation of the clearinghouse. This clearinghouse assists local rural organizations in rebuilding and preserving healthy and productive communities by providing information and services linked to rural housing and economic development activities.

STATUS OF FUNDS

Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year.

	ACTUAL 2001	ESTIMATE 2002	STIMATE 2003
	(Dollars in Thousands)		
Unobligated balance, start of year	$25,733	$25,918	...
Appropriation	25,000	25,000	...
Rescission	-55	...	...
Total Available	50,678	$0,918	...
Obligations	-24,760	-50,918	...
Unobligated balance, end of year	25,918	...	...

	ACTUAL 2001	ESTIMATE 2002	STIMATE 2003
	(Dollars in Thousands)		
Obligated balance, start of year	$23,480	$31,330	$57,248
Obligations incurred	24,760	50,918	...
Subtotal	48,240	82,248	57,248
Outlays	-16,910	-25,000	-25,000
Obligated balance, end of year	31,330	57,248	32,248

STRATGIES GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

RHED contributed to meeting the Department's Strategic Goal 2: Help families move from rental housing to homeownership including Strategic Objective 2.3: Increase the availability of affordable rental housing.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$24,945	$25,000	$0
FTE			
Headquarters	2	2	2
Field	1	1	1
Subtotal	3	3	3
Strategic Objective 2.3: Increase the availability of affordable rental housing.			
FTE Total	3	3	3

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

REVOLVING FUND (LIQUIDATING PROGRAMS)

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Receipts and Repayments	$16,916	$1,000	$1,000	...
Receipts from Section 312 Sale ..	$64,101	...	...	...
Repayments to the Treasury:				
In year dividend	$120,000	$15,000	$8,000	-$7,000
Cummulative	$2,242,519	$2,257,519	$2,265,519	+$8,000
Book value of Assets, EOY	$56,740	$45,000	$35,000	-$10,000
Budget Outlays (Net Receipts) ...	-$76,198	$2,695	$2,000	-$695

SUMMARY OF BUDGET ESTIMATES

The expenses of the Revolving Fund (Liquidating Programs) are financed from repayments of loans and advances; therefore, no appropriation is requested. However, it should also be noted that this account's largest influx of funds came from the Section 312 loan portfolio, which was sold in fiscal year 2001 for $64 million. The selling of nearly all the Section 312 loans to the private sector helps HUD to refocus its efforts toward its active programs.

The Section 312 loan program provided first and junior lien financing at below-market interest rates for the rehabilitation of homes in low-income neighborhoods. This program ceased originating new loans over 10 years ago. More than 100,000 loans were made since the authorization of the program in the Housing Act of 1964. Since Congress terminated the program, the remaining portfolio had dwindled to less than 6,000 active loans.

EXPLANATION OF INCREASES AND DECREASES

The continued liquidation of this account reflects lower activity in all categories. The sale of the Section 312 loan portfolio resulted in a large dividend payment to Treasury in late fiscal year 2001, and since the sale, activity in this account has been considerably reduced.

PROGRAM DESCRIPTION AND ACTIVITY

Legislative Authority and Program Area Organization. The Revolving Fund (Liquidating Programs) was established by the Independent Offices Appropriation Act, 1955, to provide a single fund to assist in the efficient liquidation of assets acquired under various housing and urban development programs. The assets of certain war and emergency housing constructed under the Lanham and Related Acts, Alaska Prefabricated Housing, War Public Works, Defense Community Facilities and Reconstruction Finance Corporation Public Agency Loan programs initially were included in this Fund. At the end of 1970, the Public Works Planning Advances, Grants to Aid Advance Acquisition of Land, and the Alaska Housing Grants and Loans programs were terminated and the assets were transferred to this Fund for liquidation.

In 1975, the assets and liabilities of four community development categorical programs comprised of Basic Water and Sewer Facilities, Neighborhood Facilities, Open Space Land, and Public Facility Loans were included in the Fund pursuant to Section 117(b) of the Housing and Community Development Act of 1974, which provided for such transfers to facilitate liquidation of the programs. In 1984, the New Communities program was transferred to the Revolving Fund; and, on October 1, 1986, the Urban Renewal Program was transferred to the Fund.

The National Affordable Housing Act repealed the Rental Rehabilitation Grants and Rehabilitation Loan (Section 312) programs. Both programs were transferred to the Revolving Fund (Liquidating Programs), effective October 1, 1991, pursuant to P.L. 102-27 and P.L. 102-139.

Since 1994, income had exceeded operating expenses and disbursements of obligations, resulting in net receipts. This income had been mostly from the repayments of active loans from the Section 312 Rehabilitation Loan program.

STATUS OF FUNDS

Balances Available

The following table shows the status of the Revolving Fund for fiscal years 2001 through 2003.

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Source of Funds:			
Unobligated balance, start of year	$75,914	$31,314	$13,219
Receipts:			
Repayments/Section 312 Sale	81,017	1,000	1,000
Recaptures	304	...	...
Total available	157,235	32,314	14,219
Application of Funds:			
Sec. 312 Loan Servicing, and Foreclosure/ Judgement Expenses, Acquired Security, Collateral, and Maintenance	4,921	3,795	40
Payment of Salaries and Expenses to HUD	1,000	300	100
Payment of dividend to the U. S. Treasury	120,000	15,000	...
Total, application of funds	125,921	19,095	140
Unobligated balance, end of year	31,314	13,219	14,079

SUMMARY OF OBLIGATED BALANCES WITHIN THE REVOLVING FUND

Summary of obligated balances, end of year, follows:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Obligated balance, start of year	$5,914	$6,712	$7,112
Obligations incurred	5,921	4,095	140
Subtotal	11,835	10,807	7,252
Outlays (Gross)	-4,819	-3,695	-3,000
Adjustment in Unexpired Accounts	-304	...	...
Obligated balance, end of year	6,712	7,112	4,252

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

This is not an active program, so there are no Strategic Goals or Objectives associated with it.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 1: COMMUNITY PLANNING AND DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. All data are presented on a comparable basis for the 3 fiscal years: 2001, 2002, and 2003.

SCOPE OF ACTIVITY

The Office of Community Planning and Development's (CPD) mission is to enable the development of viable urban, suburban and rural communities by promoting integrated approaches to housing, and community and economic development that assist families move towards homeownership, and expand economic opportunities for low- and moderate-income persons. The Assistant Secretary for CPD administers formula and competitive grant programs and guaranteed loan programs that help communities plan and finance their growth and development, and increase their capacity to govern and provide shelter and services for homeless persons and other persons with special needs, including persons with HIV/AIDS. CPD also administers the Department-wide relocation and environmental functions. These responsibilities are carried out by CPD staff in Headquarters and in 43 field offices.

CPD distributes close to $8 billion annually and, through the Grants Management Process (GMP), oversees more than 1,000 grantees--States, cities and counties, across the nation. This process begins with grantees' submissions of their Consolidated Plans, elaborate local documents that detail how communities will spend their CPD program funds. The Consolidated Plan requires every community that receives CPD funds to assess their housing and community development needs, develop goals and articulate a plan to address those needs using CPD program and other funds. CPD staff are therefore charged with making sure that all of these programs are run effectively and efficiently. This involves regular monitoring visits by both Headquarters and field staff to ensure that communities are using HUD funds appropriately, enforcing timeliness and other program standards, resolving audit findings and facilitating the exchange of best practices. As part of the President's Management Agenda, CPD will review the Consolidated Plan over the next several months to make it more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas.

Monitoring is a management control technique that is integral to the on-going process of assessing the quality of grantee performance over time. Monitoring provides information for making informed judgments about program effectiveness and management efficiency, as well as identifying instances of fraud, waste and abuse. CPD field offices will monitor the following grant programs: CDBG Entitlement, State and Disaster, HOME, Homeless Assistance, Housing Opportunities for Persons with AIDS (HOPWA), Section 108 Loan Guarantees, Economic Development Initiative (EDI), Brownfields (BEDI), Loan Guarantee Recovery Fund, Youthbuild, Special Projects (Congressional earmarks), and Technical Assistance Grants and Cooperative Agreements.

Monitoring goals and objectives are articulated in the Management Plan. CPD Headquarters offices establish national monitoring goals that are carried out at the local level. Local Management action plans facilitate field staff efforts to develop local monitoring strategies, establish time-frames for completion of goals, and allocate resources for monitoring and other activities.

The Management Plan directly correlates with the Department's eight strategic goals, established to carry out its mission. CPD programs contribute to the following goals:

Help Families Move from Rental Housing to Homeownership. Communities receiving formula funds under the Consolidated Planning process must establish local 5-year goals for affordable housing and homeownership to guide them as they use their annual allocations of CDBG, HOME, HOPWA and Emergency Shelter Grants (ESG) funds. Each plan is implemented through 1-year action plans that specify the local projects and activities that will create new or rehabilitate existing multifamily and single family housing units affordable to low- and moderate-income households. The Consolidated Plan and Grants Management Process (GMP) provide the framework and tools for communities to develop coordinated approaches to providing various forms of housing assistance to both renters and homeowners. The Self-Help Homeownership Opportunity Program (SHOP) provides "seed" funds for the acquisition and preparation of land for construction for housing for homebuyers with incomes 50-65 percent of its area median income. In addition, the Brownfields Redevelopment program contributes to this goal by enabling the removal of environmental hazards so that communities can reclaim land for housing and other purposes.

Strengthen and Expand Faith-Based and Community Partnerships. The Community Development Technical Assistance programs, particularly those for HOME and Homeless Assistance, have benefited faith based groups by providing them with organizational and program development assistance. In order to help communities in the HOME program meet the requirements for local community based nonprofit housing organizations participation in the program, HUD provides

technical assistance through nonprofit intermediaries. These intermediaries, some of whom are faith-based groups themselves, assist Community Housing Development Organizations (CHDOs) develop the capacity to implement housing projects in their local communities. An estimated thirty percent of the CHDOs are faith-based groups who need help and organizational support to carry out their mission.

Effectively Address the Challenge of Homelessness. CPD's Homeless program supports the Department's commitment to end chronic homelessness in 10 years, including an emphasis on increasing the supply of permanent housing for the chronically homeless. This program also reflects HUD's increased emphasis on its core mission of providing housing, with attention given to coordinating HUD's efforts with the mainstream programs provided by other Departments that assist the homeless. The McKinney-Vento homeless assistance programs are specifically designed to reduce and prevent homelessness by creating housing opportunities and providing supportive services to homeless persons. The Homeless program's funds will be used for renewing a significant portion of the vital housing and supportive services projects already established, as well as for providing funding for new projects, particularly permanent supportive housing, that will fill housing and service gaps in local communities.

CPD's Continuum of Care process enables families and individuals to move from homelessness to self-sufficiency, and ensures linkages with other housing and community development resources, such as the Section 8, CDBG, HOME and HOPWA programs. Further linkages with non-profit organizations, State and local government agencies, housing developers and service providers and local businesses are encouraged. Under the Continuum of Care, communities assess the gaps in their homelessness assistance strategies, and determine the most appropriate local responses and priorities.

Embrace High Standards of Ethics, Management and Accountability. CPD Headquarters and Field staff are responsible for protecting taxpayers interests by ensuring that Federal funds are used appropriately and in compliance with laws and regulations. CPD staff accomplish this through effective and efficient program administration, including monitoring to ensure that grantees are using Federal funds for the purposes for which they were intended, and enforcement of applicable laws, regulations and policies. CPD staff are the front line for monitoring our programs in the field, but will refer significant problem cases to HUD's Office of General Counsel, as necessary.

Ensure Equal Opportunity and Access to Housing. The more than 1,000 jurisdictions that participate in the HUD's Consolidated Planning process include fair housing objectives in their 5-year plans. Each must certify that its Consolidated Plan is in compliance with the 1988 Fair Housing Act and all Federal regulations concerning fair housing. In addition, the fair housing provisions apply to most of CPD's other programs.

All recipients of formula funds must complete an analysis of impediments to fair housing choices in the jurisdiction to receive fair housing certification. The failure of a State or a community to develop an analysis of impediments to fair housing or to take reasonable action to address such impediments may result in the denial or loss of such formula funds until compliance is secured. This is a powerful tool for fair housing.

Support Community and Economic Development Efforts. CPD's largest program, Community Development Block Grants, is the primary vehicle for the revitalization of our Nation's neighborhoods, providing opportunities for self-sufficiency to millions of lower income American. The program's primary objective is to develop viable urban communities by expanding opportunities, and provide decent housing and a suitable living environment, principally for persons of low- and moderate-income. This objective is achieved by limiting activities to those which carry out one of the following broad national objectives: (1) benefit low- and moderate-income persons; (2) aid in the prevention or elimination of slums and blight; or (3) meet other particularly urgent community development needs.

The HOME Program plays a key role in addressing the shortages affordable housing and homeownership in communities. States, urban counties, consortia of local governments, and cities use their annual HOME allocations to expand affordable rental housing opportunities by building, rehabilitating, and buying multifamily rental properties and by providing assistance to new homebuyers.

The HOPWA program strives to increase the availability of affordable housing for this population and integrate assistance from other sources for needed health care and supportive services in the communities.

The Brownfields program enables reclamation and redevelopment of abandoned, idled or under-used real property where expansion or redevelopment is complicated by real or perceived contamination. These grants allow areas to restore productive job-creating uses and to address the economic development needs of communities in and around such sites.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

WORKLOAD

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Community Planning and Development

CPD administers grant programs that enable communities to plan and finance their growth and development; increase their capacity to meet local housing, community and economic development needs; and provide shelter and services for homeless persons, families, persons with special needs, and persons with HIV/AIDS and their families. In fiscal year 2003, CPD will continue its commitment to work with customers to ensure effective utilization of program funds by promoting what works and recognizing the best of local performance.

1. HEADQUARTERS

The Assistant Secretary and program offices in Headquarters monitor the progress of field offices in implementing the programs for which CPD is responsible. Headquarters program offices assist in the resolution of policy issues with national impact, provide program policy and guidance and use an electronic GMP system to assess the management issues in each field office. The GMP system tracks the review of information coming into field offices and provides information on compliance concerns and how they are resolved locally.

2. FIELD

CPD staff in the field offices review local Consolidated Plans, consult with the communities on these Plans, approve the Plans and execute grant agreements to make the funds available to the grantees. The GMP also requires that CPD staff review, on an annual basis, the actual accomplishments of each community in implementing their plans and achieving their goals. GMP requires CPD staff to monitor the progress of communities as they move forward with the activities specified in their plans, and to make on-site visits, as necessary.

TRAVEL

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
	(Dollars in Thousands)			
Travel	$739	$811	$811	....
Total	$739	$811	$811	....

CPD's fiscal year 2003 request for travel funding is $811 thousand, no change from fiscal year 2002 enacted budget. The bulk of these funds are used for CPD field staff to carry out their program administration responsibilities, including monitoring and assisting grantees in using their Federal housing, community and economic development dollars in the most effective and efficient manner.

Travel funds will be required to carry out strategic objectives and Management goals. In 2003, CPD will continue on-site reviews of 35 percent of formula grantees and 10 percent of competitive grants. Travel funds are also used by staff to provide technical assistance to communities in developing and implementing their local plans. Travel funds are also critical to maintain the partnerships with communities that are the cornerstones of effective service delivery.

CPD staff perform on-site monitoring to prevent fraud, waste, and abuse in its programs. These efforts also address the Office of the Inspector General Semi-Annual Reports to Congress that have highlighted the need for more on-site monitoring of grantees. Ongoing needs also include the sharing of technical specialists (relocation, environmental, rehabilitation, financial) between offices, and enabling Field staff to carry out their heightened responsibilities in the areas of training and partnership with communities and non-profit organizations.

Travel for Headquarters staff is for ongoing outreach efforts to grantees, public interest groups, non-profit organizations and elected officials, to enlist their ideas and conduct consultations, monitoring, management requirements and support to HUD Field staff.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Community Planning and Development

Section 805 of the 1992 Housing and Community Development Act mandated that the Secretary transfer $545,000 in program funds to implement an ongoing training program for HUD officers and employees, especially field staff, responsible for administering Community Development Block Grant (CDBG) assistance and economic development projects. Some of these funds are used for travel to enable Headquarters and field staff to participate in relevant training opportunities. At the end of 2001, $524,416 of the total had been used.

CONTRACTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Technical Services	$2,497	$2,499	$2,499	....
Data and Statistical Services .	....	....	....	....
Public Information Services ...	....	....	....	....
General Support	$700	$700	$700	....
Total.....	$3,197	$3,199	$3,199	....

The principal categories in this object class are contracts for technical services, and other contracted general support services. Funding of $3,199 thousand is requested in fiscal year 2003 to enable CPD to procure the information, technical services and other support necessary for the implementation of our housing, community and economic development programs. In fiscal year 2002, $1.3 million is funded for all activities (Departmentwide) related to the Notice of Funding Availability (SuperNOFA). For fiscal year 2003, CPD is requesting this same funding to carry out similar activities.

Technical Services funds are required to support the Community Connections Clearinghouse outreach efforts related to CPD programs, such as the Homeless Outreach Center, the Veteran Resource Center, and others. These efforts provide an opportunity to build partnerships between Federal, State, and local governments and non-profit groups, and to work together to develop comprehensive, coordinated approaches to dealing with community problems.

Technical Services funds are also used for coding of data from grantee performance reports and other contract support needed in the implementation of CPD programs.

Finally, all other general support contract services are required to fund miscellaneous requirements for visual arts, training not provided through the HUD Training Academy, temporary clerical support, and other administrative services.

WorkLoad Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarter Employment									
Immediate Office,AS CPD and CPD DASs									
Overall Guidance of CPD activities in HQ and Field	NA		...	...	5.0		...	...	5.0
Subtotal					**5.0**				**5.0**
Community Development Block Grant									
Manage Block Grant Entitlement Program	NA	2	...	...	15.9	2	...	...	15.9
Manage Block Grant State and Small Cities Activities	NA	3	...	...	15.1	3	...	...	15.1
Subtotal					**31.0**				**31.0**
Affordable Housing									
Develop and Implement Affordable Housing Policy	NA	2	...	...	4.0	2	...	...	4.0
Oversee Affordable Housing Programs	NA	8	...	...	4.3	8	...	...	4.3
Develop and Maintain Affordable Housing Information Systems	NA				2.7				2.7
Relocation and Acquisition Activities	NA	4	...	...	3.0	4	...	...	3.0
Subtotal					**14.0**				**14.0**
Special Needs Assistance Programs (SNAPS)									
Perform SNAPS Intake/Evaluation	Number of Continuum of Care Packages Reviewed	288	480	87.44	8.0	310	500	87.44	8.0
Provide SNAPS Grant Administration (Includes Title V)	Number of Grants (Competitive/ Formula) Processed	1,200	3,600	8.70	10.0	1,400	3,800	8.70	10.0
Provide SNAPS Policy, Program Management and Advocacy	NA	5	...	...	4.0	7	...	...	2.0
Emergency Food & Shelter Prgm	NA				0.0				2.0
Subtotal					**22.0**				**22.0**
HIV/AIDS Housing (HOPWA)									
Process HOPWA Grants	Number of Grants Processed	93	250	92.71	7.0	118	275	92.71	7.0
Provide HOPWA Grants Management and Special Initiatives	NA	2	...	...	1.0	2	...	...	1.0

WorkLoad Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Subtotal					**8.0**				**8.0**
Office of Environment and Energy									
Office of Community Viability									
Perform CPD Strategic Planning and Policy Development	NA		...	...	8.0		...	...	8.0
Manage HUD Environmental Program	NA	7	...	...	5.3	7	...	...	5.3
Manage HUD Energy Program	NA	8	...	...	2.7	8	...	...	2.7
Subtotal					**16.0**				**16.0**
Economic Development									
Manage Rural Housing and Economic Development Activities	NA		...	...	9.5	2	...	...	7.5
Colonias Geteway Initiative	NA	3			0.0	6			2.0
Develop and Implement Policy for Section 108	NA	6	...	...	5.0	6	...	...	5.0
Review and Approve Applications for Loans For Sect. 108	Number of Applications		2,700	7.81	10.1	60	2,750	7.81	10.1
Arrange Financing of Guaranteed Loans for Sect. 108	Number of Loans Financed	185	626	23.68	5.0	185	626	23.68	5.0
Perform other Loan related work for Sect. 108	NA	5			1.0	5			1.0
Manage Special Purpose Grants	Number of Applications	650	1,400	6.56	2.4	650	1,420	6.56	2.4
Subtotal					**33.0**				**33.0**
Community Empowerment									
Manage EZ/EC Initiatives	Activities of EZ/EC Communities	175	300	149.64	9.0	275	400	149.64	9.0
Subtotal					**9.0**				**9.0**
CPD Operations and Technical Assistance									
Manage CPD Budget Operations	NA		...	...	9.4		...	...	9.4
Provide CPD Administrative Services Support	Number of CPD Staff	10	250	57.63	6.6	10	250	57.63	6.6
Provide CPD Correspondence Control	NA	1			3.2	1			3.2
Provide CPD Human Resources and Training Support	NA	3	...	...	9.8	3	...	...	9.8

WorkLoad Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Manage Technical Assistance Contracts and National Agreements	Number of Cooperative Agreements and Contracts	10	148	174.94	11.6	22	160	174.94	11.6
Provide IT support to CPD users	Number of CPD Users		1,050	12.33	6.2		1,050	12.33	6.2
Manage CPD System Development and Maintenance	Number of Systems		10	1,085.76	5.2		10	1,085.76	5.2
Subtotal					**52.0**				**52.0**
CPD Field Management									
Provide Liaison Services to CPD Field Offices	Number of Field Offices Supported		42	548.86	11.0		42	548.86	11.0
Subtotal					**11.0**				**11.0**
CPD Comptroller Services									
Provide CPD Comptroller Services	NA		...	...	1.0		...	...	1.0
Subtotal					**1.0**				**1.0**
HUDVET									
Manage HUDVET Activities	NA		...	...	1.0		...	...	1.0
Subtotal					**1.0**				**1.0**
Field Employment									
CPD Field Consolidated Plan Activities									
Review Consolidated Plan	Number of Plans Reviewed	188	1,016	136.93	55.1	188	1,016	136.93	55.1
Provide Consolidated Plan Assistance and Training	NA		...	...	9.1		...	...	9.1
Subtotal					**64.2**				**64.2**
CPD Field Entitlement Grant Management									
Manage Entitlement Grantees	Number of Entitlement Grantees Managed	322	1,016	229.70	76.3	322	1,016	229.70	76.3
Evaluate Entitlement Grantees	Number of CAPERS Evaluated		1,016	181.67	88.4		1,016	181.67	88.4
Monitor Entitlement Grantees	Number of Monitoring Letters Sent		350	283.37	47.5		350	283.37	47.5
Subtotal					**212.2**				**212.2**
CPD Field Competitive Grants									
Manage Competitive Grant Recipients (CGRs)	Number of CGRs Managed		4,400	29.04	61.2		4,400	29.04	61.2

WorkLoad Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Perform On-site Monitoring of CGRs	Number of Monitoring Letters Sent		350	69.20	11.6		350	69.20	11.6
Subtotal					**72.8**				**72.8**
CPD Field McKinney Act Grants									
Manage McKinney Competition	Number of Grants Approved		6,600	30.24	95.6		6,600	30.24	95.6
Subtotal					**95.6**				**95.6**
General CPD Field Program Management									
Conduct interaction with CPD Headquarters and the Public	NA		...	...	42.0		...	...	42.0
Perform HUD Operational and Management Improvement Projects	NA		...	...	19.5		...	...	19.5
Perform Specialized Program Advisors Activities	NA		...	...	3.3		...	...	3.3
Provide Direct Program Administrative Support, Program Supervision and Manage Terminated Programs	NA		...	...	57.9		...	...	57.9
Subtotal					**122.7**				**122.7**
Field Environmental Support									
Manage HUD's Environmental Program in the Field	NA		...	...	15.6		...	...	15.6
Subtotal					**15.6**				**15.6**
Field Economic Development Assistance									
Manage CPD Economic Development Assistance Activities in the Field	NA		...	...	15.9		...	...	15.9
Subtotal					**15.9**				**15.9**
Field Relocation Assistance									
Manage HUD's Relocation Assistance Activities in the Field	NA		...	...	3.0		...	...	3.0
Subtotal					**3.0**				**3.0**

Detail of Community Planning and Development Staff Requirements

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarter Employment			
Immediate Office,AS CPD and CPD DASs	5.0	5.0	0.0
Grant Programs			
Community Development Block Grant	31.0	31.0	0.0
Affordable Housing	14.0	14.0	0.0
Subtotal	**45.0**	**45.0**	**0.0**
Special Needs Programs			
Special Needs Assistance Programs (SNAPS)	22.0	22.0	0.0
HIV/AIDS Housing (HOPWA)	8.0	8.0	0.0
Subtotal	**30.0**	**30.0**	**0.0**
Office of Environment and Energy	16.0	16.0	0.0
Economic Development	33.0	33.0	0.0
Community Empowerment	9.0	9.0	0.0
CPD Operations and Technical Assistance	52.0	52.0	0.0
CPD Field Management	11.0	11.0	0.0
CPD Comptroller Services	1.0	1.0	0.0
HUDVET	1.0	1.0	0.0
Total	**203.0**	**203.0**	**0.0**
Field Employment			
CPD Field Consolidated Plan Activities	64.2	64.2	0.0
CPD Field Entitlement Grant Management	212.2	212.2	0.0
CPD Field Competitive Grants	72.8	72.8	0.0
CPD Field McKinney Act Grants	95.6	95.6	0.0
General CPD Field Program Management	122.7	122.7	0.0
Field Environmental Support	15.6	15.6	0.0
Field Economic Development Assistance	15.9	15.9	0.0
Field Relocation Assistance	3.0	3.0	0.0
Total	**602.0**	**602.0**	0.0

Detail of Community Planning and Development Staff Requirements

	FTE			
	Actual 2001	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	233.0	203.0	203.0	0.0
Field	551.0	602.0	602.0	0.0
Total	**784.0**	**805.0**	**805.0**	0.0

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Community Planning and Development

HEADQUARTERS EMPLOYMENT

EXPLANATION OF CHANGES FOR THE 2002 ENACTED AND 2003 BUDGET ESTIMATE

CPD's enacted FTE level for fiscal year 2002 and requested level for fiscal year 2003 is 805.

CPD estimated its requirements at 954 FTE from the suggested REAP study level of 806 in fiscal year 2001. CPD feels this level take into account work that should be done to adequately manage its grant and loan guarantee portfolios. The fiscal year 2002 enacted and the fiscal year 2003 request level is 805 FTE. The impact of lowering the FTE to 805 falls into the following broad categories:

- **Work Not Getting Done.** Program managers indicate that some important work is either not getting done or not getting done in a timely manner. Staff shortages in Headquarters and the Field lead to addressing only the latest crisis, and not keeping up-to-date on regular work that requires attention. An example is that important policy development and analysis in our program offices gets delayed as staff respond to "on-demand" work.

- **Growing Workload.** Each year, CPD executes thousands of new formula and competitive grants agreements. CPD's grant inventory will increase by several hundred next year as a result of the homeless assistance, Empowerment Zones, Renewal Communities, Youthbuild, HOPWA, Brownfields and other competitions that are now in process. The number of grants for which CPD Field Offices are responsible continues to rise. The terms of most of these grants run up to 10 years, and staff must provide ongoing monitoring and oversight to ensure that grantees are using the grant funds appropriately. Monitoring can only be useful and constructive if it is done regularly and completely. Sufficient staff is required to perform site visits, provide technical assistance and manage technical assistance contracts, approve activities, prepare appropriate documentation, etc. CPD has made significant progress over the last few years in addressing Inspector General and General Accounting Office findings that additional and more in-depth monitoring is needed of the thousands of active grants in our portfolio. CPD wants to continue improving in this area to ensure that all CPD funds are being used to serve our programmatic mission.

The following indicators have decreases from the requested fiscal years 2002 and 2003 levels to the fiscal year 2002 enacted level and the current fiscal year 2003 request level:

Community Development Block Grant

- *Manage Block Grant Entitlement Program* - Reduction in FTE will affect CPD's ability to adequately monitor the existing and increasing numbers of Entitlement grantees for CPD's largest program. Monitoring guidance, program management instructions, internet assistance, training courses, and IDIS and DGMS program guidance may not be addressed thoroughly, due to lack of staff. **(-2 FTE)**

- *Manage Block Grant State and Small Cities Activities* - Technical guidance, administration and oversight are not adequately being achieved for CPD's third largest program at $1.3 billion. **(-3 FTE)**

Affordable Housing

- *Develop and Implement Affordable Housing Policy* - Without additional staff, CPD may not adequately provide the necessary policy direction and guidance for the Department's second largest formula grant program to the current and the new grantees that come on board each year. **(-2 FTE)**

- *Oversee Affordable Housing Program* - Without additional staff, CPD may not adequately provide the necessary oversight and guidance to the current and the new grantees that come on board each year. **(-8 FTE)**

- *Relocation and Acquisition Activities* - In the past, there were 7 HQ staff and a relocation representative in each of the 42 field offices. The Department's vulnerability to administer and enforce Uniform Relocation Act responsibilities across the Department's programs is compromised. **(-4 FTE)**

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Community Planning and Development

Special Needs Assistance Programs (SNAP)

- *Perform SNAPS Intake/Evaluation* - Additional FTE is still needed for the Military Base Reuse and Closure function, and to address additional McKinney-Vento packages to be reviewed in fiscal year 2002 and FY 2003. **(-12.1 FTE)**

- *Provide SNAP Grant Administration (includes Title V)* - Number of formula grants processed is expected to increase with additional funding over $1.1 billion in fiscal years 2002 and 2003, and CPD will lack staff to adequately administer this program. **(-5 FTE)**

- *Provide SNAP Policy, Program Management and Advocacy* - More staff is still needed to provide policy and guidance for one of the largest competitive award programs in HUD. **(-5 FTE)**

- *Emergency Food & Shelter Program* - Additional FTE in fiscal year 2003 is needed to cover the Emergency Food & Shelter Program, which is being transferred over from FEMA to HUD's Homeless Program. **(-2 FTE)**

HIV/AIDS Housing (HOPWA)

- *Process HOPWA Grants* - More staff is needed to process the increased number of HOPWA grants as a result of the increased funding in fiscal years 2002 and 2003. **(-4.1 FTE)**

- *Provide HOPWA Grants Management and Special Initiatives* - A decrease in FTE will compromise HOPWA's ability to administer and monitor its program. **(-2 FTE)**

Office of Environment and Energy

- *Manage HUD Environmental Program* - Statutory and regulatory environmental mandates will not be met. **(-7 FTE)**

- *Manage HUD Energy Program* - Statutory and regulatory environmental mandates will not be met. **(-8 FTE)**

Economic Development

- *Manage Rural Housing and Economic Development Activities* - Requirements will not be met without adequate staffing. **(-2 FTE for FY2003)**

- *Colonias Gateway Initiative* - Requirements will not be met without adequate staffing. **(-3 FTE for FY2002 & -5 FTE FY2003)**

- *Develop and Implement Policy for Section 108* - Policy issues will not be adequately addressed. **(-6 FTE)**

- *Arrange Financing of Guaranteed Loans for Section 108* - More staff are needed to thoroughly review applications in FY 2002 and FY 2003. **(-2.1 FTE)**

- *Perform Other Loan Related Work for Section 108* - The portfolio worth over $609 million in commitments, may not be adequately administered and monitored because of the staffing shortage. **(- 5 FTE)**

- *Manage Special Purpose Grants* - CPD will not be able to adequately manage and monitor the increasing number of grants in fiscal years 2002 and 2003 due to lack of staff. **(-2 FTE)**

Community Empowerment

- *Manage EZ/EC Initiatives* - The workload indicator will increase in fiscal year 2002 due to a $45 million increase, but staff will be unable to adequately manage increased activities. Current staff is unable to address legislative mandates placed on the Department by the IG audit from 1999 regarding lack of program compliance and performance monitoring. **(-12.5 FTE)**

CPD Operations and Technical Assistance

- *Provide CPD Administrative Services Support* - Additional staff is needed to carry out these responsibilities. (-0.3 FTE)
- *Provide CPD Correspondence Control* - Additional staff is needed to carry out these responsibilities. (-1 FTE)
- *Provide CPD Human Resources and Training Support* - Additional staff to this office is still needed to adequately address CPD's human resource and training needs. (-3 FTE)
- *Manage Technical Assistance Contracts and National Agreements* - The existing and growing number of cooperative agreements and contracts will not be adequately managed in fiscal years 2002 and 2003 due to staffing shortages. (-0.8 FTE)

FIELD EMPLOYMENT

EXPLANATION OF CHANGES FOR THE 2002 ENACTED and 2003 BUDGET ESTIMATE

The enacted level for fiscal year 2002 is 602, a decrease from CPD's request of 650 FTE.

CPD lacks sufficient staff in the Field Offices to carry out critical functions such as grantee oversight, providing technical assistance and monitoring despite increasing workload as the portfolio of grants continue to grow. (-48 FTE)

CPD Field Consolidated Plan Activities

- *Review Consolidated Plans* - The number of plans reviewed will not be thoroughly addressed due to staffing shortages. (-12.4 FTE)

CPD Field Entitlement Grant Management

- Manage Entitlement Grantees - The number of Entitlement grantees evaluated will not be thoroughly addressed due to staffing shortages. (-35.5 FTE)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING CERTIFICATE FUND
(INCLUDING CONTRACT RENEWALS)

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Obligations				
Total new Obligations	$15,669,164 a/	$16,767,908	$17,526,559	$758,651
New Budget Authority				
Appropriation/Request	$13,940,907	$15,640,975	$17,526,559	$1,885,584
Across the Board Rescission	($30,670)	...	...	...
Subtotal	$13,910,237	$15,640,975	$17,526,559	$1,885,584
Advanced Appropriations				
Advance Appropriation (Available October 1, 2000)	$4,200,000	...	...	...
Advance Appropriation (Available October 1, 2001)	($4,200,000)	$4,200,000	...	($4,200,000)
Advance Appropriation (Available October 1, 2002)	...	($4,200,000)	$4,200,000	$8,400,000
Advance Appropriation (Available October 1, 2003)	...	...	($4,200,000)	($4,200,000)
Subtotal	...	...	...	...
Enacted Rescission				
Rescission	($1,825,985)	($1,200,000)	($1,100,000)	$100,000
Supplemental Rescission	($114,300)	...	...	...
Subtotal	($1,940,285)	($1,200,000)	($1,100,000)	$100,000
Net Budget Authority	$11,969,952	$14,440,975	$16,426,559	$1,985,584
Carryover/Recaptures				
Carryover	$2,896,364 b/	$1,035,586	...	($1,035,586)
Use of Project Reserves	...	$640,000	...	($640,000)
Recaptures	$2,478,434 c/	$651,347 d/	$1,100,000 d/	$448,653
Subtotal	$5,374,798	$2,326,933	$1,100,000	($1,226,933)
Total Resources Available	$17,344,750	$16,767,908	$17,526,559	$758,651
New Incremental/Tenant Protection Units	127,685	56,200	77,300	21,100
Renewals (Units)	2,616,517	2,744,557	2,898,255	153,698
Outlays	$16,720,078	$17,771,483	$18,338,555	$567,072

a/ Includes $27 million in obligations to reconcile HUD's General Ledger balance with Treasury.
b/ Excludes $49.5 million in source year 74 contract authority pursuant to P.L. 106-377; and $2.7 million in expired balances. Includes $392,968 in collections.
c/ Excludes $99.3 million in source year 74 contract authority pursuant to P.L. 106-377; and $5.3 million in expired balances.
d/ Estimated recaptures.

Housing Certificate Fund

SUMMARY OF BUDGET ESTIMATES

A total of $17.5 billion is expected to be available for the Housing Certificate Fund in fiscal year 2003. This includes $13.3 billion in new budget authority, and $4.2 billion in advance appropriation from fiscal year 2002.

The Department is requesting $16.86 billion for the renewal of expiring Section 8 contracts including $52 million for Family Self-Sufficiency Coordinators. In addition, the Department is requesting $196 million for Contract Administrators, $260 million for tenant protection activities to support approximately 43,300 units, and $3 million to be available for the Working Capital Fund for development of and modifications to information technology systems which serve or are related to those programs or activities under this account. Further, the Department is requesting $204 million for incremental vouchers to encourage or facilitate the transition of families to self-sufficiency, rental assistance to the homeless, downpayment assistance, individuals and families affected by the Olmstead decision, non-elderly disabled, and homeless veterans, as well as on a fair share basis to Public Housing Agencies (PHAs) that have no less than a 97 percent utilization rate. Section 8 Amendments require no new appropriations in fiscal year 2003 and will be funded through carryover and recaptures from the expiring contracts. Tenant-based assistance funding for HOPE VI will be provided under the HOPE VI account. However, the renewals of these contracts will be under this account.

EXPLANATION OF INCREASES AND DECREASES

The net increase of $1.99 billion in budget authority above the fiscal year 2002 enacted level is due to several factors. For contract renewals, $16.86 billion is requested in new budget authority to support 2,898,255 units, which is an increase of $1.78 billion to renew existing contracts. In addition, the Department is requesting $204.2 million to support 34,000 incremental units, including up to 5,949 new units for non-elderly disabled, and up to 1,000 incremental units in connection with the Olmstead decision. This is 16,000 more units and an increase of $60 million in budget authority. Further, the Department is requesting $260 million for tenant protection activities, which is 13,000 more units and $57 million more in budget authority. In addition, $3 million is requested for the Working Capital Fund, which is a decrease of $10 million. Finally, the Department is proposing a rescission of $1.1 billion from prior year unobligated balances which is a $100 million increase in budgetary resources above fiscal year 2002 levels.

PROGRAM DESCRIPTION AND ACTIVITY

1. Contract Renewals. Contract renewals provide funding to renew expiring Section 8 rental assistance contracts covering certificates, vouchers, moderate rehabilitation, Loan Management, New Construction/Substantial Rehabilitation, Property Disposition, and Preservation. In fiscal year 2003, $16.86 billion in new budget authority is requested to renew expiring contracts for an estimated 2,898,255 units. Further, included in the renewal total is $52 million for Family Self-Sufficiency Coordinators. All contracts are proposed for a renewal term of 1 year.

The Department has changed the way in which it administers the project-based Section 8 contracts from HAP contracts directly between project owners and HUD to ACC contracts, or contracts between HUD and a third party administrator. This adopts the administrative model used for tenant-based Section 8 program. Currently, State and local Housing Finance Agencies constitute majority of the project-based contract administrators.

2. Section 8 Amendments. The need for Section 8 amendment funds results from insufficient funding being provided for long-term project-based contracts funded primarily in the 1970's and 1980's. During those years, the Department provided contracts that were for terms of up to 40 years. Estimating funding needs over such a long period of time proved to be problematic; and as a result, many of these Section 8 contracts were inadequately funded. The current practice of providing contracts for a 1-year term helps to ensure that the problem of inadequately funded contracts is not repeated. However, older long-term contracts must still be provided additional funds to maintain the current inventory of assisted project-based rental housing. In fiscal year 2003, carryover and recaptures from prior year balances will be used to fund Section 8 amendment needs.

3. Incremental Rental Assistance. One of the Department's major strategic goals is to increase the availability of decent, safe, and affordable housing. For fiscal year 2003, the Department is requesting $204.2 million in budget authority under the Housing Certificate Fund to support a total of approximately 34,000 incremental vouchers that will be provided to individuals and families transitioning out of public assistance, rental assistance to the homeless, downpayment assistance, additional non-elderly disabled, homeless veterans and those affected by the Olmstead decision, as well as on a fair share basis to PHAs that have no less than a 97 percent utilization rate.

HUD has taken several steps to maximize the utilization of previously appropriated funds such as: merging the certificate and voucher program into a single tenant-based assistance program; increasing PHA flexibility to adjust the voucher program payment standard to reflect local housing markets; implementing Section 8 Management Assesment Program (SEMAP) to measure PHA performance; restricting the allocation of new funds to PHAs that have achieved at least a 97 percent lease-up rate; and sanctioning PHAs that do not achieve a high utilization rate.

Of the total amount requested under Incremental Rental Assistance, the Department has requested up to $40 million to relocate non-elderly disabled families living in Public Housing projects that have been declared for elderly only and up to $6 million to support 1,000 units in connection with the Olmstead decision. These units are being requested in order to provide a national coordinated response to the Supreme Court's decision in Olmstead v. L.C. (527 U.S. 581 (1999)). That decision was the result of a lawsuit brought by two mentally disabled women who sought placement in the community rather than being institutionalized at the hospital psychiatric unit. The decision concluded that under the Americans with Disabilities Act of 1990 (ADA), states are required to provide services to persons with disabilities in community settings rather than institutions when professionals determine that community placement is appropriate. These units are being requested as part of a national initiative that will assist persons with disabilities to transition from nursing homes into the community by providing improved access to affordable housing and necessary personal assistance and supportive services. The initiative will use HUD Section 8 housing vouchers (the 1,000 being requested), HHS Nursing Home Transition Grants, Medicaid Funds and other resources to better help persons with disabilities make the transition from nursing homes to community living.

4. Contract Administrators. The Administration has taken steps to improve the oversight of HUD's project-based program. The Department currently administers approximately 20,000 Section 8 Housing Assistance Payments (HAP) contracts executed between HUD and private owners of multifamily housing developments. These developments are financed by HUD-insured, HUD-held or direct loans. Many of the duties that used to be performed by HUD staff are now be performed by Contract Administrators. These include conducting annual physical inspections, reviewing project financial statements, conducting management and occupancy reviews, reviewing management agents, reviewing insurance draws and releases from replacement reserves, reviewing owner verification of tenant income and eligibility, and pre-validating monthly subsidy payments.

5. Family Self-Sufficiency (FSS) Coordinators. The Family Self-Sufficiency program was established by the National Affordable Housing Act (NAHA) in 1990. In support of the program, Congress mandated that any housing agency that received new funding for rental vouchers and/or certificates between fiscal year 1993 and October 21, 1998 would be required to establish a self-sufficiency program equal to the number of rental vouchers or certificates received.

Since fiscal year 1993, Congress has appropriated funds to support approximately one service coordinator in each eligible PHA. The PHAs that received funding for FSS program coordinators were agencies that administered fewer than 1,500 rental vouchers and certificates. Starting in fiscal year 1999, the program was expanded to all PHAs. Current funding supports 1,084 FSS coordinators for a 1-year period.

The Department is committed to administering the FSS program for families receiving assistance under the rental assistance program and is including $52 million in the contract renewal budget authority to hire or continue to employ FSS coordinators. Under the FSS program, families receive job training and employment that should lead to a decrease in their dependency on welfare programs and move towards economic self-sufficiency.

6. Tenant-Protection Set-Asides. The Housing Certificate Fund serves a dual role in both replacing units of housing assistance that are lost from the assisted housing inventory as a result of changes in the status of privately owned assisted housing projects and protecting the families who live in those projects. The Department has requested appropriations language that permits both uses in the Housing Certificate Fund. Housing authorities will be allocated vouchers sufficient to assist all eligible families who are affected by HUD's management of the multifamily inventory or by owner choices to leave assisted and subsidized housing programs and to replace all lost project-based Section 8 units with tenant-based assistance. The $260 million requested for fiscal year 2003 for Tenant-Protection will be used to provide funding for an estimated 43,300 Property Disposition, Opt-Out/Termination, Mark-to-Market protection requirements, replacement/relocation vouchers for Section 202 Mandatory Conversion, and Section 33 of the U.S. Housing Act of 1937, as amended. A portion of the funds will also be used for the Family Unification Program, witness relocation and for conversion of Section 23 projects to Section 8 assistance.

It is anticipated that under the Department's Mark-to-Market initiative, approximately 152,493 units will be restructured by the end of fiscal year 2003. In many cases, this involves writing-off a portion of the multifamily project's mortgage debt so that its rental charges (and HUD's subsidy) can be brought into line with comparable rents for other projects in the same geographic area. The amount requested for Contract Renewals has been adjusted to reflect this impact.

In contrast, there are many multifamily projects whose rents are far below area market rents for comparable multifamily projects. This is resulting in owners opting-out of the programs, causing a loss of affordable rental units available to low-income families. The Department has taken two steps in rectifying this situation. First, funding is included in the tenant protection request to provide vouchers for tenants living in projects whose owners decide to leave the program and for replacement of units lost from the assisted housing inventory; and second, the Department will continue its efforts to retain low-income projects through its Marking-up-to-Market Initiative, which allow the project owner to increase rental charge up to the level of comparable multifamily projects in the area. Again, the funding requested for Contract Renewals has been adjusted to reflect the impact of this Initiative.

Program Reforms

1. Verifying that the right person receives the right benefit. HUD research has determined that there is a significant error rate in subsidy calculation. In conjunction with OMB, HUD has established a goal of a 50 percent reduction in the frequency of subsidy calculation and processing errors by 2005.

Since the sources and cause of subsidy payment errors are many and often interrelated, a comprehensive corrective action plan is needed. HUD's prior corrective action focus has been on developing and implementing a large scale computer matching program with IRS and SSA data bases to better address the unreported tenant income issue. While this and other improvement initiatives are ongoing, multi-organizational HUD Working Group has been tasked with developing viable options for a more comprehensive corrective action plan to be considered by the new administration. The Working Group is considering options for: (1) program simplification; (2) structured forms, training, and automated tools needed to determine rent correctly; (3) tenant education; (4) increased use of automated tenant income data sources at the local and national level; (5) improved targeting of on-site management and occupancy reviews based on risk indicators; (6) intermediary performance incentives and sanctions; (7) improved automated billing verifications; and (8) an on-going quality control program.

In addition, the Budget includes continuation of the following reforms in fiscal year 2003:

2. Increase the Payment Standard from 40th to 50th Percentile of Fair Market Rent. In most areas, PHAs can run a successful voucher program with the normal 90 to 110 percent of the current published 40th percentile FMR. However, in some cases, even the maximum 110 percent of the FMR is too low to enable families to find suitable housing with a voucher. This reform implements a new Fair Market Rent (FMR) Policy. The new policy authorizes PHAs to use voucher payment standards based on a 50th percentile rent (rather than the published 40th percentile FMR) where fewer than three-fourths of the families issued vouchers succeed in using them to find and lease housing. PHAs that qualify for the higher payment standard will still retain the flexibility to vary their payment standard by area and unit size.

3. Earned Income Disregard. The Department will continue with the policy of Earned Income Disregard that lets PHAs disregard earned income of a tenant with disabilities (only) for 12 months after new employment, disregard half for another 12 months and to phase in rent increases after that. In other words, when a family member who was unemployed gets a job, a family's rent could not be increased for 1 year and the rent increases in the second year would be limited. The tenant has the option to retain the additional earned income, or have the PHA put the funds into a saving account to be used for home purchase or education.

STRATEGIC GOALS AND OBJECTIVES ($ AND FTE) AND RESULTS

The numerous Departmental programs that are funded through the Housing Certificate Fund are essential to achieve HUD's Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents. Through the Housing Certificate Fund, the Department addresses worst-case housing needs as well as homeownership through the utilization of Housing Choice vouchers. The Family Self Sufficiency coordinators help public housing residents develop assets and tap into the vast network of resources designed to help them and assist the transition from public housing to self sufficiency, and even homeownership. These activities help HUD achieve Strategic Objective 3.1; help families in public and assisted housing make progress toward self-sufficiency and become homeowners. The Department is also making strides in the continuing effort to maximize existing resources. To that end the Department and the Housing Certificate Fund are placing additional emphasis on ensuring that improper payments in HUD's rental housing assistance programs are reduced and that income verification by PHAs increase. In addition, by only allocating new vouchers to PHAs that have utilization rates of at least 97 percent HUD maximizes the effectiveness of the voucher program. These two actions within the Housing Certificate Fund further Strategic Objective 3.2; improve the management accountability public and assisted housing. By addressing worst case housing needs, the Housing Certificate Fund assists in meeting Goal 2: Help families share in the American dream and become stakeholders in their communities by making the move from renting to homeownership. The program also devotes resources toward Goal 6, Embrace high standards of ethics, management and accountability, through the continuing efforts to ensure the timely expenditure of Federal resources in the housing choice voucher component of the Housing Certificate Fund. Additionally, the resources of the program assist the Department in meeting the objectives of Goal 7, ensure equal opportunity and access to housing. Other HUD programs funded through the Housing Certificate Fund, but not listed above, aid in the achievement of these goals in a similar fashion as those itemized above.

Housing Certificate Fund

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$736,551	$785,018	$909,341
FTE			
Headquarters	13	14	14
Field	8	8	8
Subtotal	21	22	22
Strategic Objective 2.3: Increase the availability of affordable rental housing.			
The number of households with worst case housing needs decreases by 3 percent between 2001 and 2003 among families with children, the elderly, and persons with disabilities.	As Listed: 1,739,000; 997,000; NA anticipated	NA	As Listed: 1,687,000; 967,000; 1,213,000
Among extremely low-income renters, the ratio of assisted households to households with worst case needs or already assisted.	45.2% anticipated	NA	NA
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	$12,649,720	$14,210,342	$15,910,354
FTE			
Headquarters	217	244	244
Field	373	381	381
Subtotal	590	625	625
Strategic Objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.			
Indicator: The number of households who have used Housing Choice vouchers to become homeowners increases by 20 percent.	NA	Baseline To Be Determined	Baseline plus 20 percent
Indicator: Among extremely low-income renters, the ratio of assisted households to households with worst case needs or already assisted.	45.2% anticipated	NA	NA
Indicator: Among non-elderly, non-disabled public housing households with dependents, the share that derive more than 50 percent of their income from work increases by 1 percentage point.	49%	50%	51%
Indicator: Average earnings increase by 5 percent from year to year among non-elderly, non-disabled households in public housing, Housing Choice Voucher, and project-based Section 8 programs.	NA	Baseline to be Determined	Baseline plus 5 percent

Strategic Objective 3.2: Improve the management accountability for public and assisted housing.			
Indicator: The high incidents of program errors and improper payments in HUD'S rental housing assistance programs will be reduced.	60% (estimated)	NA	51%
Indicator: The share of Housing Choice Vouchers units managed by housing agencies that score highly for income verification increases.	NA	Baseline To Be Determined	Goal To Be Determined
Indicator: The utilization of Housing Choice Vouchers increases by 1 percentage point from the fiscal year 2002 level to 95 percent.	Not Available	94%	95%
Indicator: The share of the Housing Choice Voucher program administered by housing agencies with substandard lease-up rates decreases by 10 percent	39.9% anticipated	35.9%	32.3%
Indicator: The household-weighted average SEMAP score increases.	Not Available	Baseline To Be Determined	Goal To Be Determined
Indicator: Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 2.5 percentage points.	29.2%	24.2%	21.7%
The share of Housing Choice Voucher units managed by troubled housing agencies decreases by 5 percentage points.	25.1%	20.1%	15.1%
Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.			
Indicator: The share of public housing and assisted multifamily units meeting HUD physical standards increases 1.5 percentage points.	Public Housing: 88.2% Multifamily: 92.5%	Public Housing: 91.2% Multifamily: 95.5%	Public Housing: 92.7% Multifamily: 97%
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$494,209	$596,146	$656,120
FTE			
Headquarters	13	15	15
Field	15	16	16
Subtotal	28	31	31
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			
Indicator: Support timely expenditure of Federal resources by allocating 100 percent of incremental Housing Choice voucher funds within four months of appropriation.	NA	NA	4 Months

Housing Certificate Fund

Strategic Goal 7: Ensure equal opportunity and access to housing.			
Discretionary BA (Dollars in Thousands)	$29,757	$49,469	$50,743
FTE			
Headquarters	3	4	4
Field	0	0	0
Subtotal	3	4	4
Strategic Objective 7.3: Improve housing options for the elderly.			
Indicator: Service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments and neighborhoods.	Baseline to be Determined	Increase over Baseline	Increase over FY 2002
FTE Total	642	682	682

NA = Not Applicable

The attached tables provide detailed description of the Housing Certificate Fund. A separate table is provided for Contract Renewals:

	Units	Per Unit Cost	Term	New Budget Authority	
FY 2001:					
Enacted	NA	NA	NA	13,940,807,000	
Advance Appropriation (Available Oct. 1, 2001)	NA	NA	NA	4,200,000,000	
Advance Appropriation (Available Oct. 1, 2002)	NA	NA	NA	(4,200,000,000)	
Rescission	NA	NA	NA	(1,970,954,731)	
Subtotal Net Budget Authority	**NA**	**NA**	**NA**	**11,969,952,269**	
Carryover/Recaptures	NA	NA	NA	5,374,797,904	a/
Total Resources Available	**NA**	**NA**	**NA**	**17,344,750,173**	
Actual Obligations as of 9/30/01					
Incremental Rental Assistance	78,755	NA	1	451,874,426	
Welfare to Work Vouchers	NA	NA	1	1,145,868	
Non-Elderly Disabled	6,965	NA	1	55,977,104	
Tenant Protections	41,965	NA	1	255,145,930	
Section 8 Replacement/Relocation/Demo	NA	NA	1	1,874,354	
Section 8 Amendments	NA	NA	1	279,135,233	
Preservation Prepayment Enhanced Vouchers	NA	NA	1	28,409	
Section 514 Technical Assistance	NA	NA	1	7,737,628	
Section 8 Counseling	NA	NA	1	8,516,000	
Jobs Plus Demonstration	NA	NA	1	1,366,702	
Working Capital Fund	NA	NA	1	10,975,800	
Other	NA	NA	NA	27,708,018	b/
Contract Administrators	NA	NA	NA	146,497,058	
Lead Based Paint	NA	NA	NA	1,820,118	
Contract Renewals					
PIH	1,853,008	NA	NA	10,524,802,279	
CPD-Mod. Rehab. SRO	1,702	NA	NA	4,237,416	
Housing	761,807	NA	NA	3,890,322,150	
Subtotal, Contract Renewals	2,616,517			14,419,361,845	
Total, FY 2001 Obligations	2,744,202			**15,669,164,493**	
Total Housing Certificate Fund Unobligated Funds:				**1,675,585,680**	

a/ Excludes $149 million for source year 74 contract authority pursuant to P.L. 106-377; and $8 million in Disaster Fund balances that have expired.

b/ Includes $27 million in obligations to reconcile HUD's General Ledger balance with Treasury.

Housing Certificate Fund (Including Contract Renewals)

The attached tables provide a detailed description of the Housing Certificate Fund and a separate table is provided for Contract Renewals.

	Units	Per Unit Cost	Term	New Budget Authority	Carryover	Program Level
FY 2002:						
Incremental Rental Assistance	18,000	5,853	1	103,979,000	200,275	104,179,275
Welfare to Work	NA	NA	1	...	257,655	257,655
Non-Elderly-Disabled	7,900	5,149	1	40,000,000	...	40,000,000
Tenant Protection	30,300	NA	NA	202,842,000	70,824,048	273,666,048
Regional Opportunity Counseling	NA	NA	1	...	10,000,000	10,000,000
Section 8 Amendments	NA	NA	NA	...	76,814,961 a/	76,814,961 a/
Preservation Prepayment Enhanced Vouchers	NA	NA	NA	...	306,630	306,630
Section 8 Preservation Amendments	NA	NA	NA	...	1,762,428	1,762,428
Section 8 Preservation Vouchers	NA	NA	NA	...	92,587	92,587
Section 8 Counseling	NA	NA	1	...	3,256,698	3,256,698
Jobs Plus	NA	NA	1	...	5,617,898	5,617,898
Working Capital Fund	NA	NA	1	13,400,000	...	13,400,000
Other	NA	NA	1	...	2,023,638	2,023,638
Contract Administrators	NA	NA	1	195,601,000	45,080,542	240,681,542
Section 514 Technical Assistance	NA	NA	NA	[9,800,000] b/	...	[9,800,000]
HOME (City of New Rochelle)	NA	NA	1	...	4,692,556	4,692,556
Contract Renewals						
PIH	1,952,920	NA	1	10,867,727,155	64,124,418	10,931,851,573
CPD-Mod. Rehab. SRO	2,818	NA	1	10,324,233	7,195,741	17,519,974
Housing	789,021	NA	1	4,207,101,612	184,982,925	4,392,084,537
Use of Project Reserves	NA	NA	NA	[640,000,000]	640,000,000	640,000,000
Subtotal, Contract Renewals	2,744,557			15,085,153,000	896,303,084	15,981,456,084
Subtotal, FY 2002 Housing Cert. Fund	2,800,757			15,640,975,000	1,117,133,000	16,758,108,000
FY 2002 Rescission	NA	NA	NA	(1,200,000,000)	...	(1,200,000,000)
FY 2001 Recaptures	NA	NA	NA	...	558,452,680	558,452,680
Subtotal	NA	NA	NA	14,440,975,000	1,675,585,680	16,116,560,680
Anticipated Recaptures	NA	NA	NA	...	851,347,320 b/	851,347,320
Total, FY 2002 Housing Cert. Fund	2,800,757			14,440,975,000	2,326,933,000	16,767,908,000

NA = Not Applicable

a/ Recaptures may be utilized to meet additional amendment needs.

b/ Contract Renewal/Recapture funds will be utilized for Section 514 technical assistance, pursuant to P.L. 107-117.

Housing Certificate Fund (Including Contract Renewals)

	Units	Per Unit Cost	Term	Budget Authority
Fiscal Year 2003:				
Incremental Rental Assistance	34,000	6,005	1	204,170,000
Tenant Protections--Housing	30,300	6,005	1	181,951,500
Tenant Protections--PIH	13,000	6,005	1	78,065,000
Non-Elderly Disabled	[5,949]	NA	1	[40,000,000]
Olmstead Tenant Protectons	[1,000]	NA	1	[6,000,000]
Contract Administrators	NA	NA	NA	196,000,000
Working Capital Fund	NA	NA	NA	3,000,000
Contract Renewals				
PIH	2,077,336	6,005	1	12,526,402,680
CPD-Mod. Rehab. SRO	3,645	NA	1	16,808,126
Housing	817,274	NA	1	4,320,162,044
Subtotal, Contract Renewals	2,898,255			16,863,372,850
Subtotal, FY 2003 Housing Cert. Fund	2,975,555			17,526,559,350
Rescission	NA	NA	NA	(1,100,000,000)
Total, FY 2003 Housing Cert. Fund	2,975,555			16,426,559,350

CONTRACT RENEWAL ESTIMATES - FISCAL YEAR 2003
(POLICY)

	UNITS	AVERAGE COST	FUNDING REQUIREMENTS
Fiscal Year 2003			
Section 202/8 renewed at current rents	101,474	5,929	601,633,897
New Construction/Substantial Rehabilitation	360,951	5,282	1,906,484,705
Loan Management Set-Aside	331,879	4,674	1,551,257,310
Property Disposition	34,066	6,814	232,129,483
Preservation	49,504	6,582	325,843,449
Housing Tenant Protection	(60,600)	4,904	(297,186,800)
Subtotal Housing	817,274	5,286	4,320,162,044
Vouchers/Moderate Rehab	2,077,336	6,005	12,474,402,680
Moderate Rehabilitation SRO	3,645	4,611	16,808,126
Family Self-Sufficiency Coordinators	NA	NA	52,000,000
FISCAL YEAR 2003 TOTAL	2,898,255		16,863,372,850

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

PUBLIC HOUSING OPERATING FUND

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
HA-owned units under management, end-of-year	1,219,238	1,211,359	1,206,009	-5,350
Budget Authority				
(Appropriations):				
Enacted or Proposed	$3,242,000	$3,494,868	$3,530,000	+$35,132
Rescission	-$7,132	...	...	...
Unobligated balance from prior year	$55,318	$141,112	...	-$141,112
Recoveries/Adjustments	$2,626	...	...	...
Subtotal	$3,292,812	$3,635,980	$3,530,000	-$105,980
Obligations	$3,151,700	$3,635,980	$3,530,000	-$105,980
Budget Outlays	$3,136,980	$3,385,059	$3,458,654	+$73,595

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget proposes an appropriation of $3.530 billion for the Public Housing Operating Fund, which is an increase of $35 million over the 2002 enacted amount of $3.495 billion. The requested amount is expected to allow Public Housing Agencies (PHAs) to provide a reasonable level of maintenance, utilities, protective and other services to residents in fulfillment of their goal to provide decent, safe, and sanitary housing for lower-income families as required by the United States Housing Act of 1937. The type and level of services to be provided, including any anti-drug and anti-crime activities formerly associated with the Public Housing Drug Elimination Program, are a matter of local determination and priority.

The annual subsidy requirements were developed using a formula-based approach that takes into consideration size, location, age of public housing stock, occupancy, and other factors intended to reflect the costs of operating a well-managed public housing development. An interim formula was implemented in fiscal year 2001 following regulatory negotiations as required by the Quality Housing and Work Responsibility Act of 1998. The Department expects to complete action on a final rule in fiscal year 2003.

HUD is proposing that up to $130 million of the Budget request be used for the Public Housing Reinvestment and Financial Reform initiative, which proposes the conversion of public housing subsidies to project-based voucher assistance where such conversion will enable the financing of any necessary capital improvements at the properties covered by such assistance. This is a new promising initiative that the Department plans to use to address capital needs to be financed on a property-by-property basis as is done in the private sector.

The Budget request also includes $10 million to be used by the Attorney General to assist in the investigation, prosecution and prevention of violent housing, including Indian housing, which shall be administered by the Department of Justice through a reimbursable agreement with the Department.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 Budget request of $3.530 billion represents an increase in new appropriations of $35 million above the $3.495 billion enacted in fiscal year 2002. Outlays for fiscal year 2003 are projected to be $74 million higher than the fiscal year 2002 current estimate. The increase is due to the second year disbursement of obligations from fiscal year 2002, as well as the spend out of obligations from increased appropriations requested for fiscal year 2003.

Public Housing Operating Fund

The table below reflects the funding for the primary elements comprising the proposed fiscal year 2003 Budget request.

	ESTIMATE 2003 (Dollars in Millions)
Public Housing Operating Fund Base	$3,159 a/
Alternative Subsidy Projects	145
Non-dwelling Units	13
Family Self-Sufficiency	23
Unit Reconfigurations	16
Transition funding for demolitions	21
Disregard of Earned Income for Certain Unemployed	-6
MTW Block Grant, PHAs Not In Base	235
Funding for Resident Participation	31
AEL increases for PHAs 250-499 units	31
Debt Service Coverage	20
Less estimated savings from: Changes in Rental Income/Income Targeting	-168
Less estimated savings from: Reimbursement to Department of Justice	10
Total Current Year Requirements	$3,530
Enacted or Proposed	$3,530

a/ Up to $130 million may be used to support the new Public Housing Reinvestment and Financial Reform initiative describe in more detail in the Public Housing Capital Fund.

Specific factors affecting the fiscal year 2003 operating subsidy estimates are:

1. Economic Assumptions. The fiscal year 2003 estimates incorporate the most recent economic assumptions about inflation, and presume a 2.3 percent increase in non-utility costs, and a 4.8 percent increase in utility rates. Increases in tenant income are reflected separately under "Change in Rental Income/Income Targeting." The calculation of individual HA subsidy requirements includes the use of an inflation factor which is a weighted average percentage increase in local government wages and salaries for the area in which the HA is located and non-wage expenses.

2. Adjustments to Operating Subsidy Requirements. The fiscal year 2003 estimate reflects adjustments in operating subsidy requirements for various HA income and expense factors based on existing procedures and regulations affecting tenant rent payments and HA operating costs. These adjustments reflect the following factors:

a. Alternative Subsidy Projects. Pursuant to the new Operating Fund rule, the interim formula has special provisions relating to housing owned by public housing agencies (PHAs) in the Virgin Islands, Puerto Rico, Guam, and Alaska due to the unique characteristics of these PHAs.

b. Non-Dwelling Units. The estimate reflects additional operating subsidies for the cost of funding units removed from the dwelling rental inventory for non-dwelling use to support resident economic self-sufficiency.

c. Family Self-Sufficiency (FSS). The estimate for Family Self-Sufficiency includes the salary/benefit cost associated with the public housing share of a full-time FSS coordinator for each HA with a HUD-approved FSS Action Plan. The estimated cost also includes the subsidy of one non-dwelling unit in each FSS HA for the provision of supportive services. The average salary for a full-time FSS coordinator per PHA is $63,000 for fiscal year 2003.

d. Unit Reconfigurations. The estimate for unit reconfigurations includes the costs resulting from Section 118 of the 1987 HCD Act requirement, which eliminates subsidy reductions due to unit reconfigurations (breakthroughs) where the same number of people can reside in the new larger unit formed by combining two or more smaller units.

e. Transition Funding for Demolitions. A provision of the Operating Fund provides a short transition period of funding for HAs that have received approval to demolish units, and have not received replacement Section 8 certificates or vouchers. The purpose of the provision is to encourage and support efforts by HAs to reduce overhead costs in a planned and orderly manner when the inventory of units is reduced by demolition.

f. Earned-Income Disregard. The Quality Housing and Work Responsibility Act of 1998 assists families in public housing to transition from welfare to work by prohibiting rent increases which arise from employment during the 12-month period beginning on the date the employment began if the earned income increase stems from a family member who: (1) was unemployed for at least 12 months; (2) is participating in a self-sufficiency program or job training program; or (3) received welfare payments in the past 6 months. The goal of the earned-income disregard is to enable the resident at the end of the transition period to have achieved a higher level of income. The higher income level will eventually result in the ability of a resident to make a greater rent contribution and, thus, decrease the subsidy needs.

g. Changes in Rental Income/Income Targeting. The Quality Housing and Work Responsibility Act of 1998 allows HAs to increase income diversity in public housing. This estimate also reflects the treatment of income expressed in the new formula in which a PHA that is successful in increasing its current dwelling rental income when compared to its 3-year average will only lose 50 percent of that increase for subsidy purposes.

h. Funding for Resident Participation. HAs are eligible to receive $25 per occupied unit on an annual basis for this function. These funds will be used to support existing as well as new initiatives associated with resident participation.

HA EXPENDITURE PATTERNS

Based on historical data, the table below represents an estimated pattern of HAs expenditures from revenue sources such as rental income, operating subsidy, investment, and other income for fiscal year 2003. Such expenditures may vary substantially for individual authorities.

Public Housing Authorities' Operating Expenditures
(In Millions of Dollars)

Category	Annual Expenditures	Percent of Total
Utilities	$1,465	22
Administration	1,798	27
General Operating Expenses	533	8
Maintenance	2,397	36
Tenant Services	133	2
Protective Services	200	3
Capital Expenditures	67	1
Operating Reserves	67	1
Total, Operating Expenses	$6,660	100

Utilities. Includes water, electricity, gas, fuel, and related labor expenses.

Administration. Includes administrative salaries, legal, expenses, staff training, travel, accounting fees, auditing fees, sundry, and outside management costs.

General Operating Expenses. Includes insurance, payments made to local governments in lieu of taxes, terminal leave payments, employees benefit contributions, collection losses, interest on administrative and sundry notes, and other general expenses.

Ordinary Maintenance and Operations. Consists of expenses for labor, materials, contracts and garbage fees associated with the day-to-day operation of the public housing authority.

Tenant Services/Resident Participation Activities. Covers salaries of PHA staff that provide tenant services, as well as recreation, publication, contract costs, training, and other expenses.

Protective Services. Includes expenses for labor, materials, and contract costs.

Capital Expenditures. Includes extraordinary maintenance, casualty losses and property betterments (e.g. roofs and furnaces).

Operating Reserves. Provides operating funds, and is a reserve for emergencies. PHAs can use the funds for any eligible budgeted expenses.

PROGRAM DESCRIPTION AND ACTIVITY

The Public Housing Operating Fund provides operating subsidy payments to approximately 3,050 PHAs with a total of over 1.2 million units under management. Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses of their owned dwellings in accordance with Section 9 of the United States Housing Act of 1937, as amended.

Public Housing Operating Fund

Public Housing Reinvestment and Financial Reform

The Budget proposes to allow housing authorities to use up to $120 million from the Public Housing Capital Fund and up to $130 million from the Public Housing Operating Fund for a new initiative that would facilitate the financing of capital improvements and encourage development-based financial management and accountability. Refer to the Public Housing Capital Fund budget justification for a more complete description of this initiative.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Public Housing Operating Fund is essential for achieving HUD Strategic Objectives as follows:

- Objective 2.3: Increase the availability of affordable rental housing.
- Objective 3.1: help families in public and assisted housing make progress toward self-sufficiency and expand homeownership opportunities for public housing residents;
- Objective 3.2: improve the management accountability for public and assisted housing residents;
- Objective 6.1: improve HUD's management and internal controls, including FHA's financial management and resolve audit issues.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full Annual Performance Plan document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE			
Headquarters	...	...	...
Field	...	...	...
Subtotal	...	...	...
Strategic Objective 2.3: Increase the availability of affordable rental housing.			
The number of households with worst case housing needs decreases by 3 percent between 2001 and 2003 among families with children, the elderly, and persons with disabilities.	As Listed: 1,739,000; 997,000; NA anticipated	NA	As Listed: 1,687,000; 967,000; 1,213,000
Among extremely low-income renters, the ratio of assisted households to households with worst case needs or already assisted.	45.2% anticipated	NA	NA
The share of units of low-rent public housing and Section 8 programs that are occupied by families with children, elderly, and persons with disabilities.	NA	NA	NA
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	$3,233,868	$3,493,868	$3,529,000
FTE			
Headquarters	93	130	130
Field	140	120	120

Public Housing Operating Fund

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Subtotal	233	250	250
Strategic Objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.			
Indicator: Among non-elderly, non-disabled public housing households with dependents, the share that derive more than 50 percent of their income from work increases by 1 percentage point.	49%	50%	51%
The number of public housing and Housing Choice Voucher households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases.	2,735	2,872	3,016
Strategic Objective 3.2: Improve the management accountability for public and assisted housing.			
Indicator: The high incidents of program errors and improper payments in HUD'S rental housing assistance programs will be reduced.	60% (estimated)	N/A	51%
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$1,000	$1,000	$1,000
FTE			
Headquarters	10	21	21
Field	50	39	39
Subtotal	60	60	60
Strategic Objective 6.1: Improve HUD's management and internal controls, including FHA's financial management and resolve audit issues.			
The national average PIH Information Center (PIC) on-time reporting rates for public housing and Housing Choice Voucher households will be 90 percent or better.			
FTE Total	293	310	310

NA = Not Applicable

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

PUBLIC HOUSING CAPITAL FUND

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Budget Authority				
Enacted or Proposed	$3,000,000	$2,843,400	$2,425,900	-$417,500
Leverage Funding Financing Initiative	[...]	[...]	[$417,500]	[+$417,500]
Total, Resources	[$3,000,000]	[$2,843,400]	[$2,843,400]	[...]
ROSS	[...]	[...]	[$55,000] a/	[+$55,000]
Rescission	-$6,600	...	...	...
Budget Authority Net	$2,993,400	$2,843,400	[$2,843,400]	[...]
Carryover				
Carryover/Recaptures	$1,535,563 b/	$696,190	...	-$696,190
Total	$4,528,963	$3,539,590	[$2,843,400]	-$696,190
Obligations				
Obligations	$3,759,493	$3,539,590	$2,425,900	-$1,113,690
Outlays				
Outlays (net)	$3,550,475	$3,655,921	$3,552,779	-$103,142

a/ Previously funded in Community Development Fund.

b/ An accounting adjustment of $53,664 was made in the unobligated balance for fiscal year 2001.

SUMMARY OF BUDGET ESTIMATES

The Budget proposes an appropriation of $2.426 billion for the Public Housing Capital Fund in fiscal year 2003. This amount reflects the PHA's ability to use billions of dollars already appropriated as well as a new initiative, Public Housing Reinvestment and Financial Reform, which will rely on private financing to address the capital improvements backlog. This initiative is explained more fully under the Program Description and Activity section of this justification. The potential leveraging will allow capital improvements to be done at a level that is considerably greater than the level funded in fiscal year 2002. To the extent that the pilot initiative does not generate at least $400 million in capital improvements, HUD will seek to restore the reduction of funds to the previous year's level in fiscal year 2004.

Of the total amount requested, $2.208 billion will assist housing authorities in carrying out capital and management activities and is sufficient to cover the accrual of additional capital needs which is estimated at $2.2 billion annually. Of the requested amount, up to $55 million is for Resident Opportunities and Self-Sufficiency (ROSS). ROSS was previously funded in Community Development Fund program. Of the requested amount, up to $54 million is designated for technical assistance. In addition, up to $19 million will be used for the development and maintenance of information technology systems related to public housing. Of the total amount, up to $75 million shall be available to make grants to Public Housing Agencies for capital needs resulting from emergencies and natural disasters in fiscal year 2003. Also, of the amount provided $15 million shall be for the Neighborhood Networks initiative.

Public Housing Capital Fund

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 budget authority reflects a decrease of $418 million in appropriations but funds secured through private financing will far exceed this cut. In addition, this request represents a change in the way the Department funds the Working Capital Fund (WCF). In fiscal year 2002, the Public Housing Capital Fund's contribution to the WCF was appropriated in the account and subsequently transferred to the WCF. Beginning in fiscal year 2003, the appropriation request for this program will be reduced by the amount of the contribution and that amount will be included in a direct appropriation to the WCF. Estimated obligations reflect a decrease of $1.114 billion in fiscal year 2003 resulting from a lower request and the assumption that there will be no carryover from fiscal year 2002 into fiscal year 2003. Outlays are expected to decrease by $103 million since the backlog of pipeline projects was reduced in fiscal years 2000 and 2001.

PROGRAM DESCRIPTION AND ACTIVITY

Effective in fiscal year 2000, the Quality Housing and Work Responsibility Act of 1998 authorized the Capital Fund, which expands the scope of the predecessor to the Capital Fund by consolidating all public housing capital programs (except HOPE VI), and allowing greater local flexibility in decisions on major capital initiatives and management improvements undertaken by Public Housing Agencies (PHAs).

Designed to respond to the public housing capital and management improvement requirements, the Capital Fund is a comprehensive, formula-driven program. In conjunction with local officials and HA residents, the Capital Fund provides PHAs with optimum latitude in determining the most appropriate approaches to respond to local low-income housing needs. Patterned after the Comprehensive Grant program, it consolidated the following programs: public housing modernization; public housing development; Major Reconstruction of Obsolete Public Housing Projects; and public housing development amendments.

Capital Fund grants can be used to support the following activities: (1) development, financing and modernization of public housing projects; (2) vacancy reduction; (3) deferred maintenance; (4) planned code compliance; (5) management improvements, including those which support resident participation; (6) demolition and replacement; (7) resident relocation; (8) capital expenditures for resident empowerment assistance and self-sufficiency; (9) capital expenditures for drug elimination, security and safety, and (10) homeownership. Development of a locally prepared five-year and annual plans, and improved accountability requirements are expected to ensure that capital improvement funds are utilized in a timely and focused manner.

Providing a steady stream of funding through a formula-driven system allows PHAs to carry out realistic plans for their long-term capital needs in a systematic and cost-effective manner. PHAs will also be able to leverage funds with other public and private partnership entities to meet their affordable housing goals. Non-troubled PHAs with less than 250 units have complete flexibility for the use of both capital and operating funds among eligible Capital Fund and Operating Fund activities. For large non-troubled PHAs, this flexibility is limited to 20 percent.

Public Housing Reinvestment and Financial Reform. The Budget proposes to allow housing authorities to use up to $120 million from the Capital Fund and up to $130 million from the Operating Fund for a new initiative to facilitate the financing of capital improvements and to encourage development-based financial management and accountability.

This initiative promises to improve physical conditions for public housing residents by enabling housing authorities to attract private capital to address the existing $20 billion backlog in public housing capital improvement needs. It will also put these developments on a sound management and financial footing by focusing on property-based planning and management.

These objectives will be achieved by authorizing HUD to approve, on a property-by-property basis, housing authority requests to convert public housing developments or portions of developments to project-based voucher assistance subject to the receipt of private financing. Such assistance could be provided on the site of an existing public housing development, or on other sites, provided that the number of public housing units converted equals the number of units receiving project-based voucher assistance after the conversion. Converting to project-based vouchers also would relieve housing authorities from many of the complex rules governing the public housing program, and would give residents of converted developments additional housing choices, since they could choose to move with their vouchers after 1 year.

This initiative will make it possible for housing authorities to secure private financing to rehabilitate or replace their aging properties by pledging the property to secure private loans for capital improvements. Without this infusion of private funds, housing authorities will be unable to address the existing backlog of capital needs, and some residents will continue to live in substandard housing for years to come. The capital needs of a substantial part of the public housing stock may be able to be addressed through private financing, without significant annual subsidy increases.

Conversions to project-based vouchers also will encourage housing authorities to use the same market-based "asset management" principles that are used in private sector real estate finance and management. This will enable them to make important financial and management decisions on a property-by-property basis, since project-based voucher subsidies from HUD will be

provided to support a specific property, based on that property's individual characteristics and relative position in the market. By contrast, in the existing public housing funding system, HUD provides subsidies to a housing authority for all of its properties on an aggregate basis. That approach often leaves housing authorities without the appropriate information or incentives to make the best long-term capital investment and housing management decisions, taking into account the condition and potential of their individual properties.

The initial year of any contract for project-based voucher assistance under this proposal may be funded with amounts appropriated for the public housing capital fund or operating fund or from other amounts appropriated for this purpose. Any renewal of such contracts would be funded with amounts appropriated for the renewal of Section 8 vouchers.

Project-based voucher assistance provided to developments converted from public housing would be administered generally under the existing program for project-based Section 8 vouchers, with some exceptions to facilitate conversions and administration of the program. For example, the provision in the project-based voucher program that limits the number of vouchers in a building to 25 percent of the units would not apply to conversions under this proposal.

Public housing units converted to project-based voucher assistance generally would be subject to use restrictions requiring the units to be maintained as assisted housing and provided project-based voucher assistance for the same length of time as they would have been if they had remained in the public housing program, subject to the availability of appropriations to renew contracts for assistance payments.

Rents would not exceed project-based voucher levels and would be set at a level that is sufficient to cover the cost of the conversion to project-based assistance, including debt service payments on obligations to finance the cost of any necessary rehabilitation, contributions to a capital reserve, amounts necessary for adequate debt service coverage, and the cost of the subsequent operation of the housing with project-based voucher assistance. Where necessary for ongoing financial feasibility, housing authorities could use the public housing Capital Fund, HOPE VI, or other sources to provide up-front write-downs of capital costs.

Credit enhancement for private financing would be provided through a common loan loss reserve account, established by the Secretary, to which housing authorities converting public housing to project-based vouchers may contribute a percentage of their capital, operating, or other eligible grant funds. The loan loss reserve would be used to reimburse any lender who provides financing to a housing authority for necessary renovations if the housing authority defaults on repayment of the loan.

Reserve for Disasters and Emergencies. A reserve of $75 million will be maintained in the Capital Fund for grants to PHAs for emergency capital needs resulting from emergencies and natural disasters.

Neighborhood Networks. Pursuant to section 9(d)(1)(E) of the United States Housing Act of 1937, $15 million shall be for a Neighborhood Networks initiative for capital management improvements.

Technical Assistance and Intervention Funds. Pursuant to section 9(h) of the Public Housing Reform Act of 1998, the fiscal year 2003 Budget request includes $54 million for public housing technical assistance, training, intervention, income integrity, management improvement support, and annual physical evaluations of assisted properties. During fiscal year 2003 an increase in the number of troubled PHAs is expected based on the implementation on an interim basis of the Public Housing Assessment System (PHAS). It is estimated that up to 300 troubled PHAs will require normal servicing and focused intervention activities by the Troubled Agency Recovery Centers (TARCs). This represents an increase of approximately 600 percent over the current fiscal year number of troubled and near-troubled PHAs serviced by the TARCs.

In order to reduce the incidence of agencies being designated as troubled, the Department continues to place a high priority on the implementation of preventive measures, notably training for near-troubled PHAs. The TARCs develop and implement an intervention strategy or technical assistance option to improve the PHA's performance to a passing level. This is consistent with Congress' and the Department's emphasis that troubled PHAs must bring their operations up to standard.

Funds are required to support the activities of the PIH Real Estate Assessment Center (REAC) and the TARCs, which include the inspection, assessment, monitoring and recovery of PHAs. The REAC is now a part of PIH, but will provide support for housing related assessments to the Office of Housing, as in the past.

HUD and contractors of troubled PHAs, under the new Section 8 Management Assessment Program (SEMAP) will use, up to $10 million of available budget authority for assessment. These funds also will be used to provide technical assistance, training, management improvement support, and other intervention activities to improve the performance of PHAs that are rated troubled under SEMAP.

In addition, up to $3 million will be used to fund the Random Digit Dialing surveys that are used to calculate local Fair Market Rent (FMR) levels for the Housing Choice Voucher Program. This represents an increase from previous years' funding levels for this purpose that have generally amounted to approximately $1.5 million annually. The increased funding will allow HUD to conduct more frequent regional and local surveys to ensure the FMRs are accurately calculated throughout the nation, particularly in light of recent fluctuations in housing costs as a result of rising energy and other costs. It is also critical to establish a permanent, stable source of funding for these critical functions. Up to $1.2 million will be used for HUD's annual, comprehensive customer survey of Housing Choice Voucher program recipients as to the living and housing conditions of their homes. The survey will allow HUD to better target monitoring and technical assistance where improvements may be needed. HUD is greatly encouraged by the preliminary results of its first comprehensive nationwide Customer Survey.

Funds are also required for the provision of contract expertise, training, technical assistance and supportive systems required by the Department to support and enhance the oversight and management of public housing or tenant-based assistance, as authorized by Section 9(h) of the United States Housing Act of 1937. Among the activities included are the following: inspections and technical assistance for capital programs; resident surveys; data collection and analysis; training and technical assistance for PHA employees and residents; and the development of computer, management and financial systems to facilitate the fulfillment of Headquarters responsibilities relative to the management, review and oversight of information pertaining to the status or the provision of support for PHAs.

Resident Opportunities and Self-Sufficiency. This Budget proposes $55 million for the Resident Opportunities and Self Sufficiency (ROSS) program. Section 34 of the United States Housing Act of 1937 and for residents of housing assistance under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) authorizes funds for a linkage of public housing resident services to promote economic self-sufficiency. The program provides a vital connection between the delivery of housing assistance and other services that are necessary to improve the quality of life for public housing residents.

The program is intended to improve linkages to assisted housing residents by: (1) implementing supportive services and resident empowerment activities; and (2) assisting residents to become economically self-sufficient. Grants will be made to public housing agencies, Indian tribes and Tribally Designated Housing Entities (TDHEs), resident management corporations, resident councils, and resident organizations including non-profit entities supported by residents.

Eligible activities include, but are not limited to: physical improvements, academic skills training, resident management activities, health care for seniors in public housing, micro enterprises, small business development and start-ups, enhanced Self-Sufficiency and Welfare to Work initiative and social service support programs. Grants will be awarded competitively through a Notice of Funding Availability (NOFA). ROSS is consistent with the Department's goal to focus resources on "welfare to work" and independent living for the elderly and disabled.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Capital Fund is essential to achieve HUD's Strategic Goal 3: Improve the Quality of Public Housing and Provide More Choices for its Residents, and Strategic Goal 7: Ensure equal opportunity and access to housing.

SELCECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

Public Housing Capital Fund

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	$2,993,400	$2,843,400	$2,370,900
FTE			
Headquarters	390	368	360
Field	183	268	262
Subtotal	573	636	622
Strategic Objective 3.2: Improve the management accountability for public and assisted housing.			
Indicator: Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 2.5 percentage points.	8.8%	3.8%	1.3%
Indicator: The utilization of Housing Choice Vouchers increases by 1 percentage point from the fiscal year 2002 level to 95 percent.	Data Not Available	94%	95%
Indicator: The share of the Housing Choice Voucher program administered by housing agencies with substandard lease-up rates decreases by 10 percent	39.9% anticipated	35.9%	32.3%
The number of public housing units managed by troubled housing agencies that are assigned to TARC as of October 1, 2002, decreases by 15 percent by September 30, 2003.	NA	15%	15%
The share of public housing residents who feel that housing agency managers take action when residents in the development break rules increases by 5 percentage points.	71%	NA	76%
The share of Housing Choice Voucher units managed by troubled housing agencies decreases by 5 percentage points.	25.1%	20.1%	15.1%
Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.			
Indicator: The share of public housing and assisted multifamily units that meet HUD-established physical standards increases by 1.5 percentage points.	88.2%	91.2%	92.7%
Indicator: The share of HUD-Assisted Properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage points for assisted multifamily housing.	48.3% anticipated	47.3%	46.3%
Indicator: As part of the efforts to eliminate 100,000 units of the worst public housing, demolish 13,000 units during fiscal year 2003.	13,513	13,000	13,000
The average satisfaction of assisted renters and public housing tenants with their overall conditions increases by 1 percentage point.	71%	72%	73%

Public Housing Capital Fund

The share of public housing residents who feel safe or very safe increases by 1 percentage point.	68.7%	69.7%	70.7%
Indicator: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.	90.1%	91.3%	92.5%
Strategic Goal 7: Ensure equal opportunity and access to housing.			
Discretionary BA (Dollars in Thousands)	$0	$0	$55,000
FTE			
Headquarters	0	0	8
Field	0	0	6
Subtotal	---	---	14
Strategic Objective 7.3: Improve housing options for the elderly.			
Indicator: The number of elderly households living in private assisted housing developments served by a service coordinator for the elderly increase by 10 percent.	Baseline to be Determined	Baseline +10%	Baseline +20%
FTE Total	**573**	**636**	**636**

NA = Not Applicable

NOTE: The fiscal year 2001 FTE figure includes 268 FTEs from Real Estate Assessment Center, which was not a part of Public and Indian Housing in fiscal year 2001.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

NATIVE AMERICAN HOUSING BLOCK GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Budget Authority (Use):				
Appropriations	$650,000	$648,570	$646,600	-$1,970
Rescission	-$1,430	...	...	...
Budget Authority (net)	$648,570	$648,570	$646,600	-$1,970
Carryover	$174,731	$187,235	...	-$187,235
Subtotal	$1,471,871	$1,484,375	$1,293,200	-$191,175
Title VI Subsidy				
Credit Subsidy	[$6,000]	[$5,987]	[$2,000]	[-$3,987]
Rescission	[-$13]	...	...	...
Loan Guarantee Limitation	$54,600	$52,726	$16,658	-$36,068
Subtotal	$54,600	$52,726	$16,658	-$36,068
Title VI Adm. Expenses				
Administrative Expenses	[$150]	[$150]	[$156]	[+$6]
Outlays				
Outlays (net)	$684,098	$711,167	$740,110	+$28,943

SUMMARY OF BUDGET ESTIMATES

The Budget proposes an appropriation of $647 million for the Native American Housing Block Grants (NAHBG) program in fiscal year 2003. This program provides a needs-based formula grant for housing and housing-related assistance either directly to eligible Indian tribes or through their tribally designated housing entities (TDHEs). This request includes up to $3 million to support the inspection of physical inventory of Indian housing units, contract expertise, and training and technical assistance in the training, oversight and management of Indian housing and tenant-based assistance, including up to $300,000 for related travel. Up to $600,000 will be used for development of and modifications to information technology systems, which serve or are related to those program or activities under this account. In addition, included in the total is $2.2 million for the National American Indian Housing Council.

Also included in this request is $2 million in credit subsidy for the Title VI Indian Federal Guarantees program. For Title VI administrative expenses to carry out this guaranteed loan program, $156,000 of the credit subsidy amount will be transferred and merged with the Department's appropriation for Salaries and Expenses. Funds will be used for travel related to marketing the program, on-site monitoring, and other training, for the Title VI program.

EXPLANATION OF INCREASES AND DECREASES

The funds requested for fiscal year 2003 reflect decrease of $2 million from fiscal year 2002. This represents a change in the way the Department funds the Working Capital Fund (WCF). In fiscal year 2002, the NAHBG program's contribution to the WCF was appropriated in the account and subsequently transferred to the WCF. Beginning in fiscal year 2003, the appropriation request for this program will be reduced by the amount of the contribution and that amount will be included in a direct appropriation to the WCF. Outlays are expected to increase by $29 million. The request of $2 million in credit subsidy for the Title VI program is $4 million lower than the 2002 Budget. There are sufficient resources currently in the account to fund loan guarantees; therefore, the Department is only requesting $2 million for fiscal year 2003.

Native American Housing Block Grants

PROGRAM DESCRIPTION AND ACTIVITY

In 1996, to recognize the unique nature and needs of American Indian and Alaska Native areas, the Congress enacted Native American Housing Assistance and Self-Determination Act (NAHASDA, P.L. 104-330) to better assist Native American people and their communities. The NAHBG program provides the funds that are needed to allow tribal housing organizations both to maintain existing units and to begin development of new units to meet their critical housing needs. The NAHASDA stipulates that each eligible Indian tribe or its TDHE receive annually a single block grant to meet the housing needs within their community. The tribe or TDHE must submit 1-year and 5-year Indian Housing Plan (IHP), consisting of a mission statement, goals and objectives, needs statement, statement of financial and affordable housing resources, and proposed activities designed to meet the housing needs identified in the Plan.

The Department's Office of Native American Programs (ONAP) staff monitors the tribe or TDHE to ensure compliance with the objectives of the IHP. To receive the Department's approval of the IHP, grantees must indicate that their first priority is the management and maintenance of existing dwelling units developed with HUD funds. Once approved, the tribe is eligible to receive funds through the annual formula allocation.

The NAHBG allows grant recipients to develop and support affordable rental and homeownership housing and provide housing services through the following eligible activities:

Development.

Grant funds may be used to support acquisition, new construction, reconstruction, and the moderate or substantial rehabilitation of affordable housing, and may include real property acquisition, site improvement, development of utilities and utility services, conversion of a project to homeownership, demolition, financing, administration and planning, and other related activities.

Indian Housing Assistance

Indian housing assistance provides for modernization and operating assistance for housing previously developed or operated under a contract between the Department and an Indian Housing Authority, currently the tribe or TDHE.

Housing Services

Funds may be used to provide housing counseling for rental or homeownership assistance, establishment and support of resident management organizations, energy auditing, supportive and self-sufficiency services, and other related services assisting owners, residents, contractors and other entities, participating or seeking to participate in eligible housing activities.

Housing Management Services

Grant funds may be used to provide management services for affordable housing that may include preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and management of affordable housing projects.

Crime Prevention and Safety Activities

Funding may be provided for safety, security, and law enforcement measures with activities appropriate to protect residents of affordable housing from crime.

Model Activities

The Department may approve housing activities under model programs that are designed to develop and support affordable housing. This complies with the mandate that new housing opportunities be developed, utilizing a wide variety of creative approaches, and among other things, establishing partnerships, leveraging other public and private funds. This ensures long-term viability by implementing ideas that supplement limited Federal grant funds with other sources of capital, loans, buy-downs, and other financing mechanisms.

Inspection of Physical Inventory. With the enactment of the NAHASDA, affordable housing funded through the United States Housing Act of 1937 was no longer subject to the requirements of the 1937 Act. NAHASDA requires that the owners of housing developed with 1937 Act funds regularly inspect such housing and provide for the housing units' management and operation costs during their useful life. For fiscal year 2001, 254 housing owners (tribal governments or their designees) reported current assisted stock of 75,063 housing units representing 3,170 separate projects. Additionally, there are 3,544 housing units in the development stage.

One of the critical missions of the Department is to assure housing assisted with HUD funds is kept in decent and safe condition and that they will be maintained for a reasonably expected period of time. Several years ago, the Department established the Real Estate Assessment Center (REAC) whose primary function is to assess the effectiveness of management programs of housing providers, Public Housing Agencies (PHAs), and Indian housing entities. During the initial set-

up period, REAC established a physical inspection program for housing owners and PHAs. This program will identify problems in the physical condition of housing units assisted with HUD funds. It provides a warning to both the housing owners and the Department so actions may be initiated to improve housing conditions and maintain them adequately.

Because of the relative newness of NAHASDA programs and REAC, Indian housing programs have not yet been incorporated into the physical inspection process. During fiscal year 2003, it is both desirable and necessary that HUD begins assessing the condition of housing stock assisted with HUD funds.

PROGRAM SET-ASIDES

Title VI Federal Guarantees for Financing for Tribal Housing Activities. The Budget includes a set-aside of $2 million for the continuation of the Title VI Indian Federal Loan Guarantee program. The fiscal year 2003 Budget request is $4 million less than the fiscal year 2002 request due to the low number of loans in fiscal year 2001. Since the credit subsidy carries over to the next fiscal year, anticipated needs for fiscal year 2003 will be met with $2 million. This program is authorized by section 601 of NAHASDA, Public Law 104-330. The program provides loan guarantees for Native American Housing Block Grant recipients (Indian tribes and Tribally Designated Housing Entities) who need additional funds to engage in NAHASDA-eligible affordable housing activities, but is unable to borrow from other private financial sources without the Federal guarantee. The program provides a mechanism for grant recipients to leverage funds by pledging future block grants, along with additional security as required, to collateralize notes and other obligations.

Training and Technical Assistance. Up to $3 million of the total NAHBG appropriation will be set-aside to support the inspection of Indian housing units, contract expertise, and training and technical assistance to engage in the management and oversight of Indian housing or tenant-based assistance. Up to $150,000 of the total set-aside appropriation will support contract expertise, training and technical assistance to engage in the management and oversight of the Title VI program. These activities include, but are not limited to, training and technical assistance for tribal and TDHE staff and data collection and analysis.

National American Indian Housing Council (NAIHC). This Budget includes a set-aside of $2.2 million to NAIHC to perform technical assistance and training to the many tribal housing entities, including Indian Housing Authorities (IHAs), tribal housing agencies and regional housing associations. In fiscal year 2003, NAIHC will continue to provide direct support to regional housing associations, IHAs, and tribal housing groups in areas such as Low-Income Housing Tax Credits, homebuyer counseling, the HUD Section 184 Loan Program, the leveraging of funds, and in meeting the monitoring and other requirements outlined in the Native American Housing Assistance and Self Determination Act (NAHASDA). NAIHC's training efforts will continue to be directed at assisting IHAs/TDHEs in understanding and utilizing the NAHASDA. NAIHC will also undertake at least two research projects in areas concerning housing and community development in tribal areas, and will develop and collect materials for the Native American Housing Resource Center.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Native American Housing Block Grants program is essential to achieve HUD's Strategic Goal 2: Help Families Move From Rental Housing to Homeownership, and specifically, Strategic Objective 2.3, to increase the availability of affordable rental housing. This program also supports Strategic Goal 8: Support Community and Economic Development Efforts, and specifically, Strategic Objective 8.2, to help communities find easy access to revitalization resources in order to become more livable.

Native American Housing Block Grants

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$648,570	$648,570	$646,600
FTE			
Headquarters	20	26	26
Field	134	134	134
Subtotal	154	160	160
Strategic Objective 2.3: Increase the availability of affordable rental housing.			
The number of households receiving housing assistance with CDBG, HOME, HOPWA, NAHBG and NHHBG increases.	20,000	19,800	19,967
Strategic Goal 8: Support community and economic development efforts.			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE			
Headquarters	...	...	...
Field	...	...	...
Subtotal	...	...	...
Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.			
FTE Total	154	160	160

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

INDIAN HOUSING LOAN GUARANTEE FUND (Section 184)

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Enacted:				
Budget Authority	$6,000	$5,987	$5,000	-$987
Rescission	-$13	...	...	...
Budget Authority (net)	$5,987	$5,987	$5,000	-$987
Carryover	$17,989	$22,146	$22,146	...
Subtotal	$29,963	$34,119	$32,146	-$1,974
Loan Guarantee Limitation				
Loan Guarantee Limitation	$71,956	$234,283	$197,243	-$37,040
Loan Guarantee Limitation				
Carryover	$212,910	$272,000	$486,000	+$214,000
Subtotal	$284,866	$506,283	$683,243	+$176,960
Administrative Expenses				
Administrative Expenses	[$200]	[$200]	[$207]	[+$7]
Budget Outlays				
Budget Outlays	$998	$7,411	$7,559	+$148

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget proposes an appropriation of $5 million in credit subsidy to support loan guarantee authority of $197 million, based on a subsidy rate of 2.43 percent. Included in this request is $207,000 for administrative expenses that will be transferred and merged with the Department's appropriation for Salaries and Expenses.

EXPLANATION OF INCREASES AND DECREASES

No increase in funding is sought for this program. It has been underutilized by the communities in the past. However, in fiscal year 2001 the Department made program changes that are expected to result in increased utilization. Outlay projects have been increased to coincide with the expected increase in commitments.

PROGRAM DESCRIPTION AND ACTIVITY

This program is authorized by Section 184 of the Housing and Community Development Act of 1992, Public Law 102-550, enacted October 28, 1992, as amended. Funding for this program provides loan guarantees for Native American families, Indian tribes, and tribally designated housing entities to purchase, construct and/or rehabilitate single-family homes on trust or restricted land and in designated Indian areas. It has made possible the private financing of home mortgages by private financial institutions, which would otherwise not have been possible because of the unique legal status of Indian lands.

Private financing for the purchase of homes in Indian country was almost non-existent prior to the implementation of this program in September 1994. The following changes included in fiscal year 2001 Appropriations Act should result in increased utilization of this program: elimination of the requirement that borrowers must prove and certify that they do not have access to private financial markets, and the authority to refinance under this program that was previously prohibited. Although underutilized since its inception, the Section 184 Indian Housing Loan Guarantee Fund has guaranteed 841 home loans (as of June 30, 2001) for eligible families, tribes and tribally designated housing entities totaling $82 million.

Indian Housing Loan Guarantee Fund

This program has made homeownership available to Native Americans living on Indian lands, and enabled lending institutions to serve a new client group. Due to the unique legal status of Indian trust or restricted lands, lenders had previously been hesitant to assume the risk of providing home mortgage financing where legal title to the real property could not be used as collateral. In addition, many lenders were unwilling to take the risk of going into tribal courts in the event of default. As a direct result of this program, numerous banks are now lending in Indian country, and many tribes have established legal procedures for processing foreclosures and evictions.

This program has also served as the vehicle to leverage private funds with Federal dollars in Indian country in order to create housing opportunities where Federal subsidy programs historically provided 100 percent of the costs of new unit construction. Through this program, private financing is now used to cover construction costs while Federal dollars are used only to guarantee payment in the event of a default.

This program is not restricted to low-income families; rather, it provides opportunities for income-eligible families currently living in subsidized units to afford a market-rate home mortgage, thus freeing up assisted housing units for use by other lower-income families. This is the housing cycle that has been operating in non-Indian country for decades.

In contrast to the Title VI Indian Federal Guarantees Program (funded as a set-aside in the Native American Housing Block Grant (NAHBG) program), any Indian family, tribe, or tribally designated housing entity can apply for a Section 184 mortgage loan and be qualified on the basis of their income and other mortgage credit guidelines. The Title VI program provides loan guarantees only for NAHBG recipients who are unable to borrow from other sources. The borrower uses future NAHBG funds to provide collateral for the loan.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Indian Housing Loan Guarantee Fund is essential to achieve HUD's Strategic Goal 2: Help Families Move from Rental Housing to Homeownership, and specifically, Strategic Objective 2.2, to expand homeownership opportunities for minorities and persons with disabilities.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$5,987	$5,987	$5,000
FTE			
Headquarters	5	4	4
Field	0	0	0
Subtotal	5	4	4
Strategic Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities.			
Section 184 mortgage financing is guaranteed for 200 Native American homeowners during FY 2003.	89	180	200
FTE Total	5	4	4

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level:				
Budget Authority				
Appropriation	$575,000	$573,735	$574,000	+$265
Rescission	-$1,265	...	...	...
Subtotal	$573,735	$573,735	$574,000	+$265
Carryover/Recaptures	$660,489 a/	$580,969	...	-$580,969
Subtotal	$1,234,224	$1,154,704	$574,000	-$580,704
Obligations	$653,255	$1,154,704	$574,000	-$580,704
Budget Outlays	$486,868	$551,624	$608,281	+$56,657

a/ Includes $316,425 in collections, and $507,582 in recaptures.

SUMMARY OF BUDGET ESTIMATES

The Department is requesting an appropriation of $574 million for the Revitalization of Severely Distressed Public Housing (HOPE VI) program in fiscal year 2003. Grant funding will be awarded competitively to Public Housing Authorities (PHAs) to address their severely distressed public housing developments. In addition, tenant-based assistance will be provided to families living in units that are scheduled to be demolished. Funds for renewal of these tenant-based units are requested under the Housing Certificate Fund. The requested funding is expected to provide the requisite level of annual support for the Department to achieve the Administration's goal of revitalizing the nation's severely distressed public housing.

In fiscal year 2003, the Department plans to approve total demolitions of at least 13,000 obsolete units, of which 4,255 will be demolished under the HOPE VI program. The Department will also fund approximately 9,479 replacement units. To stimulate healthy and stable communities, and to reverse past patterns of isolation, and over-concentrations of very low-income families, replacement units will largely be incorporated in economically diverse neighborhoods.

Of the requested appropriation, $6.25 million has been designated for technical assistance, which will be provided directly or indirectly by grants, contracts, cooperative agreements or private oversight. The provision of such assistance, especially for the majority of HAs that are inexperienced with demolition, and the related redevelopment of new units, is critical to ensure that these activities are conducted in a timely manner in accordance with an established plan.

The complexities of the program, and its national scope, underscore the need for funding for data collection, and to provide on-site management expertise to monitor HA demolition and revitalization activities. The Department's Office of Public Housing Investments (OPHI) has developed and implemented a project management/data collection and verification process, and an inspection process that together enables the office to monitor and assess progress against specific performance criteria. This results in program enhancements and risk assessments, which are used to effectively target staff time, technical assistance, and training.

In addition, of the requested appropriation, $5 million has been designated for the Neighborhood Networks Initiative and up to $50 million has been designated for grants for capital costs at properties for which public housing subsidies are being converted to project-based voucher assistance. These grants are necessary to permit the financing of the remaining capital costs. Please see a description of this initiative in the Capital Fund budget justification.

Revitalization of Severely Distressed Public Housing

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 request of $574 million is approximately the same as the amount enacted for fiscal year 2002. Outlays are estimated to increase in fiscal year 2003, reflecting the increased spend-out of obligations as more pipeline projects are completed.

PROGRAM DESCRIPTION AND ACTIVITY

Established in 1993 to address the problem of severely distressed public housing, the program was initially chartered as a revitalization program that allowed the selective demolition of buildings too costly to modernize and that had high concentrations of poverty. The program has evolved dramatically over the years due to innovations by program grantees, to include fostering public/private partnerships, broadening community income ranges, improving the provision of services, etc. The amount of outside funds leveraged by HOPE VI funds have increased from an average of $.31 per HOPE VI dollar in 1993 to an estimated $3.57 per dollar in 2003. Due to the broader mix of income levels and the private investment made through leveraged transactions, public housing benefits from market incentives that promote good maintenance, better design, and more efficient management. These outcomes also promote incentives for resident responsibility and self-sufficiency, as well as the educational development of the younger population. For these reasons, HOPE VI has played an important role in the Department's efforts to revamp many public housing communities.

As a condition of participation, program applicants are required to develop a comprehensive strategy to implement local welfare reform objectives and programs. Approximately 9 percent of funds awarded to grantees, on average per year, are budgeted for community service and self-sufficiency activities. The provision of effective, focused self-sufficiency initiatives is a vital program element to enable public housing to regain its role as a solid foundation for low-income families who are determined to improve their economic standing. Working closely with HOPE VI grantees, the Department underscores the importance of resident responsibility as well as community and supportive services in order to meet the social and economic needs of the residents and the surrounding communities.

To date, through the HOPE VI and Capital Fund programs, the Department has approved the demolition of approximately 135,000 obsolete and distressed units while actually demolishing 77,000 units. Of the total approved demolitions, the HOPE VI revitalization program is responsible for approximately 70,000 units. Of the actual demolitions, the HOPE VI revitalization program is responsible for 47,268 units. Approximately 13,000 units are estimated to be demolished in fiscal year 2002. Many families are being re-housed with Section 8 rental assistance, enabling them to choose their housing circumstances, but hard unit replacements are also necessary. Often, the inclusion of hard units in the redevelopment plan is vital to the cultivation of the requisite community support for the demolition of buildings, which may still be occupied. To date, the HOPE VI program has completed 14,554 new and rehabilitated units, and plans to add an additional 5,331 units in 2002.

Although the Revitalization of Severely Distressed Public Housing (HOPE VI) program was expected to sunset at the end of fiscal year 2002, the Administration is requesting continued authorization for the program.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The HOPE VI program is essential to achieve HUD's Strategic Goal 3: Improve the quality of public housing, and provide more choices for its residents. The primary function of the HOPE VI program serves to address objective 3.3: Improve physical and related conditions in public and assisted housing. But the program funds more than improvements to the physical conditions of the public housing stock. The HOPE VI program also recognizes the importance of improving the non-housing conditions of public housing residents and so it devotes significant resources toward community service and self-sufficiency activities. By doing so, the program also addresses objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.

In fiscal year 2001, a total of $491 million in HOPE VI revitalization grants were awarded through 16 grants to 15 cities. These awards are expected to support the demolition of 7,923 units of obsolete public housing (6,046 units were occupied, and approximately 1,877 units were vacant), the development of 5,371 replacement units, and the major rehabilitation of 24 obsolete public housing units. The $491 million investment is expected to help generate a record $1.76 billion in additional investment in housing and jobs programs at public housing developments, including $1.6 billion in private funds, and over $140 million in other government funds. This additional investment is projected to fund 6,894 units of affordable and market-rate housing to complement the HOPE VI replacement housing. The Department also awarded $75 million to support 43 demolition-only grants in 24 cities, which are expected to remove approximately 10,293 severely distressed units. In addition to the grants awarded in 2001, the HOPE VI program also relocated 6,923 families, demolished 12,375 units, completed 4,044 new and rehabilitated units, and occupied 3,579 units.

Revitalization of Severely Distressed Public Housing

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	$573,735	$573,735	$574,000
FTE			
Headquarters	56	61	61
Field	103	115	115
Subtotal	159	176	176
Strategic Objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.			
Indicator: Among non-elderly, non-disabled public housing households with dependents, the share that derive more than 50 percent of their income from work increases by 1 percentage point.	49%	50%	51%
Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.			
Indicator: The share of public housing and assisted multifamily units that meet HUD-established physical standards increases by 1.5 percentage points.	Public Housing: 88.2% Multifamily: 92.5%	Public Housing: 91.2% Multifamily: 95.5%	Public Housing: 92.7% Mulitfamily: 97%
Indicator: The HOPE VI Revitalization Development program for public housing relocates 3,160 families, demolishes 3,905 units, completes 6,821 new and rehabilitated units, and occupies 6,201 units.	In Order Listed: 6,923; 12,375; 4,044; 3,579	In Order Listed: 4,658; 12,207; 5,331; 4,569	In Order Listed: 3,160; 3,905; 6,821; 6201
Indicator: As part of the efforts to eliminate 100,000 units of the worst public housing, demolish 13,000 units during fiscal year 2003.	13,513	13,000	13,000
FTE Total	159	176	176

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

NATIVE HAWAIIAN HOUSING BLOCK GRANTS

PROGRAM HIGHLIGHTS

	ESTIMATE 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Appropriations: (Enacted or Proposed)		[$9,600] a/	$10,000	+$400
Budget Outlays			$1,000	+$1,000

a/ Funded in Community Development Fund.

SUMMARY OF BUDGET ESTIMATES

The Budget proposes an appropriation of $10 million for the Native Hawaiian Housing Block Grants (NHHBG) program in fiscal year 2003. This program provides grants for housing and housing-related assistance to the Department of Hawaiian Home Lands. The request includes up to $400,000 to support related training and technical assistance activities.

EXPLANATION OF INCREASES AND DECREASES

Congress provided $9.6 million for the Native Hawaiian Housing Block Grants program as a set-aside in Community Development Fund in fiscal year 2002. The Department is requesting $10 million as a separate account in fiscal year 2003 for this program.

PROGRAM DESCRIPTION AND ACTIVITY

The Hawaiian Homelands Homeownership Act of 2000 (25 U.S.C. 4221 et seq.) was signed on December 27, 2000. Numerous studies have documented the housing needs of Native Hawaiians who are either eligible to reside on, or now live on, the Hawaiian Home Lands. Native Hawaiians experience the worst housing conditions in the State of Hawaii and constitute approximately 30 percent of its homeless population. The Department issued a 1995 report, which cited evidence that Native Hawaiians have the highest percentage of housing problems (49 percent) in the United States. Overcrowding in these households exceeds 36 percent, as compared to 3 percent of households throughout the nation.

The NHHBG program would provide block grant funding to the Department of Hawaiian Home Lands (DHHL) to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands. The Department of Hawaiian Home Lands must submit 1-year and 5-year housing plans, which contains a mission statement, goals and objectives, activities planned, statement of needs, an operating budget, a statement of affordable housing resources, and a certification of compliance.

The Department's Office of Native American Programs (ONAP) staff will monitor the Department of Hawaiian Home Lands to ensure compliance with the objectives of the housing plan. The NHHBG allows the Department of Hawaiian Home Lands to develop and support affordable rental and homeownership housing and provide housing services through the following eligible activities:

Development: Grant funds may be used to support acquisition, new construction, reconstruction or moderate or substantial rehabilitation of affordable housing which may include real property acquisition, site improvement, development of utilities and utility services, conversion, demolition, financing, administration and planning, and other housing related activities.

Housing Services: Grant funds may be used to support housing-related services including housing counseling in connection with rental or homeownership assistance, the establishment of resident management corporations, energy auditing, activities related to the provisions of self-sufficiency and other services related to assisting owners, tenants, contractors and other entities participating or seeking to participate in other housing activities.

Housing Management Services: Grant funds may be used to support management services for affordable housing, including the preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and management of affordable housing projects.

Crime Prevention and Safety Activities: Grant funds may be used to support safety, security and law enforcement measures, and activities appropriate to protecting residents of affordable housing from crime.

Model Activities: The Department may approve housing activities under model programs that are designed to develop and support affordable housing.

PROGRAM SET-ASIDE

Training and Technical Assistance. A set-aside of $400,000 of the total NHHBG will support contract expertise and training and technical assistance to engage in the management and oversight of Native Hawaiian housing. These activities include, but are not limited to, training and technical assistance for Department of Hawaiian Home Lands, the Office of Hawaiian Affairs, and nonprofit organizations.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Native Hawaiian Housing Block Grants program is essential to achieve HUD's Strategic Goal 2: Help Families Move from Rental Housing to Homeownership, and specifically, Strategic Objective 2.3, to increase the availability of affordable rental housing. This program also supports Strategic Goal 8: Support Community and Economic Development Efforts, and specifically, Strategic Objective 8.2, to help communities find easy access to revitalization resources in order to become more livable.

SELECTED PERFORMANCE MEASURES:

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ESTIMATE 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$0	$0	$10,000
FTE			
Headquarters	0	3	3
Field	0	0	0
Subtotal	...	3	3
Strategic Objective 2.3: Increase the availability of affordable rental housing.			
Strategic Goal 8: Support community and economic development efforts.			
Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.			
The number of households receiving housing assistance with CDBG, HOME, HOPWA, NAHBG and NHHBG increases.	NA	50	50
FTE Total	...	3	3

NA = Not Applicable

*Funded within the Community Development Fund program.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

NATIVE HAWAIIAN LOAN GUARANTEE FUND (Section 184A)

PROGRAM HIGHLIGHTS

	ESTIMATE 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Enacted:				
Budget Authority	...	$1,000	$1,000	...
Loan Guarantee Limitation				
Loan Guarantee Limitation	[...]	[$40,000]	[$39,712]	[-$288]
Administrative Expenses				
Administrative Expenses	[...]	[$35]	[$35]	[...]
Budget Outlay				
Budget Outlays	...	...	$1,000	+$1,000

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget proposes an appropriation of $1 million in credit subsidy to support loan guarantee authority of $40 million, based on a subsidy rate of 2.43 percent. Included in this request is $35,000 for administrative expenses that will be transferred and merged with the Department's appropriation for Salaries and Expenses.

EXPLANATION OF INCREASES AND DECREASES

There is no increase in funding sought in fiscal year 2003 from the amount enacted in fiscal year 2002.

PROGRAM DESCRIPTION AND ACTIVITY

This program is authorized by subtitle B of Title V of the Hawaiian Homelands Homeownership Act of 2000 (Public Law 106-569) enacted December 27, 2000. Funding for this program provides loan guarantees for Native Hawaiian individuals and families, the Department of Hawaiian Home Lands, the Office of Hawaiian Affairs, and private nonprofit organizations experienced in the planning and development of affordable housing for Native Hawaiians. The loans may be used to purchase, construct and/or rehabilitate single-family homes on Hawaiian Home Lands. It makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be possible because of the unique legal status of Hawaiian Home Lands.

Due to the unique legal status of Hawaiian Home Lands, lenders are hesitant to provide home mortgage financing where legal title to the real property cannot be used as collateral. Through this program, private financing will be used to cover construction or purchase costs while Federal dollars are used only to guarantee payment in the event of a default.

This program is not restricted to low-income families; rather, it provides opportunities for income-eligible families currently living in subsidized units to afford a market-rate home mortgage, thus freeing up assisted housing units for use by other lower-income families.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Native Hawaiian Housing Loan Guarantee Fund is essential to achieve HUD's Strategic Goal 2: Help Families Move from Rental Housing to Homeownership, and specifically, Strategic Objective 2.2, to expand homeownership opportunities for minorities and persons with disabilities.

Native Hawaiian Loan Guarantee Fund

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ESTIMATE 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$0	$1,000	$1,000
FTE			
Headquarters	0	1	1
Field	0	0	0
Subtotal	...	1	1
Strategic Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities.			
FTE Total	...	1	1

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

LOW-RENT PUBLIC HOUSING ASSISTANCE

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level:				
Direct loan obligations	$6,998	$40,000	$40,000	...
PHA Loan Write-Offs pursuant to P. L. 99-272	$6,998	$40,000	$40,000	...
Net Budget Authority				
Mandatory:	$25,000	$40,000	$40,000	...
Net Budget Outlays				
Mandatory:	$20,553	$40,297	$40,297	...

SUMMARY OF BUDGET REQUEST

The fiscal year 2003 Budget assumes that $40 million of permanent indefinite authority will be used to provide funding for remaining Public Housing development and modernization activities in the pipeline that were reserved under the "Annual Contributions for Assisted Housing" (ACAH) appropriations through 1986. No discretionary appropriation is required.

EXPLANATION OF INCREASE AND DECREASE

There are no changes in outlay projections for fiscal year 2003 from the estimates reflected in the fiscal year 2002 Budget.

PROGRAM DESCRIPTION

The Low-Rent Public Housing Assistance Fund has not received new appropriation since fiscal year 1986. The account is now in a liquidating status with permanent indefinite borrowing authority and is classified as mandatory. The Department borrows approximately $40 million from Treasury each year to close pipeline loan commitments. Once the commitment is closed, the loan is forgiven by both the Department and the Treasury.

The program was established for three reasons. First, the program was to provide direct Federal loans (capital funds) to support the completion of Public and Indian Housing construction, acquisition, and modernization activities. Second, the Fund was also used as a repository of appropriations provided in prior years to make interest differential payments to the Federal Financing Bank (FFB). Budget authority was obligated in the Loan Fund to provice payments to the FFB to fund the difference in interest payments between what would have been charged if tax-exempt bonds had been sold to the public and the interest that actually was charged when instruments were sold to the FFB at a Federally taxable interest rate. A third purpose of the account, as a Corporate Fund, was closed during the first quarter of 1997 pursuant to Section 507 of the Congressional Budget Act of 1974.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 2: PUBLIC AND INDIAN HOUSING

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. All data are presented on a comparable basis for the 3 fiscal years: 2001, 2002, and 2003.

SCOPE OF ACTIVITY

The Public and Indian Housing (PIH) staff is responsible for performing functions in accordance with legislation which authorizes the Department to enter into contracts to provide assistance for the development and operation of public and Indian housing, and to provide rental assistance payments on behalf of lower-income households. The principal legislative authorization for PIH activities is the U.S. Housing Act of 1937, as amended.

Headquarters staff performs the following principal functions in support of PIH goals:

- develop program policies, procedures and guidelines for all PIH programs (PH Capital Fund, Housing Certificate Fund, PH Operating Fund, Revitalization of Severely Distressed PH (HOPE VI), PH Drug Elimination Grants, Indian Housing Block Grants, Indian Home Loan Guarantees, Native Hawaiian Housing Block Grants, Native Hawaiian Home Loan Guarantee) including priorities for improving Public and Indian Housing through initiatives for crime reduction, economic development, and resident opportunities and self-sufficiency (ROSS);

- direct and coordinate the administration of all PIH programs and provide training, technical assistance, and procedural program guidance to the HUD Field staff, Public Housing Authorities (PHAs), Indian Housing Authorities (IHAs), and resident groups, as appropriate;

- monitor, review and evaluate Field program operations and review administrative practices of local agencies, including PHAs, IHAs, and resident groups to ensure that programs are managed efficiently and that services and assistance are provided as intended;

- provide financial assistance for use by local agencies as well as program, administrative, management, statistical and budget support; and

- manage and control program and administrative resources.

In keeping with the goal of creating a new HUD, in fiscal year 1998, the Office of Public and Indian Housing revamped its business structure to separate the enforcement, monitoring and program delivery functions. Specifically, the PIH reorganization was designed to consolidate financial, funding and processing activities, separate troubled agency recovery activities from routine PHA oversight and technical assistance functions and to enable the Hub and Program Center staffs to concentrate on the provision of technical assistance and oversight to those PHAs whose performance needs improvement. The consolidation of the financial, funding and processing activities was accomplished through the creation of three PIH centers: Grants Management, Special Applications, and Section 8 Financial Management. Location neutral, high volume activities and highly technical, non-routine applications were targeted for consolidation. Benefits of this reorganization include improved internal quality control over financial and processing functions, economies of scale, improved oversight and staff expertise. The creation of the Troubled Agency Recovery Centers (TARC) accomplished the separation of trouble agency recovery activities from routine PHA oversight and technical assistance.

In fiscal year 2002, the Real Estate Assessment Center (REAC) was integrated into the PIH functional organizational structure. REAC will continue to provide support in the inspection, assessment, monitoring and recovery of PHAs as well as housing related assessments to the Office of Housing.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

FIELD EMPLOYMENT

Previous realignment of the field offices gave Headquarters direct line supervision over the field office activities. During the most recent reorganization, PIH organized its business structure to separate the enforcement, monitoring, and program delivery functions.

Field offices were consolidated into 27 Hubs and 16 Program Center Offices serving approximately 4,200 PHAs. The objective of these offices is to manage and coordinate the effective and efficient delivery of HUD programs to all PHAs, and provide concentrated oversight and technical assistance to PHAs with declining performance. The support to PHAs is provided

through focused technical assistance, program expertise, and where necessary, targeted intervention. In addition, field staff continues to get involved in special assignments, such as in supplementing both PIH headquarters and field offices that experience short term, unexpected staff or skill imbalances.

TRAVEL

The full implementation of the Centers as well as completing the established PIH Business Operating Plan (BOP) goals and the integration of REAC are major factors in the travel requirements for PIH. Extensive travel is required to ensure that the quality assurance plans for the physical inspection, financial reviews, single family appraisal reviews, and tenant verification reviews are performed. A travel budget is required to complete this required business. These inspection/review efforts are critical to the Department's efforts to restore and maintain the public trust in HUD's important housing programs. The table below identifies travel requirements unique to the PIH Organization. In fiscal year 2003, additional funding in the amount of $5.9 million will be provided to cover technical assistance travel requirements.

		ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
			(Dollars in Thousands)		
Travel (HQ)		$1,918	$1,974	$4,334	+$2,360
Travel (Field)	a/	$989	$1,326	$4,866	+$3,540
Total		$2,907	$3,300	$9,200	+$5,900

a/ Field travel includes ONAP Field and out-stationed REAC staff.

CONTRACTS

General support contract services requiring funds would include temporary clerical support, visual arts, training (not provided thru HUD Training Academy), and other miscellaneous administrative and technical assistance support services. The Office of Public and Indian Housing completed the funding for the technical review and reconciliation of the Section 8 Moderate Rehabilitation program in fiscal year 2002. PIH continues to focus on contractual services to support the Native American Economic Development Access Center, the Indian Loan Guarantee program, management and financial controls, inquiry services to housing authorities regarding non-citizen immigration status, and on-ongoing REAC operations based on the physical condition, financial, management and customer satisfaction assessments. The requested funding includes funds for the ongoing REAC operations based on the physical condition, financial, management, and customer satisfaction assessments.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Technical Services	$1,688	$1,946	$4,646	+$2,700
Total	$1,688	$1,946	$4,646	+$2,700

In fiscal year 2003, additional funding in the amount of $2.7 million will be provided to cover technical assistance training requirements.

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

REAL ESTATE ASSESSMENT CENTER

SCOPE OF ACTIVITY

The Real Estate Assessment Center (REAC) was designed to restore the public trust in HUD's important housing programs and is a key component of HUD's 2020 Management Reform Plan. REAC's mission is to improve the quality of the Department's housing stock by providing timely and accurate assessment of HUD's real estate portfolio and the nearly one million single-family appraisals performed for new homebuyers annually. REAC also helps verify the income of public housing residents to ensure that housing subsidies are properly paid. REAC's activities renew public confidence in Government because they genuinely help make decent, safe and sanitary housing a reality for millions of American families.

WORKLOAD

1. Physical Condition Assessment. The REAC prescribes a standard building physical condition inspection protocol to assess the physical condition of properties. Trained and certified contractors, using hand-held computers, objectively record the conditions of each property. In fiscal year 2003, REAC will add two new business lines to the inspection process; Lead-Based Paint and Real Estate Owned inspections. All inspection results are transmitted electronically to REAC for review and scoring. Scores and report results are made available to PHAs, owners, and HUD staff via the Internet. Owners are required to completed needed repairs. To ensure that all contractors are performing accurate and timely inspections, REAC staffs perform quality assurance inspections periodically on every contract inspector.

REAC expects to complete inspections on approximately 26,500 properties in fiscal year 2003.

(Dollars In Thousands)

	Direct Charge Contracts	Quality Assurance Contracts
PIH	$5,110	$1,200
Housing (Not to Exceed)	6,092	5,836

2. Financial Soundness Assessment. REAC has developed an Internet-based financial assessment system that enables HUD to obtain real time access to program participant financial data in a secure systems environment. Using standard financial performance ratios and statistical scoring models, REAC provides HUD program offices with financial assessment scores that are used to identify risk, focus program resources and support enforcement actions. To ensure that the financial statements are accurate and are based on GAAP, on-site quality assurance reviews are perform by REAC staff. Additionally, financial data is used for trend analysis and comparative analysis of overall program management.

REAC expects to complete the assessments of financial statements from 3,169 PHAs, 7,000 lenders and over 21,000 multifamily properties in fiscal year 2003.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts
PIH	-	$1,549
Housing (Not to Exceed)	$1,000	2,132

3. Customer Satisfaction Assessment. Through REAC, HUD is completely revamping the way it works with its primary customers--residents of public- and FHA-assisted multifamily housing. Now they can directly communicate their level of satisfaction with their living conditions through HUD's Customer Service and Satisfaction Survey. To ensure objectivity, REAC uses a computerized program to randomly select tenants to be surveyed. A contractor mails survey questionnaires and enters resident responses into a database. Raw survey results are electronically transmitted to REAC for scoring and analysis. Scores and survey reports are provided to PHAs, which are required to develop action plans to address resident concerns. Multifamily owners use survey results as a management tool. The customer satisfaction survey helps make HUD and its housing partners more accountable to the people we serve.

REAC expects to survey residents in all 3,169 PHAs and a randomly selected number of multifamily properties (approximately 130,000 units) in fiscal year 2003.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts
PIH	$4,540	$260
Housing (Not to Exceed)	740	420

4. Management Operations Assessment. To obtain an annual assessment of the management operations, REAC has developed a Management Operations Assessment System. This is a secure web-based system, that authorized users access via the HUD-REAC website. Users enter detailed information to describe their management operations in each of six areas; unit turnaround, capital fund, work orders, annual inspection of units and systems, security and economic self-sufficiency. Unlike other REAC assessments, the management operations submission is self-certifying and makes adjustments for physical conditions and neighborhood environment. As with REAC's other assessment systems, management data submitted is reviewed and scored electronically and results are posted to the secure REAC website.

REAC expects to receive, review and score management data from all 3,169 PHAs in fiscal year 2003.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts
PIH	...	...

5. Integrated Assessment System. REAC is the data source for annual assessment and scoring of PHA performance under the Public Housing Assessment System (PHAS) Rule 24 CFR 902. Consistent with the rule, scores from physical, financial, management and resident satisfaction assessments are combined to form a single PHAS score. PHAS scores are used by PIH to identify troubled PHAs and refer them to Troubled Agency Recovery Centers for technical assistance.

In addition, REAC is the data source for annual assessment of multifamily properties. REAC produces physical, financial and resident satisfaction assessments. The assessments will be used as the basis for property, portfolio and program analysis and overall risk assessment of Multifamily Housing Programs.

REAC expects to produce PHAS scores for all 3,169 PHAs. In addition, REAC will produce integrated assessments for the entire multifamily portfolio of approximately 29,000 properties in fiscal year 2003.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts
PIH	...	$604
Housing (Not to Exceed)	...	1,208

6. Tenant Income Assessment. REAC's tenant income verification process is a state-of-the-art fraud prevention system. It uses sophisticated computer matching software to compare tenant-reported information in HUD systems with income data stored in Social Security Administration and Internal Revenue Service databases. When the income information does not match, REAC sends discrepancy reports either to tenants or to PHA administrators and property owners who must resolve the differences. Tenants who under-report their income in order to qualify for larger rental subsidies may have their assistance reduced or terminated or potentially face prosecution. In addition, REAC has customer service centers in Chicago, IL and Seattle, WA to assist tenants with inquiries.

REAC expects to perform computer matching of 4.5 million tenants in fiscal year 2003.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts
PIH	...	$561
Housing (Not to Exceed)	...	561

7. Single Family Appraisal Quality Assessment. In 1998, HUD announced a Homebuyer Protection Plan that dramatically reformed the FHA appraisal process. Most significantly, appraisers are now required to prepare and give prospective buyers a Consumer Summary Sheet that lists potential physical defects in a concise readable format. Additionally, REAC developed an assessment system to review and score the quality of all FHA single family appraisals. The REAC appraisal quality system includes national testing of all FHA appraisers, statistical appraisal review and risk rating of every new FHA appraisal and targeted field reviews on those appraisals and appraisers that pose the greatest risk to the homebuying public.

REAC expects to review 41,000 appraisals in fiscal year 2003.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts
Housing (Not to Exceed)	$8,880	$9,029

8. Customer Support. The need for customer support services is critical to the success of the REAC's mission. These services include information technology support, training, contracting services, and a customer service telephone center.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts
PIH	...	$604
Housing (Not to Exceed)	...	906

9. Information Technology Investment - Working Capital Fund

(Dollars In Thousands)

Funding Source	Development	Maintenance
WCF	$20,089	$12,700

Detail of Public and Indian Housing Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment (PIH)									
Assistant Secretary for PIH									
Overall Planning and Guidance of PIH Activities at HQ and the Field	NA		...	...	13.0		...	...	13.0
Subtotal					13.0				13.0
Policy, Program & Legislative Initiatives									
Propose/Implement Policies, Legislation, Rules, Regulations	NA		...	...	8.0		...	...	8.0
Perform Special Assignments	Number of Special Assignments Performed		17	614.11	5.0		17	614.11	5.0
Perform Program Management and Oversight	Number of Programs Managed		3	2,088.00	3.0		3	2,088.00	3.0
General Direction	NA		...	...	1.0		...	...	1.0
Subtotal					17.0				17.0
Public and Assisted Housing Delivery									
Manage Operating Subsidy Program	NA		...	...	5.0		...	...	5.0
Manage Resident Programs	# of grants administered		2,500	13.36	16.0		2,500	13.36	16.0
Perform Program Management, Monitoring and Oversight	Number of Section 8 PHAs		3,220	10.38	16.0		3,220	10.38	16.0
Manage PHDEP Programs	Number of PHDEP Programs		1,003	20.82	10.0		1,003	20.82	10.0
Section 8 Utilization/Section 8 Management Assessment Program (SEMAP)	NA		...	...			...	...	

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Rental Housing Integrity Improvement Project (RHIIP)	NA		...	...			...	...	
General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					**51.0**				**51.0**
Public Housing Investment									
Perform Budget Research and Funds Management	NA		...	...	1.0		...	...	1.0
Perform Programmatic Development and Operations management	Development, Implementation, and Monitoring Processes		38	2,143.00	39.0		38	2,143.00	39.0
Perform Programmatic Development and Operations management	Number of grants issued		3,000	6.96	10.0		3,000	6.96	10.0
General Direction	NA		...	...	1.0		...	...	1.0
Subtotal					**51.0**				**51.0**
Special Applications Center									
Review and Process Applications	No. of Applications Processed		296	91.89	13.0		296	91.89	13.0
General Direction	NA		...	...	1.0		...	...	1.0
Subtotal					**14.0**				**14.0**
Administration, Finance & Budget/CFO									
Perform Accounting and Financial Analysis	NA		...	...	5.0		...	...	5.0
Perform Administration Management	Number of Staff Supported		1,354	26.20	17.0		1,354	26.20	17.0
Perform Information Systems Development	NA		...	...	10.0		...	...	10.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide Procurement Support	No. of contracts/ Task Orders Executed		680	24.51	8.0		680	24.51	8.0
Perform Fund Tracking and Monitoring	NA		...	...	5.0		...	...	5.0
Perform Programmatic and Regulatory Monitoring	Process IG/GAO Requests		6	1,740.00	5.0		6	1,740.00	5.0
Perform Budget Formulation and Execution	NA		...	...	9.0		...	...	9.0
Develop and Implement national policy for section 8 funding and financial management for section 8 tenant-based and Mod Rehab programs	NA		...	...	8.0		...	...	8.0
General Direction	NA		...	...	7.0		...	...	7.0
Subtotal					**74.0**				**74.0**
Office of Troubled Agency Recovery & TARCS									
Provide Support to TARC	Number of TARCs		2	13,572.00	13.0		2	13,572.00	13.0
Process and Assess New Troubled PHAs	Number of New PHAs Processed		40	1,082.00	20.7		40	1,082.00	20.7
Perform Special Assignments	NA		...	...			...	...	
Monitor MOA/Workplan, Troubled PHA on site Recovery Visits	Number of Troubled PHAs Monitored/on site visits		200	415.51	39.8		200	415.51	39.8
Manage Troubled PHAs	Number of Troubled PHAs		50	2,664.29	63.8		50	2,664.29	63.8
General Direction	NA		...	...	3.7		...	...	3.7
Subtotal					**141.0**				**141.0**
Grant Management Center									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide Grants Processing Assistance	NA		...	...	4.0		...	...	4.0
Review and Process Categorical Grants - ROSS/Section 8	Number of ROSS/Section 8 Programs		34	890.47	14.5		34	890.47	14.5
Develop and Maintain Management Information System	NA		...	...	2.5		...	...	2.5
Provide Program Management and Processing	NA		...	...	2.0		...	...	2.0
General Direction	NA		...	...	2.0		...	...	2.0
Subtotal					**25.0**				**25.0**
Section 8 Financial Management Center									
Provide Program Support	NA		...	...	5.0		...	...	5.0
Process Vouchers	Number of Rejected Vouchers Processed		7,750	3.77	14.0		7,750	3.77	14.0
Perform MIS Activities	NA		...	...	2.0		...	...	2.0
Annual Budget Process & Report Monitoring	Budget Reports Generated		23,129	5.32	58.9		23,129	5.32	58.9
Budget Review & Analysis	Budgets Reviewed		20,588	4.17	41.1		20,588	4.17	41.1
General Direction	NA		...	...	2.0		...	...	2.0
Subtotal					**123.0**				**123.0**
DAS ONAP									
Support Native Edge Initiative	NA		...	...	6.0		...	...	6.0
General Direction	NA		...	...	10.0		...	...	10.0
Subtotal					**16.0**				**16.0**
ONAP National Program Office									
Provide Grant Policy Management and Evaluation	NA		...	...	4.0		...	...	4.0
Provide Grant Policy Oversight and Technical Assistance	NA		...	...	6.1		...	...	6.1

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Program Oversight, Processing and Technical Assistnace for Section 184 and Title VI	Number of Section 184 and Title VI Applications		660	15.50	4.9		660	15.50	4.9
General Direction	NA		...	...	3.0		...	...	3.0
Subtotal					**18.0**				**18.0**
Field Operations									
Provide Management and Oversight of Field Staff	NA		...	...	15.0		...	...	15.0
Subtotal					**15.0**				**15.0**
PIH Headquarters Total					**558.0**				**558.0**
Field Employment (PIH)									
Field Office HUBS and Program Centers									
Provide Technical Assistance, Management and Oversight	Number of Section 8 PHAs		2,580	54.22	67.0		2,580	54.22	67.0
Manage Capital Fund	Number of Low Rent PHAs		2,224	50.70	54.0		2,224	50.70	54.0
Monitor and Assist HOOP VI Grantees	# of Hope VI Grants		277	346.74	46.0		277	346.74	46.0
Provide management and Oversight	# of PHAs		3,430	64.53	106.0		3,430	64.53	106.0
Process PHA Plans	# of PHAs		3,425	14.63	24.0		3,425	14.63	24.0
Provide Administrative Support	NA		...	...	72.0		...	...	72.0
Provide Technical Assistance	# of PHAs		3,400	47.90	78.0		3,400	47.90	78.0
Perform Financial Analysis	# of PHAs		3,385	12.34	20.0		3,385	12.34	20.0
Perform Occupancy/admissions	# of PHAs		3,385	24.67	40.0		3,385	24.67	40.0
Provide Management and Oversight	Number of Low Rent PHAs		3,400	9.21	15.0		3,400	9.21	15.0
Administer Grants	# Non-Hope VI Grants		2,115	76.02	77.0		2,115	76.02	77.0
Section 8 Utilization	NA		...	...	10.0				10.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 — Underfunded Workload/ Allocation	Fiscal Year 2002 — Projected Accomplish-ment	Fiscal Year 2002 — Projected Unit Cost (Hrs)	Fiscal Year 2002 — FTE	Fiscal Year 2003 — Underfunded Workload/ Allocation	Fiscal Year 2003 — Projected Accomplish-ment	Fiscal Year 2003 — Projected Unit Cost (Hrs)	Fiscal Year 2003 — FTE
PHAS Oversight	NA		...	...	10.0				10.0
Rental Housing Integrity Improvement Program (RHIIP)			...	...					
General Direction	NA		...	...	43.0		...	...	43.0
Subtotal					**662.0**				**662.0**
Area Office ONAP									
Provide Management and Oversight	NA		...	...	74.0		...	...	74.0
Conduct Monitoring	Number of Onsite Monitoring Visits		142	264.67	18.0		142	264.67	18.0
Review Indian Housing plans	Number of Housing Plans Reviewed		534	117.30	30.0		534	117.29	30.0
Manage Grants	NA		...	...	8.0		...	...	8.0
General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					**134.0**				**134.0**
PIH Field Total					**796.0**				**796.0**
PIH Total					**1,354.0**				**1,354.0**
Headquarters Employment (REAC)									
Immediate Office									
Program Coordination and Liaison	NA	2	...	...	3.0	2	...	...	3.0
Provide General Direction	# of encumbered positions		...	2,088.00	5.0		...	2,088.00	5.0
Subtotal					**8.0**				**8.0**
Physical Assessment Sub-System									
Perform Physical Assessment Quality Assurance	# of quality assessments performed		45,000	1.90	41.0		45,000	1.90	41.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Perform Lead-Based Paint Review Quality Assurance	# of Lead-Base paint inspections	1,200	1,600	26.10	5.0	1,200	1,600	26.10	5.0
Perform Inspections/Valuation of HUD REO Properties	# of REO inspections/Valuations of HUD REO properties	1,300	2,600	4.82	3.0	1,300	2,600	4.82	3.0
Subtotal					**49.0**				**49.0**
Financial Assessment Sub-System (MF/LASS)									
Perform Financial assessment of Multifamily Property Owners	# of Multifamily Assessments performed		21,000	2.29	23.0		21,000	2.29	23.0
Subtotal					**23.0**				**23.0**
Financial Assessment Sub-System (Public Housing)									
Perform Financial assessments of Public Housing	# of Public Housing Financial Assessments performed	2,251	7,880	5.56	15.0	2,251	7,880	5.56	15.0
Subtotal					**15.0**				**15.0**
Financial Assessment Sub-System (QASS)									
Perform Quality Assurance Reviews of Independent Accounting Firms	# of Quality assurance reviews performed		250	150.36	18.0		250	150.36	18.0
Subtotal					**18.0**				**18.0**
Resident Service & Satisfaction Survey Subsystem									
Oversee Resident Satisfaction Survey Process	# of resident satisfaction surveys conducted	1	3	4,195.00	4.0	1	3	4,195.00	4.0
Subtotal					**4.0**				**4.0**
Management Assessment Subsystem									
Perform management certification assessments	# of management certification assessments		9,035	1.39	6.0		9,035	1.39	6.0
Subtotal					**6.0**				**6.0**
Integrated Assessments Sub-System									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Conduct Integrated assessments	# of annual Integrated assessments performed		56,000	0.48	13.0		56,000	0.48	13.0
Subtotal					**13.0**				**13.0**
Tenant Income Verification Sub-System									
Perform Tenant Income verification and eligibility assessments	# of Tenant Incomes verified	264,706	4,500,000	0.00790	16.00	264,706	4,500,000	0.00790	16.00
Su Subtotal					**16.0**				**16.0**
Single Family Appraisal Sub-System									
Perform Single Family Appraisal Quality Assurance	# of Appraisal Quality assessments performed annually	7,368	35,000	1.13	15.0	7,368	35,000	1.13	15.0
Subtotal					**15.0**				**15.0**
Technical Assistance Center									
Manage Technical Assistance Center	Level of Effort		...	...	3.0		...	...	3.0
Subtotal					**3.0**				**3.0**
Human Resource Management									
Provide Human Resources to REAC	# of Personnel supported		282	51.83	7.0		282	51.83	7.0
Subtotal					**7.0**				**7.0**
Contract Management									
Provide Contractor Oversight Services for REAC	# of Contracts administered	24	192	87.00	7.0	24	192	87.00	7.0
Subtotal					**7.0**				**7.0**
Financial Management									
Provide Administrative Support	# of Personnel supported	45	279	187.10	21.0	45	279	187.10	21.0
Subtotal					**21.0**				**21.0**
Information Technology									
Provide Information Technology Services for REAC	# of Systems	3	12	3,480.00	16.0	3	12	3,480.00	16.0
Subtotal					**16.0**				**16.0**

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
TASS									
Conduct Tenant Income Verification Reviews (CMIV)	# of CMIV Tenant Inquiries Received		112,921	0.76	41.1		112,921	0.76	41.1
Subtotal for REAC					**41.1**				**41.1**
REAC Headquarters Total					**262.1**				**262.1**

Detail of Public and Indian Housing Staff Requirements

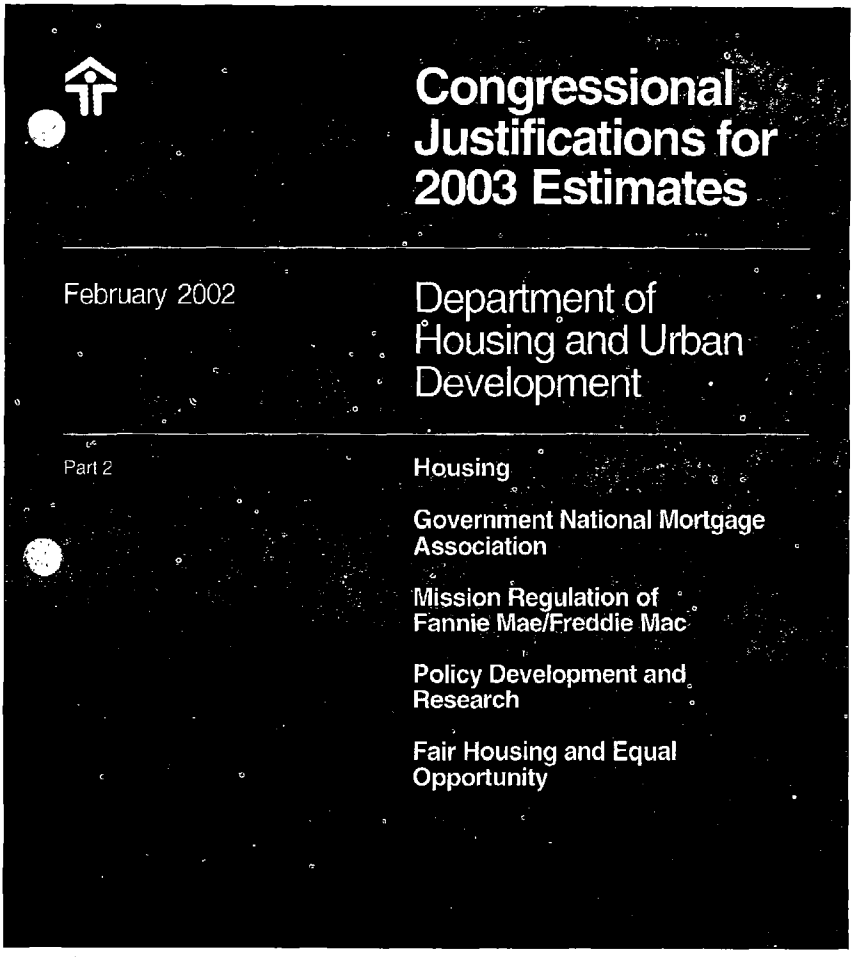
	Budget Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters Employment			
Public and Indian Housing			
Assistant Secretary for PIH	13.0	13.0	0.0
Policy, Program & Legislative Initiatives	17.0	17.0	0.0
Public and Assisted Housing Delivery	51.0	51.0	0.0
Public Housing Investment	51.0	51.0	0.0
Special Applications Center	14.0	14.0	0.0
Administration, Finance & Budget/CFO	74.0	74.0	0.0
Office of troubled agency recovery & TRACS	141.0	141.0	0.0
Grant Management Center	25.0	25.0	0.0
Section 8 Financial Management Center	123.0	123.0	0.0
DAS ONAP	16.0	16.0	0.0
ONAP National Program Office	18.0	18.0	0.0
Field Operations	15.0	15.0	0.0
Subtotal	**558.0**	**558.0**	**0.0**
Real Estate Assesment Center			
Immediate Office	8.0	8.0	0.0
Physical Assessment Sub-System	49.0	49.0	0.0
Financial Assessment Sub-System (MF/LASS)	23.0	23.0	0.0
Financial Assessment Sub-System (Public Housing)	15.0	15.0	0.0
Financial Assessment Sub-System (QASS)	18.0	18.0	0.0
Resident Service & Satisfaction Survey Subsystem	4.0	4.0	0.0
Management Assessment Subsystem	6.0	6.0	0.0
Integrated Assessments Sub-System	13.0	13.0	0.0
Tenant Income Verification Sub-System	16.0	16.0	0.0
Single Family Appraisal Sub-System	15.0	15.0	0.0
Technical Assistance Center	3.0	3.0	0.0
Human Resource Management	7.0	7.0	0.0
Contract Management	7.0	7.0	0.0
Financial Management	21.0	21.0	0.0
Information Technology	16.0	16.0	0.0
TASS	41.1	41.1	0.0
Subtotal	**262.1**	**262.1**	**0.0**
Total	**820.1**	**820.1**	**0.0**
Field Employment			
Public and Indian Housing			
Field Office HUBS and Program Centers	662.0	662.0	0.0
Area Office ONAP	134.0	134.0	0.0
Subtotal	**796.0**	**796.0**	**0.0**
Total	**796.0**	**796.0**	**0.0**

Detail of Public and Indian Housing Staff Requirements

	FTE			
	Actual 2001	Budget Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	761.0	820.1	820.1	0.0
Field	726.0	796.0	796.0	0.0
Total	**1,487.0**	**1,616.1**	**1,616.1**	**0.0**

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

The Public and Indian Housing Headquarters staff includes several out-stationed employees as well as the employees in the Special Applications Center, the two Troubled Agency Recovery Centers, the Section 8 Financial Management Center, and the Office of Native American Program National Office.


Congressional Justifications for 2003 Estimates
February 2002
Department of Housing and Urban Development
Part 2
Housing
Government National Mortgage Association
Mission Regulation of Fannie Mae/Freddie Mac
Policy Development and Research
Fair Housing and Equal Opportunity

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FISCAL YEAR 2003

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING FOR SPECIAL POPULATIONS
(HOUSING FOR THE ELDERLY OR HANDICAPPED PROGRAM)

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Elderly:				
Capital Grant and Project Rental Assistance Contracts (PRAC)	$779,000	$783,286	$783,286	...
Conversion to Assisted Living	[$49,890]	[$50,000]	[$30,000]	[-$20,000]
Service Coordinators/Congregate Services	[$49,890]	[$50,000]	[$53,000]	[+$3,000]
Rescission	-$1,714	...	...	...
PRAC Renewals	[...]	[$3,000]	[$15,647]	[+$12,647]
Working Capital Fund	[$499]	[$600]	[$250]	[-$350]
Subtotal	$777,286	$783,286	$783,286	...
Disabled:				
Capital Grant, PRAC and Vouchers	$217,000	$240,865	$250,515	+$9,650
Mainstream Voucher Contract Renewals	[...]	[$23,142]	[$32,157]	[+$9,015]
PRAC Renewals	[...]	[$1,300]	[$5,996]	[+$4,696]
Rescission	-$477	...	...	...
Working Capital Fund	[$499]	[$600]	[$250]	[-$350]
Subtotal	$216,523	$240,865	$250,515	+$9,650
Use of Recaptures	...	...	-$9,650	-$9,650
Total New Budget Authority	$993,809	$1,024,151	$1,024,151	...
Carryover/Recaptures	$2,819,436	$2,895,989	$2,895,989	...
Total Resources	$3,813,245	$3,920,140	$3,920,140	...
Obligations	$917,256	$1,024,151	$1,024,151	...
Budget Outlay	$773,973	$847,000	$885,000	+$38,000
Unit Reservations:				
Elderly	6,041	6,066	5,911	-155
Disabled	1,570	1,569	1,476	-93
Subtotal	7,611	7,635	7,387	-248
Elderly PRAC Renewal	...	1,632	4,690	+3,058
Disabled PRAC Renewal	...	691	1,670	+979
Mainstream Voucher Contract Renewal	...	3,510	5,355	+1,845

NOTE: Elderly Capital Grants, PRAC renewals, and Service Coordinator/Congregate Services amounts for fiscal year 2003 include the reuse of recaptures.

SUMMARY OF BUDGET ESTIMATES

An appropriation of $1.024 billion is proposed for Housing for Special Populations in fiscal year 2003. This appropriation, together with recaptures of prior year obligations and cancellations of previous commitments, will maintain new grant awards for the development of projects serving the elderly and for persons with disabilities, at not less than the level enacted in fiscal year 2002. Included in this amount is an estimated $15.6 million to renew expiring Project Rental Assistance Contracts (PRAC) under the elderly program and $6 million for renewal of disabled PRAC Renewals. In addition, $32 million is requested for renewal of the mainstream vouchers under the disabled program. Of the total funds for the elderly, $30 million will be used to continue the conversion of existing elderly projects to assisted living facilities, and a total of $53 million for an expanded Service Coordinators/Congregate Services program is proposed to provide services in projects for the elderly and the disabled. Not less than $500 thousand is to be transferred to the Working Capital Fund for information technology in fiscal year 2003. Of the total funding proposed for the disabled, up to 25 percent is available for tenant-based assistance to provide for program flexibility and more choice in housing for low-income persons with disabilities.

EXPLANATION OF INCREASES AND DECREASES

For the 2003 Budget, new appropriations of $1.024 billion are requested to fund elderly and disabled activities. Although the total 2003 Budget for Housing for Special Populations did not increase, there are increases and decreases in the programs within the Housing for Special Populations account. Amounts necessary for the renewal of PRAC contracts for elderly projects expiring in 2003 increase by $13 million and Disabled PRAC renewals increase by $5 million from the 2002 level. In addition, the estimated cost of renewing expiring Mainstream Voucher contracts has increased by $9 million. Grants for the conversion of elderly projects to assisted living is being decreased by $20 million, due to the low initial response to this new authority. This request also includes an increase of $3 million for the cost of expanding eligibility for service coordinators for projects that serve the disabled in addition to the current program that serves elderly residents in assisted housing developments. However, up to $10 million in recaptures or cancellations of prior year commitments will be used to fully fund this activity.

PROGRAM DESCRIPTION AND ACTIVITY

The Supportive Housing Programs. The supportive housing programs were authorized by Section 801 and Section 811 of the Cranston-Gonzalez National Affordable Housing Act to provide eligible private non-profit organizations with capital grants and rental assistance to provide housing for very low-income elderly or disabled individuals. The capital grants will be used to finance the acquisition, acquisition and moderate rehabilitation, construction, reconstruction, or rehabilitation of housing intended for use as supportive housing for elderly people or people with disabilities. Supportive housing is designed to meet the special physical needs of elderly or disabled individuals and to accommodate the provision of supportive services.

Capital Grants for Conversion to Assisted Living. These funds will be available to existing HUD elderly subsidized projects that convert some or all units to assisted living. Typical funding will cover basic physical conversion of existing project units, common and services space. These competitive grants would be available to existing HUD project owners who demonstrate strong commitment to: (1) serve eligible frail elderly and disabled residents, and (2) promote resident autonomy, independence, choice and control. Existing project owners must provide supportive services for the residents either directly or through a third party. Examples of both mandatory and optional supportive services (which will vary from state to state) would include: (1) 24-hour staff for protective oversight and personal care, (2) two meals per day, (3) housekeeping services, (4) personal counseling, and (5) transportation.

Service Coordinators. Section 808 of the Cranston-Gonzalez National Affordable Housing Act authorized the use of Service Coordinators within existing projects for the elderly or people with disabilities. Sections 674 and 676 of the Housing and Community Development Act of 1992 expanded the universe of projects eligible to receive service coordinator assistance by authorizing funding for service coordinators in Section 8 and Sections 221(d)(3) and 236 projects. The purpose of the Service Coordinators program is to enable residents who are elderly, or people with disabilities to live as independently as possible in their own homes. The $53 million set-aside for fiscal year 2003 for Service Coordinators/Congregate Services is reflected in the tables above under the Elderly heading for presentation purposes only. Disabled projects are also eligible for funding within the overall total.

Service Coordinator funds pay the salary and fringe benefits of a Service Coordinator and cover related program administrative costs. The primary responsibility of a Service Coordinator

is to help link residents of eligible housing with supportive services provided by community agencies. The Service Coordinator may also perform such activities as providing case management, acting as an advocate or mediator, coordinating group programs, or training housing management staff.

Congregate Housing Services Program (CHSP). This program was authorized by the Housing and Community Development Amendments of 1978 to provide 3- to 5-year grants to fund services for eligible residents of Public Housing and Section 202 Housing for the Elderly or Handicapped. The intent was to avoid costly and premature or unnecessary institutionalization of individuals and to reduce Government outlays for institutional care. The program was revised in 1992 to add other assisted housing programs.

The CHSP grant from HUD, in conjunction with grantee match and participant fees, subsidizes the cost of supportive services that are provided on-site and in the participant's home. Such services may include congregate meals, housekeeping, personal assistance, transportation, personal emergency response systems, case management, and preventative health programs. HUD requires that each program includes a Service Coordinator and that each makes at least one hot congregate meal available every day to participants. Eligible participants are residents of eligible housing who are frail (i.e., have difficulty performing three or more activities of daily living) or are people with disabilities age 18 or older.

CHSP funds allow residents of subsidized housing to afford supportive services that enable them to continue living as independently as possible in their homes for as long as possible. Without this program, most of the low- and very low-income participants would have no choice but to relocate to a facility that provides a higher level of care, such as a nursing home, to meet their daily living needs.

Vouchers. Up to 25 percent of total funding for supportive housing for persons with disabilities will be made available for tenant-based assistance to increase program flexibility. The assistance will allow disabled renters to search for and rent a standard unit in the private market. This is known as "mainstreaming" recipients into the housing market.

The Direct Loan Program. The Housing for the Elderly or Handicapped Direct Loan program was authorized by Section 202 of the Housing Act of 1959, as amended. The program is no longer active, although projects developed under it continue to operate. The program provided direct loans to nonprofit organizations sponsoring the construction and management of rental housing for the elderly or handicapped. Projects originally developed under Section 202 also receive Section 8 subsidies to enable low-income households to afford the rents in these projects. The 1992 VA-HUD-IA Appropriations Act (Public Law 102-139) provided language to enable the conversion of pipeline Section 202 direct loan projects to the Supportive Housing program starting January 1, 1992. All of the pipeline Section 202 projects were converted in fiscal year 1992. Any remaining activity for the loan program includes amendments for projects reaching final endorsement, payment of interest and repayment of borrowings to Treasury, and management of the loan portfolio

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Section 202 Loan Program:				
Outlays	-$462,000	-$484,000	-$525,000	+$45,000
Direct loans outstanding, end of year	7,804,000	7,623,000	7,403,000	-220,000

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Housing for Special Populations account funds the targeted Section 202 program for low income elderly families and the Section 811 housing program for persons with disabilities, both of which are necessary to achieve HUD's Strategic Goal 3: Improve the Quality of Public Housing and Provide More Choice for its Residents, Strategic Goal 4: Strengthen and Expand Faith-Based and Community Partnerships that Enhance Communities, Strategic Goal 6: Embrace High Standards of Ethics, Management and Accountability, and Strategic Goal 7: Ensure Equal Opportunity and Access to Housing.

NOTE: Targets are preliminary and may be revised with the submission of the full Annual Performance Plan document

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	$371,000	$380,300	$380,200
FTE			
Headquarters	9	11	11
Field	150	152	152
Subtotal	159	163	163
Strategic Objective 3.2: Improve the management accountability for public and assisted housing.			
Indicator: Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 2.5 percentage points.	29.2%	24.2%	21.7%
Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.			
Indicator: The share of public housing and assisted multifamily units that meet HUD-established physical standards increases by 1.5 percentage points.	92.5%	95.5%	97%
Indicator: The share of HUD-Assisted Properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage points for assisted multifamily housing.	39.6% anticipated	39%	38.4%
The average satisfaction of assisted renters and public housing tenants with their overall conditions increases by 1 percentage point.	71%	72%	73%
Indicator: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.	90.8%	91.5%	92.2%
Strategic Goal 4: Strengthen and expand faith-based and community partnerships that enhance communities.			
Discretionary BA (Dollars in Thousands)	$140,000	$144,600	$144,600
FTE			
Headquarters	5	6	6
Field	55	56	56
Subtotal	60	62	62
Strategic Objective 4.1: Ensure equal access to HUD resources for faith-based and grassroots non-profits.			
Increase the number of faith-based and community organization grant applications and successful grantees from FY 2003 baseline by FY 2004.	NA	NA	Establish Baseline

Housing for Special Populations

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$51,300	$53,700	$53,600
FTE			
Headquarters	5	6	6
Field	17	17	17
Subtotal	22	23	23
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			
HUD partners become more satisfied with the Department's performance, operations, and programs.	202/811 = 88%	NA	at least 88%
Strategic Goal 7: Ensure equal opportunity and access to housing.			
Discretionary BA (Dollars in Thousands)	$431,700	$445,600	$445,500
FTE			
Headquarters	20	24	24
Field	165	167	167
Subtotal	185	191	191
Strategic Objective 7.2: Improve the accessibility of housing to persons with disabilities.			
Strategic Objective 7.3: Improve housing options for the elderly.			
Indicator: The number of assisted-living units that HUD supports through FHA insurance and conversion of Section 202 elderly units increases.	Baseline To Be Determined	Increase over Baseline	Increase over FY 2002
Indicator: The number of elderly households living in private assisted housing developments served by a service coordinator for the elderly increase by 10 percent.	Baseline To Be Determined	Baseline +10%	Baseline + 20%
Indicator: Service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments and neighborhoods.	Baseline To Be Determined	Baseline +10%	Baseline + 20%
Indicator: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 250 projects to initial closing under Sections 202 and 811.	226	291	250
Indicator: At least 10 Section 202 developments will complete conversion of units to assisted living by 2003.	NA	NA	10
FTE Total	426	439	439

NA = Not Applicable

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

MORTGAGE AND LOAN INSURANCE PROGRAMS

SUMMARY OF THE BUDGET ESTIMATE

A. Mortgage Insurance Commitment Limitations. The Budget requests an overall mortgage insurance commitment limitation of $181 billion on new fiscal year 2003 FHA loan commitments. The proposed total includes $160 billion under the Mutual Mortgage and Cooperative Management Housing Insurance (MMI/CMHI) Fund, which will exclusively support insurance of home mortgages; and $21 billion under the General and Special Risk Insurance (GI/SRI) Fund which supports home, multifamily rental, and an assortment of special purpose (hospitals, nursing homes, etc.) mortgage insurance.

B. Direct Loan Limitations. The Budget requests a direct loan limitation of $50 million under the MMI/CMHI account. A direct loan limitation of $50 million is also requested for the GI/SRI account. These direct loans will be used to facilitate the acquisition and disposition by non-profit intermediaries of FHA single family and multifamily acquired properties.

C. Appropriations for Administrative Expense. The Budget requests a total of $776 million for administrative and administrative contract expenses in the FHA program accounts. Of this total, $572 million will be transferred to Salaries and Expenses (S&E), HUD; $24 million will be transferred to the appropriation for the Office of Inspector General; and $180 million for administrative contract expenses. Of the total $596 million to be made available by transfer to the Department's Salaries and Expenses S&E and The Office the Inspector General (OIG) accounts, $363 million would be funded in the MMI/CMHI account and $233 million would be in the GI/SRI account.

D. Appropriation for Mortgage Insurance Credit Subsidies. The Budget requests an appropriation of $15 million to support the credit subsidies associated with loan guarantees committed under the FHA's GI/SRI account. The credit subsidy is based on the net cost to the Government, exclusive of administrative expenses, of a direct loan or loan guarantee over its full term, discounted to present value at the Treasury's borrowing cost. In cases where premium and fee income is projected to be more than sufficient to support full costs (i.e., there is no net Federal cost), a negative credit subsidy is generated as revenue to offset other spending or reduce the deficit.

PROGRAM DESCRIPTION

Through mortgage insurance, FHA helps lenders reduce their exposure to risk of default. This assistance allows lenders to make money available to more borrowers for home and home improvement loans, and apartment, hospital, and nursing home loans. FHA provides a vital link to financing for America's housing needs.

Mortgage insurance has made financing available in neighborhoods and geographic areas facing economic uncertainty, and to individuals and families not adequately served by the conventional mortgage market. FHA has been a product innovator, and has seen the private sector follow with similar products and terms once they learn from FHA's experience. FHA spreads and manages risk through geographically dispersed loan insurance activity and a portfolio that is diverse in borrowers and products.

Supporting FHA Administrative Costs

Annual Appropriations Acts include amounts under the MMI/CMHI and GI/SRI program accounts to be transferred to the Department's Salaries and Expenses account and to the Office of Inspector General to support the general overhead costs associated with the administration of the various insurance funds. In addition to these amounts, the program accounts also include appropriations to pay for certain programmatic contract expenses relating to the conduct of FHA's endorsement, accounting and servicing, portfolio analysis, and other activities directly related to operations of the funds. For fiscal year 2003 the Department is proposing a total appropriation for the contract expenses of $180 million, of which $86 million is in the MMI/CMHI account and $94 million is in the GI/SRI account. Of the total appropriation, not less than $36 million is to be transferred to the Working Capital Fund for development of information technology systems for the administration of FHA programs.

Costs associated with acquisition, management and disposition of specific assets, Headquarters-directed as well as field originated, are capitalized into the costs of those properties and notes, and affect the profit or loss realized on the disposition of the assets. These costs are not included in the FHA contract totals in the program accounts, but rather are reflected in the net cash flows reported in the FHA liquidating and financing accounts.

Mortgage and Loan Insurance Programs (FHA Fund)

STRATEGIC GOALS AND OBJECTIVES

While FHA has a specific mission and defined goals, it also contributes to the larger goals of the Department. Through its Single Family 203(k) program, which provides for combined purchase and rehabilitation financing, FHA contributes to community revitalization and development. Through its Multifamily Mixed-Income product, available to convert public and other housing to mixed-income developments, FHA contributes to opening housing markets and encouraging economic and social integration. Through FHA's Neighborhood Networks initiative, residents learn new skills and gain access to information that can help them become less dependent on assistance, and successfully make the transitions required by welfare reform. Disposition and rehabilitation of multifamily owned property are increasingly a part of the broader community plans and efforts.

FHA's ongoing objective is to continue to enhance its business capacity and to better serve its public purpose. FHA has focused significant effort to become more streamlined, market-driven, and effective in furthering the Nation's community and housing goals, including increasing the national homeownership rate to an all time high. More remains to be done to ensure that FHA is a blend of the best of public and private business worlds: a business-driven entity created to serve a public mission, and flexible enough to act quickly and cost-effectively in rapidly changing markets.

The fiscal year 2003 Budget provided strategic goals for the Department, including: (1) make the homebuying process less complicated, the paperwork demands less demanding and the mortgage process itself less expensive; (2) help families move from rental housing to homeownership; (3) improve the quality of public housing and provide more choices for its residents; (4) strengthen and expand faith-based and community partnerships that enhance communities; (5) effectively address the challenge of homelessness; (6) embrace high standards of ethics, management and accountability; (7) ensure equal opportunity and access to housing; and (8) support community and economic development efforts.

Establishing these goals, with appropriate objectives and indicators, enables FHA to focus activities on measurable results. Specific objectives and performance measures for the MMI and GI/SRI funds are discussed in each of the following sections.

MUTUAL MORTGAGE AND COOPERATIVE MANAGEMENT HOUSING INSURANCE ACCOUNT

PROGRAM HIGHLIGHTS

		ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
			(Dollars in Millions)		
APPROPRIATION REQUEST					
Insurance Commitment Limitation		$160,000	$160,000	$160,000	...
Use		-$134,841	-$147,339	-$142,441	+$4,898
Subtotal		$25,159	$12,661	$17,559	+$4,898
Direct Loan Limitation		$250	$250	$50	-$200
Administrative Transfers (S&E & OIG)		$331	$337	$348	+$11
Reserve for Retiree costs	a/	[$16]	[$16]	$15	-$1
Rescission		-$1	NA	NA	NA
Non-overhead admin. costs		$160	$160	$86 b/	-$74
Discretionary outlays (Net)					
Program Account Discretionary Outlays		$506	$527	$428	-$99
Reserve for Retiree Costs	a/	[$16]	[$16]	$15	-$1
Subtotal		$506	$527	$443	-$100
Mandatory Outlays (Net):					
Mandatory Outlays, Liquidating account		$4,576	$1,178	$179	-$999
Mandatory Offsetting Collections		-$2,481	-$4,422	-$1,879	+$2,543
Subtotal		$2,095	-$3,244	-$1,700	+$1,544
Mortgage Insurance Commitments: (Units)					
Homes Current		1,191,631	1,245,755	1,175,604	-70,151
Insurance Written (units):					
Homes Current		1,007,472	1,198,842	1,160,355	-38,487
Insurance Written (dollars):					
Homes Current		$107,449	$133,557	$121,674	-$11,883
Insurance in-force (dollars):					
Homes		$459,523	$485,826	$542,896	+$57,070
Payment of insurance claims		$5,059	$3,786	$3,699	-$87
Negative Subsidy (Discretionary)		-$2,246	-$2,791	-$2,938	-$147

a/ Beginning in fiscal year 2003, the Budget presents the amounts associated with shifting the cost for benefits accrued to the Federal retirees from central accounts to affected program accounts. The costs associated with the proposal are shown on a comparable basis for program accounts in fiscal years 2001 and 2002.

b/ The lower amount requested for fiscal year 2003 includes the transfer to the working capital fund and reflects ADP systems development costs; the decrease from fiscal year

2002 represents a direct appropriation to the working capital fund for systems infrastructure and maintenance costs.

SUMMARY OF BUDGET ESTIMATES

Credit Limitation. The Budget requests $160 billion as limitation on new insurance commitments for fiscal year 2003. This limitation includes standby commitments to avoid the need for supplemental appropriations if the demand for insurance should exceed the projected level; but standby commitments are not reflected in the estimates for net outlays and receipts.

An estimated $134 billion of insurance will be written in 2002, and $122 billion in 2003.

Appropriation Request. An appropriation of $449 million is requested for administrative expenses for fiscal year 2003. Of this sum, $359 million is to be transferred to the Departmental Salaries and Expenses, $4 million to the Office of Inspector General accounts, and $86 million for contract expenses, including a transfer of not less than $21 million to the Working Capital Fund for system development.

The MMI Fund is expected to generate $2.8 billion of negative subsidy on insurance written in fiscal year 2002 at a subsidy rate of -2.07 percent, and $2.9 billion in 2003 at a subsidy rate of -2.53 percent.

Administration Legislative Proposal. The President's 2003 Budget corrects a long-standing understatement of the true cost of the Civil Service Retirement System (CSRS) and the Federal Health Benefits Program (FEHB). For some time, the accruing charge of CSRS and all retiree health benefits has been charged to central accounts. Beginning in fiscal year 2003, the Department's request reflects the shifting of these costs from central accounts to the Department. The $15 million represents the related charges for the MMI fund in 2003.

EXPLANATION OF INCREASES AND DECREASES

1. Mortgage Origination. FHA anticipates that it will endorse less insurance in MMI single family mortgages in fiscal year 2003 ($122 billion and 1.16 million homes) than in fiscal year 2002 ($134 billion and 1.20 million homes), due to projected changes in economic conditions. However, the negative subsidy amount increases from 2002 to 2003 due to a more negative subsidy rate (-2.07 percent in 2002, and -2.53 percent in 2003). No additional commitment authority is requested in 2003 above the $160 billion in 2002.

2. Mortgage Assignment, Property Acquisitions, and Property Sales. In 2002 and 2003, FHA will acquire notes under Section 601 of the 1999 Appropriations Act. These notes will be transferred to joint venture partners, with the partner providing an upfront payment to FHA at the time of the transfer. FHA will retain an equity interest until the partner disposes of the notes, and will receive additional payments for that interest.

The claim costs for acquired properties is projected to be an estimated 3 percent below the 2002 levels, using the claim rates from the 2001 Actuarial Review, as adjusted for program changes. These changes include increased use of the loss mitigation techniques in 2002 and 2003, and increased use of note claims under Section 601 of the 1999 Appropriations Act. Sales of properties are projected based on the estimated inventory at the end of fiscal year 2002 and estimated acquisitions in fiscal year 2003.

3. Additional Request An additional $16 million is included for 2001 and 2002 for full funding of retiree health benefits, and of CSRS retirement benefits, and an additional $15 million in 2003.

4. Financial Activity. Net outlays in 2003 are estimated at -$3.5 billion for all accounts, including the off-budget financing accounts.

The fiscal year 2003 Budget shows negative subsidy disbursed to the Liquidating Account through the financial planning period, where it can be invested in special Treasury securities and earn interest.

PROGRAM DESCRIPTION AND ACTIVITY

MMI/CMHI Funds. The Mutual Mortgage Insurance Fund consists of the basic single family home mortgage program (Section 203(b)), the largest of all the FHA programs.

The Section 203(b) program, enacted in the National Housing Act of 1934, provides mortgage insurance for one- to four-family residences. This program has contributed to expanding the opportunities for homeownership in the United States and will continue to meet the needs of first-time homebuyers, working families, and minority families, as well as underserved communities, especially central city and rural areas. Under the 203(b) program, any person able to meet the cash investment, mortgage payments and credit requirements may obtain an FHA-insured loan from a private lending institution to purchase a home. Since its inception through September 30, 2000, the MMI Fund has insured approximately $1.2 trillion in mortgages for about 19 million families.

Mortgage and Loan Insurance Programs - MMI/CMHI Accounts

The Cooperative Management Housing Insurance Fund contains the Cooperative Housing Insurance program (Section 213), which provides mortgage insurance for cooperative housing projects of more than five units that are occupied by members of a cooperative housing corporation. The insurance program can be used for new construction, rehabilitation, acquisition, improvement or repair of a project and resale of individual memberships in the cooperative. This program was enacted in 1950 and only minor program activity has occurred in recent years.

A reduction in the direct loan program is proposed from the $250 million limitation enacted for 2002 to $50 million in 2003. The $250 million limitation was in anticipation of increased demand for the disposition of single family properties which has not occurred due to the availability of alternative financing.

PROPOSED CHANGES FOR 2003 FROM THE 2002 BUDGET ASSUMPTIONS:

Single Family proposes for MMI:

- Claim estimates from the claim rates in the 2001 Actuarial Review, as adjusted for anticipated programmatic changes;
- Implementation of the Hybrid ARMs legislation enacted as part of the 2002 Budget;
- Implementation of the mortgage notes program authorized in section 601 of the 1999 Appropriations Act is now anticipated to begin in 2002, a delay of one year from the 2002 Budget assumption; and
- Recoveries on properties to net 65 percent, in line with current recoveries.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The strategic goals established for the Department are to: (1) make the homebuying process less complicated, the paperwork demands less demanding and the mortgage process itself less expensive; (2) help families move from rental housing to homeownership; (3) improve the quality of public housing and provide more choices for its residents; (4) strengthen and expand faith-based and community partnerships that enhance communities; (5) effectively address the challenge of homelessness; (6) embrace high standards of ethics, management and accountability; (7) ensure equal opportunity and access to housing; and (8) support community and economic development efforts.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 1: Make the home-buying process less complicated, the paperwork less demanding and the mortgage process less expensive.			
Discretionary BA (Dollars in Thousands)	$22,200	$22,300	$19,500
FTE			
Headquarters	0	0	0
Field	44	45	45
Subtotal	44	45	45
Strategic Objective 1.1: Reform Real Estate Settlements Procedures Act (RESPA) rules.			
Indicator: Average closing costs for FHA loans goes down from fiscal years 2001- 2006.	Baseline TBD	NA	NA
Strategic Objective 1.2: Eliminate practices that permit predatory lending.			
Indicator: By the end of fiscal year 2003, FHA will prevent the issuance of FHA mortgage insurance on properties that have been transferred within 6 months.	NA	NA	Implement rule
Indicator: FHA will restrict excessive points and fees on FHA loans.	NA	NA	Publish rule

Mortgage and Loan Insurance Programs - MMI/CMHI Accounts

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$311,800	$315,800	$276,900
FTE			
Headquarters	101	112	112
Field	519	527	527
Subtotal	620	639	639
Strategic Objective 2.1: Expand national homeownership opportunities.			
Indicator: Improve National homeownership opportunities	68.1%	68.5%	NA
Indicator: Loss mitigation claims are more than 40 percent of total claims on FHA-insured single-family mortgages	46%	48%	40%
Indicator: The share of all homebuyers who are first-time homebuyers	Data not available	NA	NA
Indicator: The number of FHA single-family mortgage insurance endorsements nationwide.	1,067,000	NA	NA
Indicator: First-time homebuyers will account for at least 80 percent of FHA-insured home-purchase mortgages.	80%	82%	80%
Indicator: The homeownership rate among households with incomes less than median family income.	52.6%	NA	NA
Indicator: The homeownership rate in central cities.	52.3%	NA	NA
Strategic Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities.			
Indicator: The minority homeownership rate will increase to 50 percent.	49.2%	NA	50%
Indicator: The ratio of homeownership rates of minority and nonminority low and moderate-income families with children increases by 0.4 percentage points to 76.0 percent by 2003.	75.6% anticipated	NA	76%
Indicator: The ratio of home purchase mortgage disapproval rates between minority and other applicants.	175.4% anticipated	NA	NA
Indicator: The share of minority homebuyers among FHA home purchase-endorsements increases by 1 percentage point.	45%	46%	47%
Indicator: The share of minority endorsements processed by the FHA Technology Open To All Lenders (TOTAL) Scorecard increases by 1 percentage point.	NA	Establish Baseline	Baseline plus 1 percentage point
Indicator: Endorse at least 421,000 FHA single-family mortgages in underserved communities.	404,697	425,000	421,000
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$168,500	$170,600	$149,100
FTE			

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Headquarters	196	203	203
Field	138	141	141
Subtotal	334	344	344
Strategic Objective 6.1: Improve HUD's management and internal controls, including FHA's financial management and resolve audit issues.			
Indicator: The FHA Mutual Mortgage Insurance Funds meets Congressionally mandated capital reserve targets.	3.75%	At least 2%	At least 2%
Indicator: Exceed the rate of net recovery received on the sale of property through the Accelerated Claim Program Demonstration (Section 601).	NA	Establish Baseline	Exceed Baseline
Indicator: The number of non-compliant financial management systems is reduced from 11 to 8.	NA (FY 2000 = 11)	NA	8
Indicator: During fiscal year 2003, eight additional mission-critical data systems will be certified, increasing the total number of certified systems to fifteen.	NA	7	15
Indicator: The share of REO properties that are sold to owner occupants will increase by 5 percent.	NA	Establish Baseline	Baseline plus 5%
Indicator: FHA will address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions to be completed by December 2006.	NA	NA	NA
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			
Indicator: HUD will implement procedures to hold lenders accountable for the selection and performance of appraisers for FHA-insured mortgages.	NA	Publish proposed rule	Implement procedures
Strategic Goal 7: Ensure equal opportunity and access to housing.			
Discretionary BA (Dollars in Thousands)	$3,000	$3,000	$2,600
FTE			
Headquarters	6	6	6
Field	0	0	0
Subtotal	6	6	6
Strategic Objective 7.1: Reduce housing discrimination.			
Indicator: The share of FHA loan applications processed through Automated Underwriting Systems increases by 10 percentage points.	NA	Establish Baseline	Baseline plus 10 percentage points
Strategic Goal 8: Support community and economic development efforts.			
Discretionary BA (Dollars in Thousands)	$500	$1,000	$900
FTE			

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Headquarters	1	2	2
Field	0	0	0
Subtotal	1	2	2
Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.			
FTE Total	1,005	1,036	1,036

NA = Not applicable.

Mortgage and Loan Insurance Programs - GI/SRI Accounts

GENERAL AND SPECIAL RISK INSURANCE ACCOUNT

PROGRAM HIGHLIGHTS

		ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
			(Dollars in Millions)		
APPROPRIATION REQUEST					
Insurance Commitment Limitation		$21,000	$21,000	$21,000	...
Direct Loans Limitation		$50	$50	$50	...
Budget Authority					
Administrative Expenses		$211	$216	$224	+$8
Reserve for Retiree Costs	a/	[$10]	[$10]	$9	-$1
Contract Expenses		$144	$144	$94 b/	-$50
Positive Credit Subsidy		$101	$15	$15	...
Supplemental		$40 c/	...	...	...
Rescission		-$1	...	...	...
Subtotal		$495	$375	$342	-$43
Program level					
Use of insurance commitment limitation		$15,418	$17,003	$18,689	+$1,686
Administrative Expenses					
Appropriation, S&E Transfer		$211	$216	$224	+$8
Reserve for Retiree Costs	a/	[$10]	[$10]	$9	-$1
Appropriation, Contract Costs		$144	$144	$94 b/	-$50
Subtotal		$355	$360	$327	-$43
Credit Subsidy Reservations:					
Appropriations		$101	$15	$15	...
Insurance Commitments (dollars) :					
Multifamily		$3,362	$5,299	$6,324	+$1,025
Hospitals		$279	$100	$500	+$400
Homes		$10,152	$9,877	$9,877	...
Title I		$167	$227	$188	-$39
Nursing Homes (includes refis)		$1,458	$1,500	$1,800	+$300
Subtotal		$15,418	$17,003	$18,689	+$1,686
Insurance Written (units):					
Multifamily		68,465	83,500	107,689	+24,189
Hospitals		...	...	...	...
Homes		96,327	102,067	102,067	...
Title I		12,235	14,077	9,500	-4,577
Nursing Homes (includes refis)		26,963	32,235	35,704	+3,469
Subtotal		203,990	231,879	254,960	+23,081
Insurance Written (dollars):					
Multifamily		$3,353	$5,323	$6,068	+$745
Hospitals		$107	$100	$500	+$400
Homes		$10,152	$9,877	$9,877	...
Title I		$167	$227	$188	-$39

Mortgage and Loan Insurance Programs - GI/SRI Accounts

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Millions)		
Nursing Homes (includes refis) .	$1,458	$1,500	$1,800	+$300
Subtotal	$15,237	$17,027	$18,433	+$1,406

a/ Beginning in fiscal year 2003, the Budget presents the amounts associated with shifting the cost for benefits accrued to the Federal retirees from central accounts to affected program accounts. The costs associated with the proposal are shown on a comparable basis for program accounts in fiscal years 2001 and 2002.

b/ The lower amount requested for fiscal year 2003 includes the transfer to the working capital fund and reflects ADP systems development costs; the decrease from fiscal year 2002 represents a direct appropriation to the working capital fund for systems infrastructure and maintenance costs.

c/ Emergency supplemental appropriation was provided by Congress but not requested by the Department.

SUMMARY OF BUDGET ESTIMATES

A. Credit Limitation. A limitation on new insurance commitments for fiscal year 2003 of $21 billion is requested. It is estimated that $8.1 billion in insurance will be issued for multifamily and healthcare related programs in fiscal year 2003 for 143,393 units. Another $500 million is estimated in hospital mortgage insurance. Single family and Title I commitments are projected at $10 billion in fiscal year 2003 for an estimated 111,567 units.

A direct loan limitation of $50 million is requested. Of this amount, $30 million is intended for bridge loan financing to facilitate the sale of multifamily projects, and $20 million is for 5-year purchase money mortgages for non-profit and governmental agencies to make HUD-acquired single family properties available for resale to purchasers at or below 115 percent of area median incomes.

B. Appropriations. The 2003 request includes appropriations of $15 million for positive credit subsidy necessary for commitments related to various multifamily programs and for the Title I property improvements loan program in the GI/SRI program account. Appropriations of $327 million in administrative expenses are requested for 2003, of which $213 million is transferred to the Departmental Salaries and Expenses Account, $20 million is transferred to the Office of Inspector General account, and $94 million for contract expenses, including a transfer of not less than $14 million to the Working Capital Fund for system development.

C. Administration Legislative Proposal. The President's 2003 Budget corrects a long-standing understatement of the true cost of the Civil Service Retirement System (CSRS) and the Federal Health Benefits Program (FEHB). For some time, the accruing charge of CSRS and all retiree health benefits has been charged to central accounts. Beginning in fiscal year 2003, the Department's request reflects the shifting of these costs from central accounts to the Department. The $9 million represents the related charges for the GI/SRI fund in 2003.

	ACTUAL 2001	CURRENT ESTIMATE 2002	ESTIMATE 2003	INCREASE + DECREASE - 2002 vs 2003
		(Dollars in Millions)		
APPROPRIATION REQUEST				
INSURANCE COMMITMENT				
Limitation Enacted/Requested	$21,000	$21,000	$21,000	...
Direct Loans	50	50	50	...
BUDGET AUTHORITY				
Discretionary:				
Administrative Expenses (S&E)	211	216	224	+8
Reserve for retiree costs	[10]	[10]	9	+1

Mortgage and Loan Insurance Programs - GI/SRI Accounts

	ACTUAL 2001	CURRENT ESTIMATE 2002	ESTIMATE 2003	INCREASE+ DECREASE - 2002 vs 2003
	(Dollars in Millions)			
Non-overhead administrative expenses.	144	144	94	-50
Positive Subsidy Appropriations	101	15	15	...
Supplemental	40	...	...	...
Rescission..	-1	...	...	...
Total Discretionary Approp	495	375	342	-41
Offsetting Receipts	-103	-257	-173	+84
Legislative Savings	...	-218	...	+218
Mandatory:				
Liquidating account (net)	2,474	1,009	1,023	+14
Mortgage sales	[-393]	[-163]	[-208]	[-45]
Program Account Upward Reestimate...	246	995	NA	-995
Receipt Account	...	-113	-40	+73
Receipt Account Downward Reestimate .	-517	-1,542	NA	+1,542
BUDGET OUTLAYS				
Discretionary:				
Administrative expenses (S&E)	211	216	224	+8
Reserve for retiree costs	[10]	[10]	9	+1
Non-overhead administrative expenses	120	144	107	-37
Credit Subsidy	100	36	15	-21
Offsetting receipts	-103	-475	-173	+302
Mandatory:				
Liquidating account (net)	73	1,278	958	-320
Program Account Upward Reestimate...	246	995	NA	-995
Receipt Account	...	-113	-40	+73
Receipt Account Downward Reestimate	-517	-1,542	NA	+1,542

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 request also includes estimated commitments of $19 billion in loan programs where the present value of projected revenues from new insurance exceeds the present value of estimated costs, resulting in the generation of negative credit subsidy. This negative credit subsidy of $173 million from new insurance will be a discretionary offset against the total budget authority of the Department.

PROGRAM DESCRIPTION AND ACTIVITY

A. GI/SRI Insurance Programs. The Department will continue to offer a range of alternative loan guarantee programs to address specialized mortgage financing needs. These products include mortgage insurance for rehabilitating, developing, and refinancing of apartment buildings, nursing home facilities, nonprofit hospitals and Title I loans. The Department's insurance programs will continue to meet the Nation's need for decent, safe and affordable housing.

B. Hospital Programs. The Department will continue the Section 242 Program, which provides mortgage insurance for loans made for the construction, renovation and/or equipping of acute care hospitals. Since the program began in 1968, FHA has insured 311 hospital mortgages totaling more than $9 billion. The Hospital Mortgage Insurance Program also includes: Section 241 supplemental loans; Section 223(a)(7) loans for refinancing existing insured projects; and Section 223(e) loans for hospitals in older, economically declining urban areas. The Hospital Mortgage Insurance Program is administered by HUD Headquarters, with support from staff at the U.S. Department of Health and Human Services.

C. Multifamily Credit Subsidy Rates. The Department continuously devotes significant efforts in updating and refining credit subsidy estimates. The credit subsidy estimates were developed after extensive consultation with OMB by FHA and reflect substantial additional analysis by the Department. Each year the extensive statistical base, from which projections of future loan performance is calculated, is updated for an additional year of actual data. The Department and The Office of Management and Budget (OMB) continue to examine the data, assumptions, and calculations, which are used to estimate loan program cash flows and subsidy rates in order to eliminate errors, and to seek improvements in the accuracy and reliability of the analysis.

The multifamily credit subsidy rates used in the fiscal year 2002 Budget, and in previous years, reflected historic performance data of similar loans made over the past 40 years. Numerous questions have been raised over the resulting performance assumptions yielded by this reliance on historical data in light of the substantial improvements made in recent years in underwriting, program monitoring, and asset management, as well as unprecedented changes in tax law in the 1980's adversely affecting the performance of loans in the FHA portfolio at that time.

Mortgage and Loan Insurance Programs - GI/SRI Accounts

Concern over the accuracy of the FHA credit subsidy estimates was magnified by the depletion of appropriated subsidy amounts, and suspension of new loan guarantee commitments in the last two fiscal years. To avoid further disruption of the program in 2002, the Administration increased the premiums charged for section 221(d)(4) new construction/substantial rehabilitation loan guarantees from 50 basis points to 80 basis points, which caused this program to break-even and eliminated the requirement for appropriated credit subsidy. Freed from dependence on credit subsidy appropriations, this program has generated unprecedented loan volumes since the start of the fiscal year. The new premium structure, however, has raised concerns that the FHA subsidy estimating methodology was resulting in the imposition of excessive fees, and potentially impeding the development of affordable rental housing.

The Department and OMB agreed upon the use of a new statistical analysis applied to loan level data to estimate FHA's historical conditional claim and prepayment rates and to project loan performance in the future. These key assumptions are modeled using such factors as the change in the 10-year bond rate and the Gross Domestic Product, the multifamily vacancy rate, and the net present value of tax benefits and to estimate these rates in the future using projected values of these variables. Use of this regression analysis combined with updated actual loan performance and other technical improvements in the cash flow model itself yielded a break-even premium for fiscal year 2003 of 57 basis points. The analysis includes all FHA multifamily data relevant to current forms of insurance; no time periods have been judgmentally excluded. The econometric analysis, however, adjusts expected performance to account for the effects of changes in the economy and in tax treatment of multifamily investments.

This premium reduction will be effective for loans made in fiscal year 2003. In addition, FHA will reduce the premium for section 207 manufactured home parks and section 220 development loans to 61 basis points. This is a break-even premium rate for this new risk category, and requires no appropriated credit subsidy.

The modeling improvements adopted for the section 221(d)(4) program also significantly lowered the subsidy rate for the section 221(d)(3) new construction loan program for cooperatives and non-profits, and corrections in the analysis of historical data for the section 241(a) supplemental/additions program also had a similar effect. However, since positive credit subsidy continues to be required, no reduction in the 80 basis point premium for these programs is proposed.

D. Title I Program Subsidy Rates. The fiscal year 2003 estimates for the Title I Programs reflect the loan characteristics of the property improvement and the manufactured housing program, which are incorporated into the cash flows, which are used to calculate the subsidy rate for loan programs in accordance with the Federal Credit Reform Act of 1990.

E. Title II Program Single Family Subsidy Rates. The GI/SRI single family credit subsidy estimates also reflect review of loan performance. This includes updated loan performance data and assumptions of the major GI/SRI single family programs that are currently active. Those mortgage insurance programs are 234(c) Condominium Housing and 203(k) Purchase/Rehabilitation. Other small programs that do not have sufficient volume to model and estimate individually are included in the Sec. 234(c) risk category for budgetary purposes.

The following table displays the estimated allocation of commitment authority and subsidy by program for fiscal year 2003.

Mortgage and Loan Insurance Programs - GI/SRI Accounts

GI/SRI PROGRAMS	Commitment Authority FY 2003	Subsidy Rate FY2003	Positive Subsidy BA FY 2003
Multifamily & Healthcare			
Apartments NC/SR (includes Mixed Use)	$3,500,000,000	-0.06%	
221 (d3) NP coop owned apts.	$200,000,000	3.93%	$7,860,000
Tax Credit Projects	$500,000,000	-0.65%	
Mixed Income d4 (Hope VI)	$50,000,000	-0.33%	
Apartments Refinance	$960,000,000	-2.17%	
241a Supplemental loans for Apts.	$50,000,000	6.35%	$3,175,000
223 Operating Loss Loans	$8,500,000	18.69%	$1,588,650
HFA Risksharing	$650,000,000	-1.37%	
GSE Risksharing	$105,000,000	-1.36%	
FHA Full Insurance for Health Care Facilities	$1,300,000,000	-1.19%	
Health Care Refinance	$500,000,000	-1.97%	
Other Rental	$300,000,000	-0.07%	
Hospitals (includes refi. & Suppl. Loan)	$500,000,000	-2.76%	
Multifamily & Healthcare Subtotal	**$8,623,500,000**		**$12,623,650**
Single Family Programs			
Title I			
Property Improvements	$117,750,000	2.02%	$2,378,550
Manufactured Housing	$70,000,000	-0.47%	
Title I Subtotal	**$187,750,000**		**$2,378,550**
Title II			
234 Condominium Housing & Other	$8,482,000,000	-1.08%	
203(k) Rehabilitation Mortgage	$1,395,000,000	-0.46%	
Title II Subtotal	**$9,877,000,000**		
Single Family Subtotal	$10,064,750,000		$2,378,550
Stand-by Authority	$2,311,750,000		
GI/SRI TOTAL	**$21,000,000,000**		**$15,002,200**

F. Office of Multifamily Housing Assistance Restructuring (OMHAR). The Multifamily Assisted Housing Reform and Affordability Act of 1997 was enacted in the 1998 Appropriations Act. The legislative authority establishing OMHAR ended September 30,2001. However, Public Law 107-116 extends OMHAR as an entity within the Office of Housing for 3 years and extends the attendant mortgage restructuring authority for 5 years. The extension of the Mark-to-Market program authority is estimated to reduce net FHA costs by $218 million over the 2002-2006 period. The debt restructuring process is expected to preserve over 130,000 units of affordable housing stock through long-term use agreements.

As of December 1, 2001 OMHAR reported completing over 1,100 rent reductions and closed 340 debt restructurings, averaging 30-35 properties per month during fiscal year 2001. The restructurings are performed through oversight of a national network of 21 public Participating Administrative Entities (PAEs), and 8 private partners. OMHAR staff is currently located in a central District of Columbia office and three satellite field offices, located in Chicago, New York and San Francisco, which oversees the program through nationally consistent guidelines, which provide for local flexibility to the extent possible.

The 1,100 transactions completed by OMHAR resulted in a reduction in annual Section 8 outlays of $79,254,894. The average rent reduction is $89 per unit per month. The reductions in future Section 8 outlays and expected recoveries of second mortgage payments exceed the one-time costs of restructuring for FHA claims and PAE costs. In addition to ensuring long-term financial viability and achieving Section 8 savings, physical and managerial assessments are conducted for each property to assure the long-term viability of the portfolio. Expenses are analyzed to ensure efficient operations. Immediate capital needs are addressed through repair escrows. Long-term physical needs are provided for through increased deposits to reserve for replacement accounts. Initial deposits to these accounts were increased on average from $1,304 to $1,994 per unit, and annual deposits increased on average from $310 to $403 per unit per year.

The M2M program realigns the owners' and HUD's interest by providing a return on the owner's equity through a capital recovery payment, an incentive performance fee, and 25 of net cash flow. The financial structure of the properties is designed to ensure efficient operations and maintenance of the properties. HUD is closely monitoring the performance of restructured properties through a portfolio management contract and through a "watch list" for at-risk properties which had rents reduced without a debt restructuring.

A significant amount of work still remains to be completed. Approximately 800 deals are currently in various stages of restructuring. There are another 3,400 Section 8 contracts expiring over the life of OMHAR's proposed extension, at least a third of which are estimated to be above market and eligible for Mark-to-Market.

G. Mortgage Note Sales. FHA successfully executed GI/SRI Multifamily Mortgage Note Sales in fiscal year 2001 which will continue into 2004. In 2001, FHA sold 139 unsubsidized mortgage notes with an unpaid principal balance (UPB) of $623 million. These notes were valued to HUD at $332 million. The net sales proceeds amounted to $426 million. Negative subsidies realized from the sales amounted to $94 million.

FHA plans to continue selling Multifamily unsubsidized mortgage notes in fiscal year 2002 through 2004. Currently, large portions of the remaining multifamily notes are subsidized. Therefore, FHA is also planning to sell the subsidized inventory staring in fiscal year 2003. Ongoing note sale activity in the future will be driven by the amount of salable notes entering the inventory

H. Multifamily Enforcement. The Department's multifamily housing enforcement strategy reflects the integrated and coordinated efforts of the Real Estate Assessment Center (REAC) within the Office of Public and Indian Housing and the Departmental Enforcement Center (DEC), an element of the Office of the General Counsel. REAC is completing a comprehensive and uniform portfolio wide assessment of the physical and financial condition of all the properties. Results are being forwarded to Housing's Multifamily Hubs for additional actions. The Multifamily Hubs are responsible for servicing the loans and overseeing subsidy contracts. In those cases where there appear to be severe performance problems, cases are referred to the DEC. The DEC evaluates each case it receives and, where the DEC decides that severe problems exist, the DEC provides an action plan to be implemented by the Hubs to address the problem(s). Qualitative improvement in the assessment and enforcement effort is being realized through the centralization and specialization of these staff. The ultimate goal, however, is improved living conditions for residents, improved neighborhoods, communities, and improved financial performance for FHA because performance standards for participants are raised.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The strategic goals established for the Department are to: (1) make the homebuying process less complicated, the paperwork demands less demanding and the mortgage process itself less expensive; (2) help families move from rental housing to homeownership; (3) improve the quality of public housing and provide more choices for its residents; (4) strengthen and expand faith-based and community partnerships that enhance communities; (5) effectively address the challenge of homelessness; (6) embrace high standards of ethics, management and accountability; (7) ensure equal opportunity and access to housing; and (8) support community and economic development efforts.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 1: Make the home-buying process less complicated, the paperwork less demanding and the mortgage process less expensive.			
Discretionary BA (Dollars in Thousands)	$1,900	$1,400	$1,300
FTE			
Headquarters	0	0	0
Field	5	5	5
Subtotal	5	5	5
Strategic Objective 1.1: Reform Real Estate Settlements Procedures Act (RESPA) rules.			
Indicator: Average closing costs for FHA loans goes down from fiscal years 2001- 2006.	Baseline TBD	NA	NA
Strategic Objective 1.2: Eliminate practices that permit predatory lending.			
Indicator: By the end of fiscal year 2003, FHA will prevent the issuance of FHA mortgage insurance on properties that have been transferred within 6 months.	NA	NA	Implement rule
Indicator: FHA will restrict excessive points and fees on FHA loans.	NA	NA	Publish rule

Mortgage and Loan Insurance Programs - GI/SRI Accounts

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Indicator: By the end of fiscal year 2003, FHA will prevent the issuance of FHA mortgage insurance on properties that have been transferred within 6 months.			
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$224,700	$169,200	$152,200
FTE			
Headquarters	40	46	46
Field	554	562	562
Subtotal	594	608	608
Strategic Objective 2.1: Expand national homeownership opportunities.			
Indicator: Improve National homeownership opportunities	68.1%	68.5%	NA
Indicator: Loss mitigation claims are more than 40 percent of total claims on FHA-insured single-family mortgages	46%	48%	40%
Indicator: The share of all homebuyers who are first-time homebuyers	Data not available	NA	NA
Indicator: The number of FHA single-family mortgage insurance endorsements nationwide.	1,067,000	NA	NA
Indicator: First-time homebuyers will account for at least 80 percent of FHA-insured home-purchase mortgages.	80%	82%	80%
Indicator: The homeownership rate among households with incomes less than median family income.	52.6%	NA	NA
Indicator: The homeownership rate in central cities.	52.3%	NA	NA
Strategic Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities.			
Indicator: The minority homeownership rate will increase to 50 percent.	49.2%	NA	50%
Indicator: The ratio of homeownership rates of minority and nonminority low and moderate-income families with children increases by 0.4 percentage points to 76.0 percent by 2003.	75.6% anticipated	NA	76%
Indicator: The ratio of home purchase mortgage disapproval rates between minority and other applicants.	175.4% anticipated	NA	NA
Indicator: The share of minority homebuyers among FHA home purchase-endorsements increases by 1 percentage point.	45%	46%	47%
Indicator: The share of minority endorsements processed by the FHA Technology Open To All Lenders (TOTAL) Scorecard increases by 1 percentage point.	NA	Establish Baseline	Baseline plus 1 percentage point
Indicator: Endorse at least 421,000 FHA single-family mortgages in underserved communities.	404,697	425,000	421,000
Strategic Objective 2.3: Increase the availability of affordable rental housing.			
Indicator: FHA endorses at least 650 multifamily mortgages.	758	800	650

Mortgage and Loan Insurance Programs - GI/SRI Accounts

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	$136,800	$105,700	$92,900
FTE			
Headquarters	26	31	31
Field	335	340	340
Subtotal	361	371	371
Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.			
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$87,900	$65,800	$57,800
FTE			
Headquarters	194	193	193
Field	38	38	38
Subtotal	232	231	231
Strategic Objective 6.1: Improve HUD's management and internal controls, including FHA's financial management and resolve audit issues.			
Indicator: Exceed the rate of net recovery received on the sale of property through the Accelerated Claim Program Demonstration (Section 601).	NA	Establish Baseline	Exceed Baseline
Indicator: The number of non-compliant financial management systems is reduced from 11 to 8.	NA (FY 2000=11)	NA	8
Indicator: During fiscal year 2003, eight additional mission-critical data systems will be certified, increasing the total number of certified systems to fifteen.	NA	7	15
Indicator: The share of REO properties that are sold to owner occupants will increase by 5 percent.	NA	Establish Baseline	Baseline plus 5%
Indicator: FHA will address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions to be completed by December 2006.	NA	NA	NA
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			
Indicator: HUD will implement procedures to hold lenders accountable for the selection and performance of appraisers for FHA-insured mortgages.	NA	Publish proposed rule	Implement procedures
Indicator: Under the M2M program, HUD will reduce the rents and where appropriate, complete a mortgage restructuring on 500 deals.	607	750	500
Strategic Goal 7: Ensure equal opportunity and access to housing.			
Discretionary BA (Dollars in Thousands)	$3,400	$2,600	$2,300
FTE			

Mortgage and Loan Insurance Programs - GI/SRI Accounts

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Headquarters	2	2	2
Field	7	7	7
Subtotal	9	9	9
Strategic Objective 7.1: Reduce housing discrimination.			
Indicator: The share of FHA loan applications processed through Automated Underwriting Systems increases by 10 percentage points.	NA	Establish Baseline	Baseline plus 10 percentage points
Strategic Objective 7.3: Improve housing options for the elderly.			
Indicator: The number of assisted-living units that HUD supports through FHA insurance and conversion of Section 202 elderly units increases.	Establish Baseline	Increase over Baseline	Increase over FY 2002
Strategic Goal 8: Support community and economic development efforts.			
Discretionary BA (Dollars in Thousands)	$50,400	$40,400	$35,600
FTE			
Headquarters	12	16	16
Field	121	126	126
Subtotal	133	142	142
Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.			
Indicator: The number of multifamily rental units in underserved areas insured by FHA increases by 5 percent.	9,526	10,000	10,500
FTE Total	**1,334**	**1,366**	**1,366**

NA = Not applicable.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING COUNSELING ASSISTANCE

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Appropriations:				
HOME Program/Housing Counseling set-aside	$19,956 a/	$20,000 a/	...	-$20,000
Proposed Housing Appropriation	...	...	$35,000	+$35,000
Subtotal	$19,956	$20,000	$35,000	+$15,000
Budget Outlays				
HOME Program/Housing Counseling set-aside	... a/	... a/	...	...
Proposed Housing Appropriation	...	...	$9,000	+$9,000
Subtotal	...	...	$9,000	+$9,000

a/ Reported in the HOME Program account.

SUMMARY OF BUDGET ESTIMATES

The Budget proposes a new, free-standing appropriation of $35 million for Housing Counseling for fiscal year 2003. Funds for this activity were previously made available under an earmark in the HOME appropriation.

EXPLANATION OF INCREASES AND DECREASES

The current year request for $35 million is an increase of $15 million over fiscal year 2002. A total of more than 363,000 clients were served by housing counseling agencies in 2000 (using HUD funding), an 18 percent increase from 1999. The increased funding will serve an estimated 150,000 additional clients over time. The following table shows the comparison of the current use of funds with the proposed usage.

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
	(Dollars in Thousands)		
National and Regional Intermediaries	$9,950	$9,950	$18,000
Local Housing Counseling Agencies	6,600	6,600	9,000
Units of State or Local Governments	...	...	2,000
State Housing Finance Agencies	1,000	1,000	... a/
HECM Set-aside	956	1,000	1,000
Native American	150	...	...
Colonias	...	...	250
Housing Counseling Clearinghouse	1,000	1,000	1,000
Training for Counselors	300	450	3,750
Total	19,456	20,000	35,000

a/ Funding for State Housing Finance Agencies is now being shown under the category entitled Units of State or Local Government.

Housing Counseling Assistance

PROGRAM DESCRIPTION AND ACTIVITY

The Housing Counseling Assistance program, administered by the Office of Housing, provides a wide variety of counseling assistance to renters, homebuyers and homeowners to assist them in improving their housing condition and choices, and meeting the responsibilities of tenancy and homeownership. Fourteen HUD-approved intermediaries distribute a significant percentage of the program. Intermediaries are national and regional organizations that have local housing counseling agency affiliates that they fund and support with training. Justifying the proposed funding request are the following:

- New Evidence of Counseling Impact - There is new quantitative research that demonstrates that housing counseling can be very effective in reducing mortgage delinquency. In a recently released study, Freddie Mac concludes that housing counseling can reduce delinquency by as much as 26 percent. By limiting delinquency and foreclosure, housing counseling is a cost-effective way to reduce the FHA's exposure to risk while contributing to the growth and stability of communities across the country.

- Significant Demand for Funding - Judging by the magnitude of the requests for funding, the demand for housing counseling services already far exceeds the supply. In fiscal year 2000 (latest available data), HUD received requests for three times more funding than was available. In total, 390 organizations submitted proposals for nearly $37 million. Ultimately, 362 organizations were awarded approximately $13.1 million.

- New Homeownership Initiatives - An increase in housing counseling funds is also needed to complement several of the Administration's new initiatives and proposals aimed at increasing homeownership opportunities for low-and moderate-income families. For example, HUD's new Section 8 Homeownership Program, which allows low-income individuals to use rental vouchers to purchase homes, requires participants to receive housing counseling. Similarly, the President is proposing to triple funding to faith-and community-based, self-help housing programs like Habitat for Humanity. Other proposed programs, like the Down Payment Assistance Initiative, and a tax credit for developers of affordable single family housing, would also potentially expand homeownership opportunities for low-income and minority Americans, significantly increasing the demand for housing counseling.

- Minority Homeownership - Increasing the availability of housing counseling is central to many of the Department's strategic goals and priorities, such as improving minority homeownership rates. While more than two-thirds of Americans own their own home, fewer than half of African-American and Hispanic families are homeowners. An increase in funding will help build the capacity of counseling agencies across the nation. Additional funding will also expand services in places like the Colonias, and enable agencies across the country to hire and train bilingual counselors, and produce materials in multiple languages, in order to reach out to, and assist, Hispanics and other minorities in buying a home.

- Predatory Lending - Housing counseling is a fundamental element of community-based efforts to counter predatory lending. First time, minority homebuyers are especially vulnerable to predatory lending practices. Housing counseling is one of the most cost-effective ways to help unwary borrowers avoid inflated appraisals, unreasonably high interest rates, unaffordable repayment terms, and other conditions which can result in a loss of equity, increased debt, default, and even foreclosure.

- Training Counselors at HUD-Approved Agencies - Increased funding is needed for: (1) comprehensive training; (2) predatory lending, specialized training in the 203(k), HECM and loss mitigation programs; and (3) establishment of a testing mechanism to identify training needs. The goal is to develop a certificate program for housing counseling.

- Efficient Use of Staff - The Department has placed increased emphasis on providing counseling through the funding of national and regional intermediary organizations. These organizations provide sub-grants and technical assistance to networks of affiliated local community-based housing counseling agencies. As a result of this arrangement, an increase in program funding will allow the Department to expand the availability of counseling, without requiring significantly more Departmental staff time and other resources to properly manage the program.

Housing Counseling Assistance

STRATEGIC GOALS AND OBJECTIVES: (RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Department is reviewing the options for developing a performance measure intrinsic to the Housing Counseling program.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$19,956	$20,000	$22,000
FTE			
Headquarters	0	0	0
Field	69	70	70
Subtotal	69	70	70
Strategic Objective 2.1: Expand national homeownership opportunities.			
Indicator: Housing Counseling is provided to 40 percent more homebuyers or homeowners in fiscal year 2004 than in fiscal year 2003	NA	NA	Establish Baseline
More than 62 percent of total mortgagors receiving default counseling will successfully avoid foreclosure.	NA	NA	62
Strategic Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities.			
In fiscal year 2003, the percentage of Housing Counseling clients who are minorities will increase to 56.5 to support the Department's goal of increasing the minofity homeownership rate.	Data not available (FY 2000 = 55.8%)	NA	56.5%
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	...	...	$7,900
FTE			
Headquarters	0	0	0
Field	25	25	25
Subtotal	25	25	25
Strategic Objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.			
Indicator: The number of households who have used Housing Choice vouchers to become homeowners increases by 20 percent.	NA	Establish Baseline	Baseline + 20%
Strategic Goal 5: Effectively address the challenge of homelessness.			
Discretionary BA (Dollars in Thousands)	$0	$0	$1,900
FTE			
Headquarters	6	6	6
Field	0	0	0
Subtotal	6	6	6
Strategic Objective 5.2: Help homeless individuals and families move to permanent housing.			

Housing Counseling Assistance

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Housing Counseling is provided to 40 percent more renters and homeless clients in FY 2004 than in FY 2003.	NA	NA	Establish Baseline
Strategic Goal 7: Ensure equal opportunity and access to housing.			
Discretionary BA (Dollars in Thousands)	...	...	$3,200
FTE			
Headquarters	0	0	0
Field	10	10	10
Subtotal	10	10	10
Strategic Objective 7.3: Improve housing options for the elderly.			
Indicator: Service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments and neighborhoods.	Baseline to be determined	Increase over Baseline	Increase over FY 2002
FTE Total	110	111	111

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

MANUFACTURED HOUSING STANDARDS PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level:				
State Plans Approved	35	35	35	...
Manufactured homes produced	191,249	200,000	210,000	+10,000
Transportable sections produced	338,565	350,000	367,500	+17,500
Budget Authority				
Prior Authorization	$1,876	NA	NA	NA
New Authorization	$6,100a/	$13,566	$13,000	-$566
Subtotal	$7,976	$13,566	$13,000	-$566
Obligations	$11,029	$13,566	$13,000	-$566
Budget Outlays	$10,068	$14,566	$13,000	-$1,566

NA =Not Applicable

a/ Amount represents fees collected after the enactment of P.L. 106-569.

SUMMARY OF BUDGET ESTIMATES

HUD requests a $13 million appropriation in fiscal year 2003 which will be used to: (1) cover the contractual costs of the program; (2) make payments to the States for the costs of investigating purchaser complaints; and (3) cover the Department's expenses for staff. Payment for this last item is made through a transfer to the "Salaries and Expenses, HUD" account. The Department will ensure that staffing is sufficient for proper enforcement of standards and to respond to questions concerning the uniformity and consistency of code revision. Also, the Department will assess its program cost to ensure the program is implemented in an economical and efficient manner. The appropriation will be fully supported by the collection of fees.

EXPLANATION OF INCREASES AND DECREASES

In fiscal year 2003, the manufactured housing program will continue to carry out the responsibilities of the 2000 Act. The number of manufactured homes and transportable sections produced are expected to increase over the 2002 estimated level of 210,000 homes and 350,000 transportable sections by over 5 percent. Fees are charged for each manufactured home transportable section produced and will be used to fund the costs of all authorized activities necessary for the Consensus Committee, HUD, and its agents to carry out all aspects of the manufactured housing reform legislation at the appropriated level of funding.

PROGRAM DESCRIPTION AND ACTIVITY

The National Manufactured Housing Construction and Safety Standards Act of 1974, as amended by the Manufactured Housing Improvement Act of 2000, authorizes the Secretary of HUD to establish Federal manufactured home construction and safety standards for the construction, design, and performance of manufactured homes. The standards are to govern quality, durability, and safety among other things. The Act took effect June 15, 1976, and all manufactured homes produced since then must meet Federal manufactured home construction and safety standards.

A fee is charged to producers to cover the cost of administering the Act. Activities authorized by the Act include the following:

1. Establishment of Standards. Under the Act, the Secretary is directed to establish appropriate Federal manufactured home standards for the construction, design, and performance of manufactured homes which meet the needs of the public, including quality, durability, and safety.

2. Consensus Committee. In 2000, the Act was amended to establish a consensus standards and regulatory development process. HUD has contracted for an Administering Organization and will support a Consensus Committee to implement the revised standards process.

3. Enforcement of Standards. Enforcement of the standards is accomplished mainly by third-party primary inspection agencies. These agencies can be private or State agencies and are approved and monitored by HUD.

4. Addressing noncompliance with Standards. Title VI of the 1974 Act requires that every company that builds manufactured homes provide HUD with the plans for each model produced. The manufacturer is required to issue a certification that each section built meets the Federal standards in effect at the time of production. If the Department determines that any manufactured home does not comply with standards or contains a defect constituting a significant safety hazard, it may require the producer to notify the purchaser of the manufactured home of the defect. In certain cases, HUD may require repair, replacement or refund of the price of the defective section(s).

5. Administration and Enforcement of Installation Standards and Dispute Resolution Program. The 2000 Act calls for the development of new installation standards and a new program for dispute resolution.

Currently, 35 States have had their State Administrative Agencies approved for participation in the program. Also, 17 Primary Inspection Agencies (7 private and 10 State) are approved as qualified to serve as a Design Approval Primary Inspection Agency and/or Production Inspection Primary Inspection Agency.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

This program contributes to achieving HUD Strategic Objective 6.2 "Improve accountability, service delivery and customer service of HUD and our partners." By regulating manufactured housing construction, HUD ensures construction conforms to established safety standards.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$5,000	$11,566	$11,000
FTE			
Headquarters	2	4	4
Field	0	0	0
Subtotal	2	4	4
Strategic Objective 2.1: Expand national homeownership opportunities.			
Indicator: Improve National homeownership opportunities			
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$1,100	$2,000	$2,000
FTE			
Headquarters	12	23	23
Field	0	0	0
Subtotal	12	23	23
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			
HUD will work to monitor the progress of the Administering Organization and the Manufactured Housing Consensus Committee and hold each			

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
accountable for milestones and responsibilities provided in the Manufactured Housing Improvement Act of 2000.			
FTE Total	**14**	**27**	**27**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

INTERSTATE LAND SALES

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level:				
Number of Filing Actions	810	1,020	1,020	...
Budget Authority				
Mandatory, Fees (Permanent, Indefinite Appropriation)	$321	$350	$350	...
Budget Outlays	$321	$350	$350	...

SUMMARY OF BUDGET ESTIMATES

For fiscal year 2003, the Budget reflects $350 thousand of budget authority for this program as a permanent indefinite appropriation. This is the same level projected for 2002. This budget authority represents estimated fees derived from developers for the registration of subdivisions. HUD's administrative costs associated with this program are partially paid by the fees collected from land developers.

In fiscal year 2003, the estimated program activity level is projected to be 1,020 filings.

EXPLANATION OF INCREASES AND DECREASES

The number of filings in fiscal year 2003 is expected to continue at the fiscal year 2002 estimated level of 1,020, resulting in $350 thousand in fees.

PROGRAM DESCRIPTION AND ACTIVITY

The Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended) authorizes a nationwide program of registration of subdivisions marketed in interstate commerce. The program is intended to protect consumers by making relevant information available to them when they are considering purchasing land. The Act generally applies, by law and administrative regulation, to subdivisions of undeveloped land sold or offered for sale or lease through interstate commerce. Statutory and regulatory penalties are imposed on developers who fail to file and keep a registration statement current with the Office of Interstate Land Sales Registration, or who fail to furnish each purchaser with a copy of an effective Property Report before the purchaser signs a purchase or lease contract.

The Act provides for submission of a Statement of Record describing a proposed subdivision in detail, accompanied by maps, contract documents and certifications designed to fully disclose relevant information about the subdivision. Each prospective purchaser must be furnished with a Property Report which sets forth the disclosure in easy to understand terms. The program concentrates on securing full disclosure of pertinent facts through the registration process and bringing enforcement action in the event of abuses.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

This program contributes to achieving HUD Strategic Goal 2 "Help families share in the American dream and become stakeholders in their communities by making the move from renting to homeownership." Interstate Land Sales program protects consumers from fraud and abuse in the sale or lease of land.

Interstate Land Sales

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 1: Make the home-buying process less complicated, the paperwork less demanding and the mortgage process less expensive.			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE			
Headquarters	13	23	23
Field	0	0	0
Subtotal	13	23	23
FTE Total	13	23	23

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

FLEXIBLE SUBSIDY FUND

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level: (Regular Program)				
Unobligated Balance, SOY	$279,189	$281,851	$300,348	+$18,497
Offsetting Collections, Net	$14,736	$20,000	$20,000	...
Recapture from prior years:	$1,503	...	...	...
Obligations	-$13,577	-$1,503	...	+$1,503
Unobligated Balance, EOY	$281,851	$300,348	$320,348	+$20,000

SUMMARY OF BUDGET ESTIMATES

During fiscal year 2003, carryover from fiscal year 1995, the last year when authority was provided, will be used for new reservations. Recaptured funds from prior years that had used fiscal year 1995 carryover will also be used for new reservations. Activity will be restricted to structure and health and safety needs in projects that received Section 202 loans and capital advances. In addition, the refunding of excess rental income remitted to the Department could be made from either the Rental Housing Assistance Fund or the Flexible Subsidy Fund, as authorized by Section 532 of the fiscal year 2000 Appropriations Act and amended by Section 861 of the American Homeownership and Economic Opportunity Act of 2000.

EXPLANATION OF INCREASES AND DECREASES

Offsetting collections for fiscal year 2003 are expected to be the same as in fiscal year 2002. Funds from fiscal year 1995 are not anticipated to be available for obligation. The unobligated balance will only consist of excess rental income.

PROGRAM DESCRIPTION AND ACTIVITY

The Flexible Subsidy Fund was initially authorized by the Housing and Community Development Amendments of 1978, subsequently amended by the Housing and Community Development (HCD) Act of 1987, and further amended by the McKinney Homeless Assistance Amendments Act of 1988. The HCD Amendments of 1978 established the Flexible Subsidy Fund into which repaid funds would be credited along with any transfer from the Rental Housing Assistance Fund.

The projects eligible for Flexible Subsidy assistance originally included those assisted under the Section 236 interest reduction program, the Section 221(d)(3) below market interest rate program, and the Section 101 rent supplement program. Eligibility was expanded in 1983 to include projects converted from Section 236 or Section 101 to assistance under Section 8 of the 1937 Housing Act; and in 1987 to include certain projects which had received Section 202 loans for elderly or handicapped housing, and projects assisted under Section 23 of the 1937 Act (as in effect prior to 1975).

Projects under Sections 236, 221(d)(3), 101, and 202 which are acquired and subsequently sold by HUD with mortgage insurance and affordability restrictions also were eligible for Flexible Subsidy assistance.

The original objectives of the Flexible Subsidy program were to: (1) reduce claims on the Department's mortgage insurance funds by aiding projects in financial distress where existing sources of financial relief are inadequate to cure the projects' problems, and (2) preserve and protect the existing supply of low- and moderate-income housing by upgrading the quality of management services and effecting short-term improvements which will enable projects to become self-sustaining and remain affordable.

Flexible Subsidy Fund

The enactment of the Multifamily Assisted Housing Reform and Affordability Act of 1997 expands the tools available to address the needs of insured and HUD-held multifamily projects. The use of alternative funding for FHA-insured projects has eliminated the need for the Flexible Subsidy.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Flexible Subsidy Fund supports the Department's Strategic Goal #3, "Improve the quality of public housing and provide more choices for its residents" by providing activities related to health and safety needs in projects that received Section 202 loans and capital advances.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	$0	$0	$0
FTE			
Headquarters	0	0	0
Field	13	13	13
Subtotal	13	13	13
Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.			
Indicator: The share of public housing and assisted multifamily units meeting HUD physical standards increases 1.5 percentage points.	Assisted MF 92.5%	Assisted MF 95.5%	Assisted MF 97%
Indicator: Share of HUD assisted properties observed with exigent health and safety or fire safety deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage point for assisted multifamily housing.	Assisted MF 39.6% anticipated	Assisted MF 39%	Assisted MF 38.4%
Indicator: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.	71%	72%	73%
Indicator: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.	Assisted MF 90.8% anticipated	Assisted MF 91.5%	Assisted MF 92.2%
FTE Total	13	13	13

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING PAYMENTS
(SUMMARY OF ASSISTED UNITS AND OUTLAYS)

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Units Eligible for Payment, End of Year	5,068,010	5,125,641	5,159,253	+33,612
Budget Outlays	$21,716,914	$22,946,817	$23,449,247	+$502,430

2003 Budget Program. The basis for the majority of the Housing Payments outlays is the Housing Certificate Fund, Public Housing Capital Fund, Housing for Special Populations, and other Assisted Housing.

Information is provided for the following accounts:

1. Housing Assistance Payments as authorized by Section 8 of the United States Housing Act of 1937, as amended (including Contract Renewals).

2. Capital Grants/Rental Assistance as authorized by Section 202, Housing Act of 1959 and amended by Section 801 of the National Affordable Housing Act, as authorized by Section 811 of the National Affordable Housing Act.

3. Home ownership Assistance as authorized by Section 235 of the National Housing Act, as amended.

4. Rental Housing Assistance as authorized by Section 236 of the National Housing Act, as amended.

5. Rent Supplement as authorized by Section 101 of the Housing and Urban Development Act of 1965, as amended.

6. Public Housing as authorized by the United States Housing Act of 1937, as amended.

7. College Housing Grants as authorized by the Housing Act of 1950, as amended.

Units Eligible for Payment. A distribution, by program, of the estimated units eligible for payment follows:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
Section 8:			
Public and Indian Housing (PIH)	2,017,558	2,126,463	2,208,763
Housing	1,290,485	1,260,185	1,229,885
Community Planning & Development (CPD)	1,702	2,616	3,645
Subtotal, Section 8 a/	3,309,745	3,389,264	3,442,293
Housing for Special Populations:			
Elderly	58,523	65,744	72,341
Disabled	18,578	20,411	21,926
Tenant-based assistance	9,443	11,284	13,091
Subtotal, Hsng for Special Population	86,544	97,439	107,358
Rent Supplement	20,161	20,061	19,961
Section 235:			
Original	9,011	6,381	4,546
Revised	8,735	7,522	6,422
Total, Section 235	17,746	13,903	10,968
Section 236	414,576	393,615	372,664
Public Housing b/	1,219,238	1,211,359	1,206,009
Total	5,068,010	5,125,641	5,159,253

a/ Excludes mainstream non-elderly vouchers (tenant-based assistance) provided under the Housing for Special Populations program.

b/ Excludes units for Native American Housing Block Grants.

Outlays. A distribution, by program, of Subsidized Housing program outlays follows:

Program	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Section 8 a/	$16,720,078	$17,771,483	$18,338,555
Housing for Special Population	773,973	847,000	885,000
Rent Supplement	53,672	53,672	53,672
Section 235:			
Original	9,378	9,378	9,378
Revised	4,766	4,766	4,766
Refinancing	...	...	...
Total, Section 235	14,144	14,144	14,144
Section 236	591,638	591,663	591,663
College Housing	12,934	12,934	13,434
Public Housing b/	3,550,475	3,655,921	3,552,779
Total	21,716,914	22,946,817	23,449,247

a/ Excludes mainstream non-elderly vouchers (tenant-based assistance) provided under the Housing for Special Populations.

b/ Excludes outlays for Native American Housing Block Grants.

NOTE: In comparing the unit and outlay estimates in this justification with those shown in the fiscal year 2002 justification for Housing Payments, it should be noted that the fiscal year 2003 totals include estimates for the Section 202/811 program, while that program was specifically excluded in prior years. Consequently, the totals shown for Housing Payments in this justification are significantly higher than in the past. Also, fiscal year 2001 actual outlays were approximately $128 million (excluding Housing for Special Population outlays) below the estimate contained in last year's budget. Those disbursements are now assumed to occur in fiscal year 2002.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENT SUPPLEMENT PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Budget Authority				
Unobligated Balance, SOY	$532,853	$558,382	$541,486	-$16,896
Recapture from prior years	$35,468	...	...	...
Use of authority	-$9,939	-$16,896	-$28,723	-$11,827
Subtotal	$558,382	$541,486	$512,763	-$28,723
Units Eligible for Payment, EOY .	20,161	20,061	19,961	-100

SUMMARY OF BUDGET ESTIMATES

No appropriation is requested for the Rent Supplement program in 2003. No new commitment activity has taken place under this program since 1973.

EXPLANATION OF INCREASES AND DECREASES

The obligation estimate for 2003 of $29 million represents amendments to State-financed projects and foreclosed State-aided projects. This program is demand-driven.

PROGRAM DESCRIPTION AND ACTIVITY

Section 101 of the Housing and Urban Development Act of 1965, as amended, authorized rent supplements on behalf of needy tenants living in privately owned housing. This program also was used to provide additional "piggyback" rental assistance to a portion of the units in Section 236 projects, including State Agency developed non-HUD-insured projects. Eligible tenants pay 30 percent of the rent or 30 percent of their income toward the rent, whichever is greater. The difference between the tenant payment and the economic rent approved by the Department is made up by a Rent Supplement payment made directly to the project owner.

Rent supplement contracts were the same length as the mortgage. As rents escalated in the 1980s, contract funds were insufficient to subsidize contract units for the full term of the contract. Most insured and 202 projects were able to convert their rent supplement assistance to Section 8 assistance during the 1980s in order to avoid contract amendment problems.

Amendments to State/Agency-sponsored, non-insured projects are supported utilizing funding provided for this purpose in the 1983 Supplemental Appropriations Act.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Rent Supplement program supports the Department's strategic goals #3, Improve the quality of public housing and provide more choices for its residents.

Rent Supplement Program

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	$0	$0	$0
FTE			
Headquarters	1	1	1
Field	2	2	2
Subtotal	3	3	3
Strategic Objective 3.2: Improve the management accountability for public and assisted housing.			
Indicator: Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 2.5 percentage points.	Assisted MF 29.2% (anticipated)	Assisted MF 24.2%	Assisted MF21.7%
Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.			
Indicator: The share of public housing and assisted multifamily units that meet HUD-established physical standards increases by 1.5 percentage points.	Assisted MF 92.5%	Assisted MF 95.5%	Assisted MF 97%
Indicator: The share of HUD-Assisted Properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage points for assisted multifamily housing.	Assisted MF 39.6% anticipated	Assisted MF 39%	Assisted MF 38.4%
Indicator: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.	71%	72%	73%
Indicator: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.	Assisted MF 90.8% (anticipated)	Assisted MF 91.5%	Assisted MF 92.2%
FTE Total	3	3	3

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENTAL HOUSING ASSISTANCE PROGRAM
(Section 236)

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Budget Authority				
Unobligated Balance, SOY	$354,896	$318,528	$335,528	+$17,000
Recapture from prior years:	$62,137	$377,000	$189,000	-$188,000
Use - IRP Grant Program	...	-$300,000	-$100,000	+$200,000
Use - State Aided Amendments	-$36,368	-$60,000	-$60,000	...
Restored/Lapsed	-$62,137	...	...	...
Unobligated Balance, EOY	$318,528	$335,528	$364,528	+$29,000
Units (pipeline)				
Units Eligible for Payment, start of Year (Estimate)	446,300	414,576	393,615	-20,961
Units Eligible for Payment, Adjustments	...	...	...	...
Recaptures (Units)	-31,724	-20,961	-20,951	+10
Units Eligible for Payment, End of Year (Estimate)	414,576	393,615	372,664	-20,951

SUMMARY OF BUDGET ESTIMATES

No appropriation is requested for the Rental Housing Assistance program in 2003. No new commitment activity has occurred since the program was terminated in 1973, when contract approvals for new projects were discontinued. However, the program does have activity from recaptures or amendments in connection with State-aided projects, which continue to be funded utilizing the set-asides of contract authority and budget authority provided for in the 1983 Supplemental Appropriations Act. Section 533 of the 2000 Appropriations Act (P.L. 106-74) provided authority to use recaptures from expiring and terminating Section 236 projects to fund the Interest Reduction Payment (IRP) Grant/Loan program for the rehabilitation of multifamily projects. In addition, the refunding of excess rental income remitted to the Department may be made from either the Rental Housing Assistance Fund or the Flexible Subsidy Fund, as authorized by Section 532 of the fiscal year 2000 Appropriations Act and amended by Section 861 of the American Homeownership and Economic Opportunity Act of 2000.

PROGRAM DESCRIPTION AND ACTIVITY

Original Program. The Section 236 program, as enacted in 1968, provides a subsidy to reduce mortgage interest payments. The maximum subsidy available to a project was set at the difference between the monthly payment for principal, interest, and mortgage insurance premium on the outstanding mortgage at the market rate of interest and the monthly payment that would be required under a mortgage bearing an interest rate of 1 percent.

A basic rental charge that was deemed sufficient to meet operating expenses plus debt service expenses at the 1 percent rate of interest was determined for each unit. Every tenant is required to pay the basic rental charge or up to 30 percent of income, whichever is higher. Contract approvals for new projects were discontinued in January 1973, except for "bona fide" commitments outstanding at that time and for amendments to prior contracts.

"Deep Subsidy" Program. The Rental Assistance Payments (RAP/"deep subsidy") program, authorized by the Housing and Community Development Act of 1974, was designed to aid very low-income families in Section 236 projects by permitting HUD to provide additional subsidies equal to the difference between the basic rent and 30 percent of income for a certain percentage of units in a project. Most insured projects receiving RAP funding have converted to Section 8

assistance. The remaining inventory of RAP assisted projects is largely limited to State-aided, bond-financed, projects which continue to receive amendment funding from a special set-aside.

State Agency Financed Projects (RAP funding). Amendments to State agency sponsored RAP projects will continue to be funded utilizing the funds in the 1983 Supplemental Appropriations Act.

Prepayment. As an incentive to attract developers into the original Section 236 program, participants were given the right to prepay their subsidized mortgage after 20 years.

Within the projects whose owners were given the right to prepay, some of the units are already occupied by tenants receiving Section 8 assistance. Other tenants may be income eligible but not presently receiving assistance. When owners prepay, these tenants may face rent increases and will be assisted with Tenant Protection vouchers.

Once the Section 236 mortgage is prepaid and liquidated, the IRP interest subsidy contract terminates. Therefore, previously obligated contract authority and imputed budget authority are subject to recapture.

IRP Grant/Loan Program. Title V of the 1998 Appropriations Act as amended, makes IRP recaptures available for rehabilitation grants/loans to project owners. Fiscal year 2002 and fiscal year 2003 program activities are expected to reflect the previously planned obligation of IRP budget authority becoming available as a result of prepayments that occurred in previous fiscal years. The actual availability of these recaptures for reuse is still under review by the Department and the Office of Management and Budget.

Rental Housing Assistance Fund. The Housing and Urban Development Act of 1968 authorized the Secretary to establish a fund for the deposit of rental collections in excess of the established basic rent for units in subsidized Section 236 projects. Pursuant to Public Law 106-569, American Homeownership and Economic Opportunity Act of 2000, excess rental collections may be refunded from balances deposited in the Rental Housing Assistance Fund or balances transferred to the Flexible Subsidy account. The following table reflects the status of the funds:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Fund balance, start of year.	$506	$9,907	$20,907
Recovery of prior year obligations .	. . .	. . .	. . .
Excess rental collection	10,112	16,000	16,000
Refund of Excess Income.	-711	-5,000	-5,000
Fund balance, end of year.	$9,907	$20,907	$31,907

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The Rental Housing Assistance program supports the Department's Strategic Goals #3, Improve the quality of public housing and provide more choices for its residents.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	$0	$0	$0
FTE			
Headquarters	1	1	1
Field	2	2	2
Subtotal	3	3	3
Strategic Objective 3.2: Improve the management accountability for public and assisted housing.			
Indicator: Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 2.5 percentage points.	Assisted MF 29.2% anticipated	Assisted MF 24.2%	Assisted MF21.7%

Rental Housing Assistance Program

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.			
Indicator: The share of public housing and assisted multifamily units that meet HUD-established physical standards increases by 1.5 percentage points.	Assisted MF 92.5%	Assisted MF 95.5%	Assisted MF 97%
Indicator: The share of HUD-Assisted Properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage points for assisted multifamily housing.	Assisted MF 39.6% anticipated	Assisted MF 39%	Assisted MF 38.4%
Indicator: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.	71%	72%	73%
Indicator: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.	Assisted MF 90.8% anticipated	Assisted MF 91.5%	Assisted MF 92.2%
FTE Total	3	3	3

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 3: HOUSING PROGRAMS

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of these Justifications. All data are presented on a comparable basis for the three fiscal years: 2001, 2002, and 2003.

SUMMARY OF BUDGET REQUEST

For fiscal year 2003, Housing's Salaries and Expenses Budget request is for $4,202 thousand in contract funds and $4,463 thousand in travel funds. This represents a continuation of the FY 2002 budget level, which included funds for Multifamily Housing Assistance Restructuring functions, following the transfer of OMHAR functions to Housing in fiscal year 2002.

SCOPE OF ACTIVITY

The Housing staff is responsible for implementing legislation which authorizes the Department to assist projects for occupancy by very low-income, low-income and moderate-income households, to provide capital grants to nonprofit sponsors for the development of housing for the elderly or handicapped, to underwrite mortgage or loan insurance to finance new construction, rehabilitation or the purchase of existing dwelling units, and to conduct several regulatory functions. The legislation includes:

- The U.S. Housing Act of 1937, as amended, which authorizes rental assistance to certain lower-income households under Section 8 of the Act;
- The National Housing Act, as amended, which authorizes the provision of mortgage or loan insurance for single family and multifamily housing and for health care facilities such as hospitals and nursing homes;
- Sections 201 and 203 of the Housing and Community Development Amendments of 1978, as amended, which govern the management and disposition of multifamily housing projects;
- Section 202 of the Housing Act of 1959, as amended, which authorizes capital grants and rental assistance for the development of housing for the elderly or handicapped;
- Section 811 of the National Affordable Housing Act of 1990, as amended, which authorizes capital grants and rental assistance for the development of housing for the disabled;
- Title IV of the Housing and Community Development Amendments of 1978, as amended, which authorizes the Congregate Housing Services program;
- Section 542 of the Housing and Community Development Act of 1992 governing Multifamily risk-sharing programs;
- Section 101 of the Housing and Urban Development Act of 1965, as amended, which authorizes rent supplements on behalf of needy tenants living in privately owned, privately operated and privately financed housing;
- Title VI of the fiscal year 1999 Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, which governs FHA Single Family property disposition reform;
- The Interstate Land Sales Full Disclosure Act, as amended, which requires developers of subdivisions to file registration statements with the Secretary;
- The National Manufactured Home Construction and Safety Standards Act of 1974, as amended by the Manufactured Housing Improvement Act of 2000, which authorizes HUD to develop and enforce construction and safety standards for all manufactured homes sold in the United States;
- The Real Estate Settlement Procedure Act of 1974, as amended, which authorizes the regulation of certain lending practices and settlement and closing procedures in Federally related mortgage transactions to eliminate unnecessary costs and to minimize difficulties of settlement;
- The Multifamily Assisted Housing Reform and Affordability Act of 1997, which governs the renewal of Section 8 project-based rental assistance and contains the authority for multifamily mortgage restructuring; and
- Title XIII of the Housing and Community Development Act of 1992 pertaining to mission regulation of Government Sponsored Enterprises (GSEs).

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Housing Programs

WORKLOAD

The principal workload for Housing staff, partners and contractors is:

- providing, increasing, maintaining and preserving home ownership, especially for underserved and unserved populations, by insuring mortgages and loans used for the acquisition, rehabilitation or improvement of existing homes;
- preserving home ownership for elderly Americans through the insurance of "reverse" mortgages that allow elderly homeowners to remain in their homes by converting the equity in their homes to a stream of income;
- encouraging the development of affordable rental housing by insuring mortgages on both new and existing apartment buildings;
- implementing Multifamily Accelerated Processing (MAP), new procedures for processing applications for HUD multifamily mortgage insurance more efficiently, with the support of qualified mortgage lenders;
- implementing the Development Application Processing (DAP), an automated underwriting system to support the processing and tracking of applications for HUD multifamily grants and mortgage insurance, for use both by HUD staff and qualified mortgage lenders;
- supporting the provision of community-based health care and economic development by insuring mortgages on hospitals and other health-care facilities, such as nursing homes and assisted living facilities;
- reengineering the portfolio of project-based Section 8 assistance so that FHA losses will be minimized and all projects will be financially viable with market-rate rents;
- developing underwriting standards, making actuarial determinations, and establishing fees and premiums for mortgage insurance for homes and projects and other financial and related assistance authorized by the National Housing Act;
- collecting FHA mortgage insurance premiums, processing and accounting for premiums, refunds to lenders/homeowners and insurance claims, providing financial/accounting services for assigned loans, HUD-insured/HUD-held mortgages/notes, real property acquisitions/dispositions and note sales for Single Family/Multifamily/Title I insured programs;
- servicing first and second mortgages assigned to HUD, including monitoring contractor performance;
- manning the predatory lending hotline and other customer service hotlines and program e-mail boxes;
- managing FHA financial assets through loan sales, debt restructuring and other loss mitigation initiatives;
- performing property disposition activities which include monitoring and surveillance of contractors, that manage the property inventory and market the properties;
- providing debt management and collection services to recover debts owed to the Federal Government arising from FHA insurance programs, loan programs, and other HUD programs;
- performing preapplication and other review activities through to construction completion, execution and closing of contracts and mortgages;
- participating in the analysis, review, and evaluation of HUD-insured and other multifamily projects during the construction and occupancy stages;
- reviewing and monitoring multifamily projects including analyzing operating statements, annual financial reports and inspecting the physical condition of projects to ensure that appropriate management activities are conducted as well as enforcing the terms and conditions of contracts between HUD and participants;
- reviewing and monitoring State agency administration of Federal housing programs;
- setting standards and providing oversight for servicing and managing the disposition of HUD-insured and HUD-held mortgages for Single Family and Multifamily insurance programs, negotiating forbearance agreements, and handling assignments of mortgages;
- developing and managing housing programs for the elderly and disabled;
- developing new instructions and issuances and revising existing issuances;

- managing contract renewals, opt-outs and replacement subsidies for expiring Section 8 project-based subsidy contracts;
- directing special initiatives such as Neighborhood Networks, which require coordination with owners, managers, residents, community groups, local businesses and providers of social and educational services;
- providing regulatory oversight of the mortgage finance activities of the Government Service Enterprises (GSE) by establishing, monitoring and enforcing housing goals, developing regulations, approving new programs, monitoring compliance with fair lending requirements, and promoting awareness of the GSEs' mortgage purchase activities;
- monitoring and reviewing the performance of mortgage lenders and other program participants for compliance with Federal housing program requirements under the National Housing Act, including approving lenders for participation;
- endorsing mortgages which have been processed by approved FHA Title II lenders for Single Family;
- performing policy and program support for FHA Title I, including interpretation of regulations, answering questions from lenders, and addressing consumer complaints and concerns;
- awarding and administering grants made to non-profit agencies to provide housing counseling services, including paying grantees and reviewing supporting documentation;
- approving housing counseling agencies;
- developing and enforcing the Manufactured Home Construction and Safety Standards which require extensive coordination with State agencies, industry and consumer groups to regulate over one-third of the total U.S. Single Family housing production;
- examining registration statements and other required material from developers of subdivisions involved in interstate commerce to determine their formal and legal adequacy and issuing exemption orders and advisory opinions under the Interstate Land Sales Registration Act;
- protecting consumers from high settlement costs and certain servicing practices by administering the Real Estate Settlement Procedures Act.
- performing post endorsement reviews of single family case files to ensure compliance with laws and regulations;
- providing technical support to HUD counterparts, non-profits as well as State and local governmental entities;
- certifying or recertifying private non-profit organizations for participation in single family programs;
- developing and implementing the FHA Technology Open To All Lenders (TOTAL) Scorecard Program, a scorecard deployed for use through approved automated underwriting systems, which provides a convenient, fast and low cost service to both lenders and borrowers; and
- reengineering the data flow and work processes to maximize the use of Internet technology;
- developing plans to upgrade FHA business systems; and
- approving non-profits to participate in FHA single family mortgage insurance programs.

STAFF FUNCTIONS

1. HEADQUARTERS STAFF FUNCTIONS

Headquarters staff have the responsibility for the following principal functions:

- developing, revising and evaluating program and policy recommendations for Housing programs;
- directing and coordinating the administration of Housing programs and providing technical assistance and procedural guidance to the field staff;

- monitoring, reviewing, and evaluating field program operations and reviewing administrative practices of local agencies to ensure that programs are managed efficiently and that services and assistance are provided as intended;
- developing, promulgating and evaluating national origination and asset disposition strategies;
- monitoring and reviewing the performance of mortgage lenders through the Credit Watch/Termination initiative and the Neighborhood Watch system;
- providing Credit Reform loan and loan guarantee cost estimates, GPRA performance measures, accounting services following GAAP and financial reporting to comply with requirements of laws and regulations pertaining to FHA programs, financial reporting, and financial audits;
- providing actuarial and debt management support for FHA programs to ensure the fiscal health of these funds;
- providing human resources, procurement, communications and outreach, training and other administrative support for Housing programs;
- administering regulatory functions of the Department as required; and
- providing budget formulation and execution support for Housing programs and Salaries and Expenses allotment to ensure proper fiscal control and effective resource management.

2. FIELD STAFF FUNCTIONS

a. PRODUCTION

(1) Single Family

- working in partnership with lenders, home builders, real estate brokers, State and local governments, non-profits and other members of the residential mortgage market to expand and maintain affordable homeownership opportunities for minority populations and communities by insuring mortgages on existing and new one-to-four family homes;
- providing technical assistance to lenders and other participants regarding origination requirements;
- monitoring and reviewing the mortgages originated and underwritten by approved lenders, monitoring and disciplining appraisers and other parties to the transaction, and providing support and technical assistance associated with loan production; and
- certifying and recertifying non-profit organizations and administering grants.

(2) Multifamily

- working directly with mortgage lending partners and reinsurers, sponsors, developers, state and local governments, and mortgagees in the preparation, review, and approval of applications for grants, and mortgage insurance; and
- processing the initial inquiry about obtaining program assistance and continuing through the review and approval of applications, the execution of assistance contracts, the inspection and completion of construction, and the closing of loans and grants, execution of Project Rental Assistance contracts, issuance of FHA commitments and endorsements of mortgage insurance.

b. ASSET MANAGEMENT, REAL ESTATE OWNED and QUALITY ASSURANCE

(1) Single Family (Including Outstationed HQ Staff)

- preserving the quality and value of FHA assets, including the disposition of Secretary-owned properties and mortgages;
- providing technical assistance to lenders on loss-mitigation techniques and procedures;
- monitoring lenders' loss-mitigation performance;

- managing and monitoring contractors responsible for the servicing of Secretary-held mortgages;
- providing technical assistance to lenders on the servicing of FHA-insured mortgages;
- managing and disposing of HUD-owned properties, including the managing and monitoring of Management and Marketing (M&M) contractors, brokers and other parties; and
- reviewing mortgagees for compliance with FHA guidelines and statutory requirements and initiating administrative sanctions.

(2) Multifamily

- working with residents, owners and communities to make every HUD assisted/insured property a better place to live and an asset to the surrounding neighborhood;
- preserving the housing quality and fiscal integrity of HUD assisted/subsidized/insured housing programs; and
- managing and servicing HUD-insured and HUD-held mortgages, including the disposition of HUD-held properties and mortgages, managing Housing's subsidized programs, and managing the Direct Loan and grants portfolios.

c. FINANCIAL OPERATIONS

- providing asset recovery services including debt management and collection of FHA assets;
- providing asset management services to Headquarters and the field including identifying causes of delinquency and debt, and recommending methods to improve debt management and increase collections; and
- providing servicing support for the Title I Program.

OTHER SERVICES

The principal Salaries and Expenses contract categories for the Office of Housing are: technical services, data and statistical services, and general support. The table below identifies the estimated costs in Housing, including Multifamily Housing Assistance Restructuring functions, for these Other Services categories and a description of the 2003 estimate. All data are represented on a comparable basis for the three fiscal years: 2001, 2002, and 2003.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Technical Services	$1,637	$3,649	$3,575	-$74
Data and Statistical Services	$336	$278	$350	+$72
General Support	$351	$275	$277	+$2
Total	$2,324	$4,202	$4,202	....

1. Technical Services.....$3,575 Thousand

a. Home Mortgage Disclosure Act (HMDA) ADP Support Service (IAA with the Federal Reserve).....$425 Thousand

HUD is required by Congress to collect HMDA data from all mortgage banking organizations not regulated by a Federal financial organization and provide data to the Federal Reserve Board (FRB). Associated FRB's costs are allocated back to Housing through the IAA. (Funding for 2002: $380 thousand)

b. Non-Citizen Rule Implementation.....$50 Thousand

This is a contract for gaining access to the Immigration and Naturalization Service database to implement the statutory requirement of determining the citizenship/resident status of persons receiving or applying for Housing assistance. (Funding for 2002: $36 thousand)

c. Effectiveness of ECHO Demo..... $0 Thousand

This contract would provide a broad-based survey of project-owners/managers and residents or focus groups to determine the feasibility of incorporating Elders' Cottage Housing Opportunity (ECHO) units into the Section 202 Program. HUD has been directed to determine whether ECHO units are durable enough for continued use over the life of a capital advance (40 years). (Funding for 2002: $175 thousand)

d. Residential Relocation Services ..... $250 Thousand

When it is determined that resident families in Housing projects must be relocated, this contract furnishes them with relocation data as well as assistance/services to physically move them to new decent, safe, and sanitary housing that meets the requirements of any Section 8 certificate or voucher. (Funding for 2002: $225 thousand)

e. Government Sponsored Enterprises (GSE) Audit and Financial Services ... $250 Thousand

This contract would provide the Office of GSE Oversight with a performance review, evaluation and independent audit opinion on the accuracy of reporting data required under the Federal Housing Enterprise Financial Safety and Soundness Act of 1992. (Funding for 2002: $215 thousand)

f. GSE Financial Consulting Services ..... $500 Thousand

This contract will identify emerging technologies with the potential to change the delivery of mortgage finance and will provide HUD with a framework for evaluating the GSEs' activities in this area. It will also create an inventory of potential markets that could be incorporated by the GSEs as new business lines or profit centers. (Funding for 2002: $500 thousand)

g. RESPA Investigative Services ..... $500 Thousand

This contract would provide the investigative services needed to implement the provision of the Real Estate Settlement Procedures Act (RESPA) including investigative support associated with complaints, asset searches and other activities in the field. (Funding for 2002: $500 thousand)

h. RESPA Legal Services ..... $350 Thousand

This contract would provide legal services for the implementation of the provisions of the Real Estate Settlement Procedures Act (RESPA), supporting the processing of complaints, asset searches and other activities in the Field. This is part of the Annual Performance Plan, which is a component of the Government Performance and Results Act of 1993. (Funding for 2002: $325 thousand)

i. MF BPR of Asset Management ..... $275 Thousand

This contract in support of the Business Process Review (BPR) provides analysis, evaluation and strategic planning of the procedures governing asset management. (Funding for 2002: $375 thousand)

j. Multifamily Technical Advisory Services (OMHAR) ..... $575 Thousand

This contract would provide technical assistance in the development of strategies that integrate technology into multifamily mortgage restructuring implementation. (Funding for 2002: $568 thousand)

k. Translation Services ..... $125 Thousand

This contract provides for the updating and translation of HUD's publications into various languages to better service Housing's diverse constituency. (Funding for 2002: $100 thousand)

l. Editorial, Web Mail and Outreach Support Services ..... $275 Thousand

This contract will provide editorial services for current and future Housing publications, technical and operational support for Web mail responses and assistance in planning, organizing and analyzing data from focus groups, seminars, forums, satellite broadcasts as well as from other media and intra/internet presentations. (Funding for 2002: $250 thousand)

2. Data and Statistical Services ..... $350 Thousand

a. Home Mortgage Disclosure Act (HMDA) Data Survey ..... $350 Thousand

This contract provides support for conducting a survey of all unregulated mortgage companies and lenders doing business under FHA programs. This work is Congressionally mandated with prescribed deadlines. (Funding for 2002: $278 thousand)

3. General Support.....$277 Thousand

a. General Support.....$277 Thousand

This item contains the funding requirement for non-contract Other Services such as court reporting, sign language services, satellite broadcasts, production and dissemination of video programs to provide programmatic guidance to Housing staff and clients, advertisements in national publications to fill critical Housing positions, and participation in professional organizations. (Funding for 2002: $275 thousand)

TRAVEL

The table below identifies travel requirements for the Office of Housing, including Multifamily Housing Assistance Restructuring functions. All data are represented on a comparable basis for the three fiscal years: 2001, 2002, and 2003.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel (HQ)	$1,540	$1,785	$1,785	....
Travel (Field)	$2,438	$2,678	$2,678	....
Total	$3,978	$4,463	$4,463	....

For fiscal year 2003, the funding required for Travel to implement FHA and other Housing programs is estimated to be $4,463 thousand. This represents a continuation of the fiscal year 2002 budget level, which includes travel funds for OMHAR functions, following the transfer of OMHAR functions to Housing during fiscal year 2002. For comparability, the fiscal year 2001 actual travel usage also includes travel associated with OMHAR.

Detail of Housing Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment (Office of the FHA Commissioner—A/S for Housing)									
Office of the FHA Commissioner—A/S for Housing									
Provide Policy and Program Support	NA		...	...	13.0		...	...	13.0
Provide General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					17.0				17.0
Office of Insured Health Care Facilities									
Manage Insured Health Care Facilities in Loan Portfolio	Number of Loans in Portfolio		77	189.82	7.0		12 89	189.82	7.0
Provide General Direction	NA		...	...	2.0		...	...	2.0
Subtotal					9.0				9.0
Office of Government Sponsored Enterprises									
Provide Support and Coordination	NA		...	...	6.0		...	...	6.0
Subtotal					6.0				6.0
Office of the FHA Commissioner—A/S for Housing Total					32.0				32.0
Headquarters Employment (DAS for Finance and Budget)									
DAS for Finance and Budget									
Perform Program Management and Policy Evaluation	NA		...	...	2.0		...	...	2.0
General Direction	NA		...	...	2.0		...	...	2.0
Subtotal					4.0				4.0
FHA Office of Asset Sales									
Provide Asset Sales Support	NA		...	...	4.0		...	...	4.0
Subtotal					4.0				4.0
Housing-FHA Comptroller									
Perform Program Management and Policy Evaluation	NA		...	...	1.0				1.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
General Direction	NA		...	...	3.0				3.0
Subtotal					4.0				4.0
Office of Financial Services									
Provide Program and Policy Analysis	NA		...	...	2.0		...	...	2.0
Provide General Direction	NA		...	...	2.0		...	...	2.0
Subtotal					4.0				4.0
Single Family Insurance Operation Division									
Manage Systems	Number of Systems		6	5,900.00	17.0		6	5,900.00	17.0
Process Insurance in Force	Number of Cases (in Thousands)		6,563	7.00	22.0		6,563	7.00	22.0
Process Claims	Number of Mortgages		73,614	0.63	22.2		73,614	0.63	22.2
Subtotal					61.2				61.2
Single Family Post Insurance Division									
Process Claims	Number of mortgages		73,614	0.65	22.9		73,614	0.65	22.9
Manage Notes Portfolio	Number of Notes in Portfolio		26,000	0.16	2.0		26,000	0.16	2.0
Manage Property Portfolio	Number of Properties in Portfolio		75,000	0.25	8.8		75,000	0.25	8.8
Subtotal					33.7				33.7
Multifamily Operation Division									
Provide Notes Servicing	Number of Notes		1,823	5.68	5.0		1,823	5.68	5.0
Process Insurance in Force	Number of Mortgages		14,648	1.71	12.0		14,648	1.71	12.0
Process Claims	Number of Multifamily Mortgage Claims		227	82.90	9.0		227	82.90	9.0
Subtotal					26.0				26.0
Office of Financial Analysis and Reporting									
Perform Financial Analysis and Funding Controls	NA		...	...	12.0		...	...	12.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Perform General Ledger Activities	Number of Financial Statements		1	48,103.00	23.0		1	48,103.00	23.0
Perform Cash Controls Functions	Number of Disbursements		40,000	0.63	12.1		40,000	0.63	12.1
Perform Reporting and Audit Monitoring Functions	Number Of Audits		316	45.90	7.0		316	45.90	7.0
General Direction	NA		...	...	2.0		...	...	2.0
Subtotal					**56.1**				**56.1**
Office of Evaluation									
Perform actuarial, credit and policy analysis	NA		...	...	12.0		...	...	12.0
Manage and monitor FHA investments	NA		...	...	1.5		...	...	1.5
Perform contract administration	NA		...	...	0.5		...	...	0.5
Perform General Direction	NA		...	...	3.0		...	...	3.0
Subtotal					**17.0**				**17.0**
Office of Budget & Field Resources									
Perform Housing Budget Formulation	NA		...	...	5.0		...	...	5.0
Perform Housing Budget Execution	NA		...	...	12.0		...	...	12.0
Perform Contract Administration	NA		...	...	0.5		...	...	0.5
Produce Legislative Proposals, Referral Memoranda, implementation of laws and research and policy development	NA		...	...	1.5		...	...	1.5
Perform General Direction	NA		...	...	3.0		...	...	3.0
Subtotal					**22.0**				**22.0**
Office of Systems and Technology									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide Systems Support (I.e. Manage/Formulate Systems Budget, Strategic Plans and Perform Contract Administration, Perform Maintenance Current Systems and Support Development of New Systems)	Manual		48	393.00	9.0		48	393.00	9.0
Perform General Direction	NA		...	...	1.0		...	...	1.0
Subtotal					**10.0**				**10.0**

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Field Employment (DAS for Finance and Budget)									
Albany Financial Operation Center - Office of the Director									
Provide Special Projects Support for Divisions	NA		...	...	1.0		...	...	1.0
Perform General Direction	NA		...	...	3.0		...	...	3.0
Subtotal					4.0				4.0
Albany Financial Operation Center - Asset Recovery Division									
Process Notes Portfolio	Number of Notes in Portfolio		5,409	11.57	30.0		5,409	11.57	30.0
Perform General Direction	NA		...	...	2.0		...	...	2.0
Subtotal					32.0				32.0
Albany Financial Operation Center - Insurance Operations Division									
Process Insurance in Force	Number of Insurance in Force		290,721	0.03	4.2		290,721	0.03	4.2
Process Claims	Number of Claims Processed		13,003	1.58	9.8		13,003	1.58	9.8
Perform General Direction	NA		...	...	1.0		...	...	1.0
Subtotal					15.0				15.0
Total, Finance and Budget					293.0				293.0
Headquarters Employment (Housing Operations)									
DAS for Operations									
Provide Policy and Program Support	NA		...	...	2.0		...	...	2.0
Provide General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					6.0				6.0
Office of Management									
Provide Policy and Program Support	NA		...	...	2.0		...	...	2.0
Provide General Direction	NA		...	...	2.0		...	...	2.0
Subtotal					4.0				4.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Resource Management Division									
Provide General Support Services	Number of Employees Supported		3,377	10.50	17.0		3,377	10.50	17.0
Subtotal					**17.0**				**17.0**
Procurement Management Division									
Perform Contract Administration	Number of requests for contract services		209	160.00	16.0		209	160.00	16.0
Perform Procurement Management	NA		...	...	6.0		...	...	6.0
Subtotal					**22.0**				**22.0**
Organizational Policy, Planning and Analysis Division									
Perform Policy Development, Planning and Analysis Functions	NA		...	...	8.0		...	...	8.0
Subtotal					**8.0**				**8.0**
Office of Business Development									
Provide Policy and Program Support	NA		...	...	3.5		...	...	3.5
Provide General Direction	NA		...	...	1.5		...	...	1.5
Subtotal					**5.0**				**5.0**
Communication and Marketing Division									
Perform Communications Initiatives	Number of Program Offices Supported		81	430.00	16.7		81	430.00	16.7
Perform Marketing Initiatives	Number of Program Offices Supported		81	110.00	4.3		81	110.00	4.3
Subtotal					**21.0**				**21.0**
Systems and Technology Division									
Perform Web Management Activities	NA		...	...	2.0		...	...	2.0
Perform Office Technology Coordination	Number of Systems Users		900	6.96	3.0		900	6.96	3.0
Subtotal					**5.0**				**5.0**
Housing Operations Total					**88.0**				**88.0**

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment (Office of Single Family Program Development)									
DAS for Single Family Housing									
Perform National Program Management	NA		...	...	4.0		...	...	4.0
General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					**8.0**				**8.0**
Office of Single Family Program Development									
Provide Home Mortgage Insurance Services	Number of customer contacts	15,850	48,250	1.03	16.0	15,850	48,250	1.03	16.0
Provide Program Support Services	Number of HOCs		4	3,654.00	7.0		4	3,654.00	7.0
Provide General Direction Services	NA		...	...	5.0		...	...	5.0
Subtotal					**28.0**				**28.0**
Office of Single Family Asset Management									
Provide Asset Management and Disposition Services (HQ)	Respond to customer and Congressional inquiries/ contacts		7,500	5.40	19.4		7,500	5.40	19.4
Provide Asset Management and Disposition Services (HQ)	Perform Policy related work		...	...	4.6		...	...	4.6
Provide Servicing Mitigation Services (OK)	Number of cases	4,765	10,400	12.06	32.5	4,765	10,400	12.06	32.5
Provide Loss Mitigation Services to Homeowners (OK)	Number of Inquiries		9,625	3.59	16.5		9,625	3.59	16.5
Provide General Direction Services (HQ)	NA		...	...	4.0		...	...	4.0
Subtotal					**77.0**				**77.0**
Office of Lender Activities and Program Compliance									
Provide Lender Approval and Recertification Services	Number of Applications Received		3,545	10.60	18.0		3,545	10.60	18.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide Quality Assurance Services	Number of QA Reviews for Title I and Title II cases		900	18.56	8.0		900	18.56	8.0
Provide General Direction Services	NA		...	...	4.0		...	...	4.0
Subtotal					39.0				39.0
Interstate Land Sales/ RESPA Division									
Perform Developer Registration Service	Number of Registrations		850	9.83	4.0		850	9.83	4.0
Perform Monitoring through Developer Registry, investigation and case resolution	Number of Cases		890	23.46	10.0		890	23.46	10.0
Perform General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					18.0				18.0
Manufactured Housing and Standards Division									
Perform Technical Reviews	Number of Evaluation Reports, reviews or cases	88	350	119.31	15.0	172	435	119.31	15.0
Perform General Direction	NA		...	...	6.0		...	...	6.0
Subtotal					21.0				21.0
Field Employment (Single Family Home Ownership Center)									
Office of the HOC Director									
Provide General Direction	NA		...	...	17.0		...	...	17.0
Subtotal					17.0				17.0
Customer Service and Operations Division									
Provide Customer Service Support	Number of Calls	60,200	682,266	0.28	82.0	60,200	682,266	0.28	82.0
Perform Operations Functions	NA		...	...	30.0		...	...	30.0
Provide General Direction	NA		...	...	8.0		...	...	8.0
Subtotal					120.0				120.0
Quality Assurance Division									
Perform Reviews of Lenders and of Reviews of Monitoring Reports	Number of On-Site Lender Reviews	83	900	380.48	148.9	83	900	380.48	148.9

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide General Direction	NA		...	...	8.0		...	...	8.0
Subtotal					**156.9**				**156.9**
Processing and Underwriting Division									
Process DE Cases submitted for Endorsement	Number of cases endorsed	286,000	1,260,040	0.18	84.0	115,000	1,123,323	0.18	86.9
Provide Technical Assistance to lenders, appraisers, builders and others	Number of cases endorsed	446,100	1,260,040	0.29	113.0	265,000	1,123,323	0.29	119.2
Perform Post-Endorsement Technical Reviews	Number of reviews	14,000	126,236	0.13	7.0	14,500	126,236	0.13	7.0
Perform General Administrative work	NA		...	...	8.0		...	...	8.0
Provide General Direction	NA		...	...	8.0		...	...	8.0
Subtotal					**220.0**				**229.1**
Program Support Division									
Review and approve SuperNOFA Housing Counseling Grant Applications	Number of Applications Approved	10	362	924.00	155.8	10	362	924.00	155.8
Perform M&M contract monitoring	Number of Contracts		18	6,426.40	55.4		18	6,426.40	55.4
Perform Support to other Divisions/ Ad Hoc Duties	NA		...	...	[16]		...	...	[16]
Perform Other Administrative Duties	NA		...	...	8.0		...	...	8.0
Provide General Direction	NA		...	...	8.0		...	...	8.0
Subtotal					**227.2**				**227.2**
Real Estate Owned Division									
Perform Monitoring of Properties	Number of Acquisitions		77,572	0.69	25.8		76,205	0.69	25.2
Perform Property Management and Sales	Number of Closings/ Property Sales	1,000	54,601	1.53	39.4		41,880	1.53	30.7
Perform Contract Monitoring	Number of Contracts		18	2,552.00	22.0		18	2,552.00	22.0
Perform Other Administrative Duties	NA		...	...	4.0		...	...	4.0
Provide General Direction	NA		...	...	8.0		...	...	8.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Subtotal					**99.0**				**89.9**
Single Family Total					**1,022.1**				**1,022.1**

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment (Office of Multifamily Housing Programs)									
Office of the DAS									
Policy Staff	NA	3	(projected need = 9)		6.0	3	(projected need = 9)		6.0
General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					**10.0**				**10.0**
Office of Housing Assistance and Contract Administration									
Provide Neighborhood Networks Support	NA	2	(projected need = 5)		3.0	2	(projected need = 5)		3.0
Provide Subsidy policy support to field	Number of Hubs supported		18	925.00	8.0		18	925.00	8.0
Provide Grants policy to field offices	Number of Hubs supported		18	1,044.00	9.0		18	1,044.00	9.0
Provide Grant Management	Number of Grants Processed		568	36.76	10.0		568	36.76	10.0
Provide Guidance for RHIIP	NA		...	...	8.0				8.0
Provide General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					**42.0**				**42.0**
Office of Housing Assistance Contract Administration Oversight									
Provide Technical Assistance to field offices	Number of Hubs Supported		18	1,510.00	13.0		18	1,510.00	13.0
Compliance Monitoring/QA	PBCA Contracts		43	97.00	2.0		43	97.00	2.0
Provide Financial Services for Section 8 programs	Number of Hubs supported		18	928.00	8.0		18	928.00	8.0
Provide General Direction	NA		...	...	3.0		...	...	3.0
Subtotal					**26.0**				**26.0**
Office of Program Systems Management									
Provide Program Systems Management	NA		...	...	11.0		...	...	11.0
Provide General Direction	NA		...	...	3.0		...	...	3.0
Subtotal					**14.0**				**14.0**
Office of Multifamily Development									
Provide Policy Guidance	NA		...	...	2.0		...	...	2.0
Evaluate lender qualifications	Number of lenders qualified	29	80	287.10	7.0	29	80	287.10	7.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide Technical Assistance to field offices	NA		...	...	10.0		...	...	10.0
Provide Policy Support for Multifamily development	NA	4	(projected need = 11)		7.0	4	(projected need = 11)		7.0
Provide General Direction	NA		...	...	3.0		...	...	3.0
Subtotal					**29.0**				**29.0**
Office of Asset Management									
Provide Services and Support for Previous Participation Process	Number of Form 2530s	715	1,000	29.23	4.0	715	1,000	29.23	4.0
Provide Policy Support for Asset Management	NA				7.0				7.0
Provide Property Field Asset Management Services	Number of properties maintained in M/F Portfolio		31,780	0.72	11.0		31,780	0.72	11.0
Compliance Monitoring/QA	Number of active mortgagees (number to be reviewed)		24	173.00	2.0		24	173.00	2.0
Procurement Management	Number of contracts		4	520.00	1.0		4	520.00	1.0
Provide Business Relationship Services	NA		...	...	8.0		...	...	8.0
Provide General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					**37.0**				**37.0**
Subtotal, Headquarters					**158.0**				**158.0**
Field Employment (Multifamily Housing)									
Multifamily Property Disposition Center									
General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					**4.0**				**4.0**
Management Team									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide inventory management and relocation (insured and uninsured) services	Number of properties in the inventory at the beginning of the month	25	100	522.00	18.8	25	100	522.00	18.8
PD Boston Dispo/Demo	Number of Boston Dispo/Demo project monitored		1	5,220.00	2.5		1	5,220.00	2.5
Completion of Environmental	properties requiring		43	9.71	0.2		43	9.71	0.2
Foreclosure Recommendation	Number of MIP properties and foreclosures in PD Center		75	2.78	0.1		75	2.78	0.1
Relocation	Number of PD properties requiring relocation		22	408.11	4.3		22	408.11	4.3
Subtotal					**25.9**				**25.9**
Sales Team									
Process Foreclosures	Number of foreclosures completed		32	913.50	14.0		32	913.50	14.0
Process Sales	Number of HUD-owned sales		30	1,113.60	16.0		30	1,113.60	16.0
Subtotal					**30.0**				**30.0**
HUB Operations									
GTR	Number of contracts monitored		2	2,088.00	2.0		2	2,088.00	2.0
202/811	Number of Section 202/811 project monitored		226	12.93	1.4		226	12.93	1.4
MAP	Number of MAP applications processed		500	30.07	7.2		500	30.07	7.2

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Construction Monitoring	Number of 202/811 and MAP projects monitored		726	60.11	20.9		726	60.11	20.9
TDC/Purchase Orders (invoices)	Number of invoices reviewed		450	9.28	2.0		450	9.28	2.0
TDC/Purchase Orders (contracts)	Number of active contracts monitored		450	0.46	0.1		450	0.46	0.1
Information Technology	NA		...	...	36.0		...	...	36.0
Performance-Based Section 8 CA Monitoring	Number of CA contracts monitored		51	720.56	17.6		51	720.56	17.6
HUD-Administered Section 8 Contract Monitoring	Number of HUD-Administered Section 8 contracts monitored		6,500	1.67	5.2		6,500	1.67	5.2
CAOM Oversight	Number of CA contracts monitored		51	1,326.49	32.4		51	1,326.49	32.4
Project Management (Field)	Number of EC/PD properties managed		1,495	34.63	24.8		1,495	34.63	24.8
RHIIP Implementation	NA				20.0				20.0
Other Administration	NA	34	(projected need = 59)		25.0	34	(projected need = 59)		25.0
General Direction	NA		...	...	18.0		...	...	18.0
Subtotal					**212.6**				**212.6**
ASSET DEVELOPMENT									
TAP	Number of insured TAP applications		350	692.02	116.0		350	692.02	116.0
MAP	Number of MAP applications		500	442.66	106.0		500	442.66	106.0
202/811	Number of Section 202/811 applications		226	577.43	62.5		226	577.43	62.5

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Previous Participation	Number of total applications (except Special Purpose Grants) processed by the end of each month		14,000	4.08	27.4		14,000	4.08	27.4
Special Purpose Grants (Other Programs)	Total number of grants/loans administered (includes risk sharing, hospitals)		100	179.57	8.6		100	179.57	8.6
Initial Endorsement /Closing	Total number of initial closings (MAP, TAP, 2102/811)		1,076	125.12	64.5		1,076	125.12	64.5
Construction Management	Total number of projects under construction		1,408	146.81	99.0		1,408	146.81	99.0
Process Final Closings	Total number of final closings		300	22.97	3.3		300	22.97	3.3
DAP System data input and maintenance to support underwriting and REMS	Number of applications: MAP, DAP, 202/811,...		1,800	14.25	12.3		1,800	14.25	12.3
Other Administration	NA	73	(projected need = 233)		160.0	73	(projected need = 233)		160.0
General Direction	NA		...	...	102.0		...	...	102.0
Subtotal					**761.6**				**761.6**
ASSET MANAGEMENT									
Performance-Based Section 8 Monitoring	Number of PBCA Contracts Monitored		51	777.88	19.0		51	777.88	19.0
Management Liaison Activities	Number of MIP and HUD-owned properties		75	174.41	6.3		75	174.41	6.3
Coordination with PD Centers	Number of PD properties in foreclosure		75	30.63	1.1		75	30.63	1.1

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
HUD-Admin Section 8 Contracts (includes OMHAR Activities)	Number of HUD-Admin. Section 8 contracts monitored		6,500	11.86	36.9		6,500	11.86	36.9
Project Financial Management	Total number of projects in portfolio		29,000	8.26	114.7		29,000	8.26	114.7
Project Management	Total number of projects in portfolio		29,000	14.04	195.0		29,000	14.04	195.0
Mortgage Servicing	Total number of Insured and 202/811 projects		27,257	3.51	45.8		27,257	3.51	45.8
Contract Administration	Number of Section 8 contracts Administered by the CA		13,400	15.10	96.9		13,400	15.10	96.9
Grant Administration	Number of Grants monitored		2,600	53.32	66.4		2,600	53.32	66.4
Flexible Subsidy	Number of Flexible Subsidy Grants		140	134.22	9.0		140	134.22	9.0
Compliance Monitoring/QA			500	53.00	12.7		500	53.00	12.7
Other Administration	NA	43	(projected need = 104)		61.0	43	(projected need = 104)		61.0
Subtotal					**664.8**				**664.8**
Subtotal, MF Field					**1,698.9**				**1,698.9**
Multifamily Housing Total					**1,856.9**				**1,856.9**
Headquarters Employment (Office of Multifamily Housing Assistance Restructuring)									
OMHAR Headquarters									
Provide Multifamily Housing Assistance Restructuring Support Services	Number of Full Restructurings	192	460	280.80	36.0	38	306	280.80	36.0
Perform General Direction	NA		...	...	2.0		...	...	2.0
Subtotal					**38.0**				**38.0**
OMHAR Outstationed Staff									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide Multifamily Housing Assistance Restructuring	Number of Completed/ Closings Restructures	310	750	175.81	37.0	60	500	175.81	37.0
Perform General Direction	NA		...	...	10.0		...	...	10.0
Subtotal					**47.0**				**47.0**
Total, Office of Multifamily Housing Assistance Restructuring					**85.0**				**85.0**
Grand Total Housing					**3,377.0**				**3,377.0**

Detail of Housing Staff Requirements

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters Employment			
Office of the FHA Commissioner—A/S for Housing			
Office of the FHA Commissioner—A/S for Housing	17.0	17.0	0.0
Office of Insured Health Care Facilities	9.0	9.0	0.0
Office of Government Sponsored Enterprises	6.0	6.0	0.0
Subtotal	**32.0**	**32.0**	**0.0**
Office of Finance and Budget			
DAS for Finance and Budget	4.0	4.0	0.0
FHA Office of Asset Sales	4.0	4.0	0.0
FHA Comptroller	4.0	4.0	0.0
Office of Financial Services	4.0	4.0	0.0
Single Family Insurance Operation Division	61.2	61.2	0.0
Single Family Post Insurance Division	33.7	33.7	0.0
Multifamily Operation Division	26.0	26.0	0.0
Office of Financial Analysis and Reporting	56.1	56.1	0.0
Office of Evaluation	17.0	17.0	0.0
Office of Budget & Field Resources	22.0	22.0	0.0
Office of Systems and Technology	10.0	10.0	0.0
Subtotal	**242.0**	**242.0**	**0.0**
Housing Operation			
DAS for Operations	**6.0**	**6.0**	**0.0**
Office of Management			
Office of Management	4.0	4.0	0.0
Resource Management Division	17.0	17.0	0.0
Procurement Management Division	22.0	22.0	0.0
Organizational Policy, Planning and Analysis Division	8.0	8.0	0.0
Subtotal	**51.0**	**51.0**	**0.0**
Office of Business Development			
Office of Business Development	5.0	5.0	0.0
Communication and Marketing Division	21.0	21.0	0.0
Systems and Technology Division	5.0	5.0	0.0
Subtotal	**31.0**	**31.0**	**0.0**
Subtotal	**88.0**	**88.0**	**0.0**
Office of Single Family Program Development			
DAS for Single Family Housing	8.0	8.0	0.0
Office of Single Family Program Development	28.0	28.0	0.0
Office of Single Family Asset Management	77.0	77.0	0.0
Office of Lender Activities and Program Compliance	30.0	30.0	0.0
Office of Consumer and Regulatory Affairs			
Interstate Land Sales/ RESPA Division	18.0	18.0	0.0
Manufactured Housing and Standards Division	21.0	21.0	0.0
Subtotal	**39.0**	**39.0**	**0.0**
Subtotal	**182.0**	**182.0**	**0.0**
Office of Multifamily Housing Programs			
Office of the DAS	10.0	10.0	0.0
Office of Housing Assistance and Contract Admin.	42.0	42.0	0.0
Office of Housing Assistance Contract Administration Oversight	26.0	26.0	0.0
Office of Program Systems Management	14.0	14.0	0.0
Office of Multifamily Development	29.0	29.0	0.0

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Office of Asset Management	37.0	37.0	0.0
Subtotal	**158.0**	**158.0**	**0.0**
Office of Multifamily Housing Assistance Restructuring			
OMHAR Headquarters	38.0	38.0	0.0
OMHAR Outstationed Staff	47.0	47.0	0.0
Subtotal	**85.0**	**85.0**	**0.0**
Total, Headquarters	**787.0**	**787.0**	**0.0**
Field Employment			
Office of Finance and Budget			
Albany Financial Oper. Cntr. - Office of the Director	4.0	4.0	0.0
Albany Financial Oper. Cntr - Asset Recovery Division	32.0	32.0	0.0
Albany Financial Operation Cntr. - Insurance Operations	15.0	15.0	0.0
Subtotal	**51.0**	**51.0**	**0.0**
Single Family Home Ownership Center			
Office of the HOC Director	17.0	17.0	0.0
Customer Service and Operations Division	120.0	120.0	0.0
Quality Assurance Division	156.9	156.9	0.0
Processing and Underwriting Division	220.0	229.1	9.1
Program Support Division	227.2	227.2	0.0
Real Estate Owned Division	99.0	89.9	-9.1
Subtotal	**840.1**	**840.1**	**0.0**
Multifamily Housing			
Multifamily Property Disposition Center			
Multifamily Property Disposition Center	4.0	4.0	0.0
Management Team	25.9	25.9	0.0
Sales Team	30.0	30.0	0.0
Subtotal	**59.9**	**59.9**	**0.0**
HUB Operations	212.6	212.6	0.0
Asset Development	761.6	761.6	0.0
Asset Management	664.8	664.8	0.0
Subtotal	**1,698.9**	**1,698.9**	**0.0**
Total, Field	**2,590.0**	**2,590.0**	**0.0**
Total, Housing	**3,377.0**	**3,377.0**	**0.0**

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Housing Programs

The projected staffing requested to implement Federal Housing Administration (FHA) and other Housing programs is based on an analysis of the staffing requirements associated with projected workload levels. Over the past several years, at the request of Congress, HUD has conducted an exhaustive work measurement study encompassing all aspects of Housing's responsibilities. It is the results of this study, referred to as the Resource Estimation and Allocation Process (REAP), updated to include the current best judgment of Housing management, which were used in analyzing and projecting Housing's staffing needs for fiscal years 2002 and 2003.

The structure of the REAP staffing table mirrors Housing's organization structure and, within each organization, lists the set of workload indicators determined by REAP to be the best available measures of workload-based staffing needs.

Some of the REAP line items have entries under the column headed "Unfunded Workload Allocation." These entries represent projected workload which, if it materializes as projected, *might* suffer in quality or quantity given the total level of staffing being requested. However, where the stress of staffing constraints will actually occur will ultimately depend on the number and urgency of competing priorities, the need to balance short-term and long-range results and consequences, and the availability of staffing and other resources in each of over 50 geographically separate Housing locations on each working day of the fiscal year.

HEADQUARTERS EMPLOYMENT

EXPLANATION OF CHANGES FROM THE 2002 ESTIMATE TO THE 2003 ESTIMATE

For Housing, the fiscal year 2003 Estimate of 787 FTE for Headquarters reflects no change in total staffing from the fiscal year 2002 Estimate. Some possible consequences of constrained staffing as indicated by entries in the "Unfunded Workload Allocation" column of the REAP staffing table are:

- Reduced levels of quality control in underwriting Mark-to-Market (M2M) project restructurings, M2M compliance monitoring, and support to HUD partners regarding M2M issues; all of which have the potential to affect savings in appropriated Section 8 funds.

- Reduced oversight of lenders participating in FHA programs and reduced capacity for quality control and monitoring of project underwriting and management, both of which increase the risk to the health of the FHA funds.

- Diminished potential for comprehensive program management and guidance to assure consistent processing in compliance with current procedures and requirements and to support activities such as training, mentoring, and strategic planning.

FIELD EMPLOYMENT

EXPLANATION OF CHANGES FROM THE 2002 ESTIMATE TO THE 2003 ESTIMATE

For Housing, the fiscal year 2003 Estimate of 2,590 FTE for the field reflects no change in total staffing from the fiscal year 2002 Estimate. Some possible consequences of constrained staffing indicated by entries in the "Unfunded Workload Allocation" column of the REAP staffing table are principally in the area of:

- Reduced capacity for review, monitoring and other quality control safeguards to promote the long-term actuarial soundness of the FHA and other Housing program funds and for oversight to ensure compliance with existing administrative and statutory requirements.

- Reduced capacity to manage carefully and efficiently the acquisition, maintenance and sale of properties in the HUD-owned portfolio thus potentially lessening the FHA and other program funds which can be recovered.

- Reduced capacity to provide service to prospective homeowners, lenders, non-profit sponsors and other HUD partners.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

GUARANTEES OF MORTGAGE-BACKED SECURITIES

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Single-Class MBS				
Commitments:				
Limitation	$200,000,000	$200,000,000	$200,000,000	...
Carryover	...	$38,343,213	...	-$38,343,213
Subtotal	$200,000,000	$238,343,213	$200,000,000	-$38,343,213
Use	$161,656,787	$238,343,213	$200,000,000	-$38,343,213
Uncommitted Limitation Carryover	$38,343,213	...	...	...
Guarantees:				
Issued in Year	$153,797,628	$120,000,000	$120,000,000	...
Outstanding, End of Year	$604,442,361	$627,741,604	$675,560,606	+$47,819,002
Guarantee Fees	$382,945	$382,436	$398,238	+$15,802
Advances to Investors	$98,567	$107,992	$108,051	+$59
Default Expenses	$808	$818	$925	+$107
MULTICLASS				
Guarantees:				
Issued in Year	$67,422,000	$73,650,000	$80,925,000	+$7,275,000
Outstanding, End of Year	$165,625,846	$197,504,846	$232,480,846	+$34,976,000
Guarantee Fees	$18,445	$20,964	$21,094	+$130
Budget Authority (Program				
Budget Authority: (Appropriation for Administrative Expenses)	$9,362	$9,383	$10,343	+$960
Reserve for Retiree Costs	...	...	$418 a/	+$418
Subtotal	$9,362	$9,383	$10,761	+$1,378
Outlays (Program				
Outlays	$9,362	$9,383	$10,343	+$960
Reserve for Retiree Costs	...	...	$418 a/	+$418
Subtotal	$9,362	$9,383	$10,761	+$1,378
Liquidating Account:				
Budget Authority (net)	...	...	...	...
Outlays	-$365,056	-$378,067	-$376,519	+$1,548
Financing Account:				
Budget Authority (net)	...	...	...	...
Net Disbursements	-$78,786	-$10,682	-$44,001	-$33,319
Reserve Receipt Account:				
Payment to Reserve Receipt Account	$346,544	$389,017	$387,639	-$1,378

a/ Beginning in fiscal year 2003, the Budget presents the amounts associated with shifting the cost for benefits accrued to the Federal retirees from central accounts to affected program accounts.

Guarantees Mortgage-Backed Securities

SUMMARY OF BUDGET ESTIMATES

A. Current Business

The Government National Mortgage Association (Ginnie Mae) Budget proposes a limitation on new commitments for single-class mortgage-backed securities (MBS) of $200 billion for fiscal year 2003. This request is based on FHA and VA estimates of mortgage insurance and guarantee activity. Ginnie Mae has estimated that, of the $396.4 million in net receipts (not obligated to cover expenses) from the financing account, $387.6 million be transferred to its reserve receipt account and an appropriation of $10.8 million is proposed to fund salaries and expenses in fiscal year 2003, including $418,000 for the Administration's retirement costs proposal.

In fiscal year 2003, it is estimated that $80.9 billion of Multiclass securities will be guaranteed. Since all Ginnie Mae guaranteed Multiclass securities are based on and backed by mortgage-backed securities issued pursuant to commitment authority, separate commitment authority will not be required for the Multiclass securities.

B. Administration Legislative Proposal. The President's 2003 Budget corrects a long-standing understatement of the true cost of the Civil Service Retirement System (CSRS) and the Federal Health Benefits Program (FEHB). For some time, the accruing charge of CSRS and all retiree health benefits has been charged to central accounts. Beginning in fiscal year 2003, the Department's request reflects the shifting of these costs from central accounts to the Department. The $418,000 represents the related charges for Ginnie Mae in 2003.

PROGRAM DESCRIPTION AND ACTIVITY

The Government National Mortgage Association (Ginnie Mae) Program: The Ginnie Mae mortgage-backed securities program is authorized by Title III of the National Housing Act, as amended, P.L. 73-479, codified at 12 U.S.C. 1716 et seq. Ginnie Mae is a wholly owned instrumentality of the United States within the Department of Housing and Urban Development; authorized by Section 306(g) of the National Housing Act to facilitate the financing of residential mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA) and the Rural Housing Service (RHS), or guaranteed by the Secretary of Housing and Urban Development under Section 184 of the Housing and Community Development Act of 1992 and administered by the Office of Public and Indian Housing (PIH). Ginnie Mae's guaranty of MBS is backed by the full faith and credit of the United States. Funds available to mortgagees to lend to borrowers are provided through investments in long-term securities guaranteed by Ginnie Mae that are backed by pools of such mortgages. The investment proceeds are used in turn to finance additional mortgage loans.

Ginnie Mae currently guarantees modified "pass-through" type securities. Modified pass-through securities provide payment to registered holders of interest plus the monthly installments of principal due on the pooled mortgages, whether or not collected, plus any additional principal collections.

Separate pass-through programs have been developed to finance single-family homes, multifamily projects and manufactured housing. Ginnie Mae first issues a "commitment" to the prospective securities issuer (mortgagee) indicating that the firm meets Ginnie Mae's eligibility requirements. After Ginnie Mae issues the commitment, the issuer can begin to assemble mortgage pools and issue securities. Securities are issued with minimum face amounts of $25,000 which have the same aggregate face amount as the aggregate unpaid balance of the pooled mortgages and bear interest at the rate borne by the mortgages--less the amount of issuer servicing fees and Ginnie Mae guarantee fees. Ginnie Mae's credit risk in this program is limited by mortgage insurance provided by Government agencies with respect to all pooled loans.

Institutions that originate and service mortgages (such as mortgage companies, commercial banks, savings banks, and savings and loan associations) assemble pools of mortgages and issue securities backed by the pools.

Investors in Ginnie Mae securities include mortgage investors, pension and retirement funds, life insurance companies and individuals.

Multiclass Securities Program: In fiscal year 1994, Ginnie Mae began guaranteeing Real Estate Mortgage Investment Conduit (REMIC) and in fiscal year 1995 the Ginnie Mae Platinum securities. A REMIC security is backed by a pool or trust composed of mortgages or mortgage-backed securities (MBS). The REMIC issuer issues certificates of interest to investors and elects to be taxed under the REMIC provisions of Federal tax law (Sections 860A through 860G of the Internal Revenue Code of 1986). REMICs are multiple class securities with different maturities, typically between 2 and 20 years, or with payments based on fractions of the MBS income stream. This multiple class characteristic is what largely distinguishes REMICs from single class Mortgage-Backed Securities of the kind that Ginnie Mae has been guaranteeing since 1970.

The Ginnie Mae Platinum security consolidates Ginnie Mae MBS pools with the same interest rate into larger pools that are sold to investors by securities dealers. Ginnie Mae, under its Multiclass securities program, will guarantee only securities based on and backed by mortgage-backed securities guaranteed by Ginnie Mae. Since all Ginnie Mae guaranteed Multiclass securities will be based on and backed by MBS issued pursuant to previously issued commitment authority, additional commitment authority will not be required for the Multiclass securities.

Guarantees Mortgage-Backed Securities

Targeted Lending Initiative: Ginnie Mae started and developed the Targeted Lending Initiative in fiscal year 1996. The Initiative is consistent with Ginnie Mae's statutory purpose to promote access to mortgage credit in the central cities by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. Through the Targeted Lending Initiative, Ginnie Mae reduces the guarantee fees it charges lenders by up to 50 percent for making mortgage loans in any of the nation's urban and rural Empowerment Zones or Enterprise Communities, adjacent eligible central city areas, and areas with a majority population of Native Americans.

PROGRAM ACTIVITY

1. Status of Program. In fiscal year 2001, the Ginnie Mae Mortgage-backed securities program approved $161.7 billion in commitment authority and issued $153.8 billion for its single class guarantees. Guarantees of mortgage-backed securities are estimated at $120 billion in fiscal year 2002 and $120 billion in fiscal year 2003.

The estimated changes in the outstanding principal balance of mortgage-backed securities for fiscal years 2001, 2002, and 2003 are shown in the following table:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollar in Thousands)		
Securities Outstanding, start of yea . . .	$602,887,200	$604,442,361	$627,741,604
Issued During Year	153,797,628	120,000,000	120,000,000
Principal Payments to Securities Holders .	-152,242,467	-96,700,757	-72,180,998
Securities Outstanding, end of year . . .	604,442,361	627,741,604	675,560,606

The Multiclass Program activity, which involves a Ginnie Mae guarantee on the Multiclass securities that are backed by securities already guaranteed, is shown in the following table:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollar in Thousands)		
Securities Outstanding, start of year . .	$136,177,846	$165,625,846	$197,504,846
Issued During Year	67,422,000	73,650,000	80,925,000
Principal Payments to Securities Holders .	-37,974,000	-41,771,000	-45,949,000
Securities Outstanding, end of year . . .	165,625,846	197,504,846	232,480,846

The Targeted Lending Initiative, which allows Ginnie Mae to reduce the guarantee fee it charges lenders by up to 50 percent for making mortgage loans in any of the nation's urban and rural Empowerment Zones or Enterprise Communities and adjacent eligible central city areas, as well as in eligible Indian lands, is shown in the following table:

Estimated	Pools	Loans	Mortgage Amount
10/01/96 through 09/30/01	10,835	171,454	$16.6 billion

2. Financing. Application fees, guarantee fees, and other charges are paid by issuers of guaranteed securities to cover Ginnie Mae's issuing and claims costs under the guarantees and to provide additional amounts to reduce the deficit. The Association may borrow from the Treasury in order to meet obligations. However, it has not had to use that authority.

Expenses that reflect the cost of operations including write-down of assets held in inventory (real estate-owned properties, manufactured housing units, mortgages, and claims receivable) to the lower of cost or market value. During fiscal year 2001, $5 million was written-down on assets held.

Guarantees Mortgage-Backed Securities

The following table reflects the composition of program net income:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollar in thousands)		
Revenue:			
Investment Interest	$355,522	$378,208	$389,113
Interest Payment from Treasury	47,350	38,309	38,830
Guarantee Fees	382,945	382,436	398,238
Multiclass Fees	18,445	20,964	21,094
Commitment and Other Fees	47,010	39,295	41,433
Servicing Income	3,778	2,830	1,110
Interest on Mortgages	522	514	391
Sale of Servicing Rights	...	...	172
Subtotal	855,572	862,556	890,381
Contingency	22,968	...	...
Total Revenue	878,540	862,556	890,381
Expenses:			
Operating Expenses:			
Administrative Expenses	9,362	9,383	10,761
Contractor Expenses	34,961	36,650	37,010
Default Expenses	808	818	925
Servicing Expenses	1,936	1,934	1,054
Multiclass Expenses	5,161	5,677	6,245
Total Operating Expenses	52,228	54,462	55,995
Non-Operating Expenses:			
Write-Down of Assets to Lower of Cost or Market	4,995	...	...
Subtotal	57,223	54,462	55,995
Contingency	16,063	...	...
Total Expenses	73,286	54,462	55,995
Net Income	805,254	808,094	834,386

SALE OF SERVICING RIGHTS

In fiscal year 2001, there were no sales of servicing rights. It is estimated that proceeds from the sale of servicing rights in fiscal year 2003 would be $172 thousand.

FEDERAL CREDIT REFORM

The Omnibus Budget Reconciliation Act (OBRA—P.L. 101-508) required Federal credit programs to implement credit reform beginning in fiscal year 1992. This year's Budget presentation for Ginnie Mae has been structured with four accounts to comply with the requirements of OBRA. In fiscal year 2003, the Financing Account will transfer $398.4 million from its net receipts to a Receipt Account from which $10.8 million will be appropriated for administrative expenses into the Program Account, and a total transfer of $387.6 million from its net receipts to the Reserve Receipt Account for negative subsidy. The Financing Account is treated as a non-budgetary account. Budget authority and outlay data for each of the accounts are presented in the following table.

Guarantees Mortgage-Backed Securities

GINNIE MAE MORTGAGE-BACKED SECURITIES
FY 2003 CREDIT REFORM PRESENTATION
(Dollars in Thousands)

BUDGET AUTHORITY	
On-Budget Accounts:	
Liquidating Account:	
Gross Budget Authority	$425,205
Offsetting Collections	-425,205
Net Budget Authority (Mandatory)	...
Program Account:	
Appropriation:	
Administrative Expenses	10,761
Receipt Account:	
Deduction for Offsetting Receipts:	
Proprietary Receipts from the Public (Discretionary)	398,400
Non-Budgetary Account:	
Financing:	
Gross Financing Authority	548,461
Offsetting Collections	-548,461
Net Financing Authority	...
OUTLAYS:	
On-Budget Accounts:	
Liquidating Account:	
Gross Outlays	48,686
Offsetting Collections	-425,205
Net Outlays (Mandatory)	-376,519
Reserve Receipt Account:	
Transferred from Liquidating Account	...
Transferred from Financing Account	398,400
Program Account:	
Outlays (Discretionary)	10,761
Receipt Account:	
Deduction for Offsetting Receipts:	
Offsetting Receipts	398,400
Discretionary Appropriation	10,761
Net Receipts	387,639
Non-Budgetary Account:	
Financing:	
Gross Outlays	504,460
Offsetting Collections	-548,461
Net Outlays	-44,001

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

Ginnie Mae Program: The Ginnie Mae Mortgage-Backed securities program is authorized by Title III of the National Housing Act, as amended, P.L. 73-479, codified at 12 U.S.C. 1716 et seq. Ginnie Mae's mission is to support expanded affordable housing in America by providing liquidity to mortgage lenders that make federally insured or guaranteed loans, generally for low- and moderate-income homebuyers. In order to do this, Ginnie Mae guarantees mortgage-backed securities backed by federally insured and guaranteed mortgages, such as loans guaranteed by the Department of Veterans Affairs (VA) and the Federal Housing Administration (FHA). The mortgage lenders sell the securities to recapture their capital and make more loans using those funds.

Ginnie Mae is responsible for the administration of activities associated with the Mortgage-Backed Securities Program. The $10.8 million in administrative expenses and the 68 FTE for fiscal year 2003 is to cover salaries and expenses associated with carrying out the functions of the Mortgage-Backed Securities program.

Guarantees Mortgage-Backed Securities

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	$4,681	$4,692	$5,381
FTE			
Headquarters	33	34	34
Field	0	0	0
Subtotal	33	34	34
Strategic Objective 2.1: Expand national homeownership opportunities.			
Indicator: Ginnie Mae securitizes at least 85 percent of single-family FHA and VA loans	98%	85%	85%
Strategic Objective 2.3: Increase the availability of affordable rental housing.			
Ginnie Mae securitizes at least 90 percent of eligible FHA multifamily mortgages.	100%	90%	90%
Ginnie Mae Credit enhancements on multiclass securities will increase to $80.9 billion in fiscal year 2003.	$67.4 billion	$73.7 billion	$80.9 billion
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	$4,681	$4,691	$5,380
FTE			
Headquarters	33	34	34
Field	0	0	0
Subtotal	33	34	34
Strategic Objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.			
FTE Total	66	68	68

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBEN DEVELOPMENT

BUDGET ACTIVITY 4: GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. All data are presented on a comparable basis for the 3 fiscal years: 2001, 2002, and 2003.

SCOPE OF ACTIVITY

The Government National Mortgage Association (Ginnie Mae) is responsible for the administration of activities associated with the Mortgage-Backed Securities (MBS) and Multiclass Securities Programs. A brief description of Ginnie Mae's programs is provided below.

Mortgage-Backed Securities Program. Section 306(g) of the National Housing Act authorizes Ginnie Mae to guarantee the timely payment of principal and interest on securities which are issued by approved entities and which are backed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), or Rural Housing Service (RHS) mortgages.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

TYPE OF ACTIVITY BY FUNCTION

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
		(Dollars in Thousands)	
Guarantees of Mortgage-Backed Securities			
Issued during year	$153,797,628	$120,000,000	$120,000,000
Outstanding, end of year	604,442,361	627,741,603	675,560,605
MULTICLASS:			
Issued during year	67,422,510	73,650,000	80,925,000
Outstanding, end of year	165,625,000	197,504,000	232,480,000

TRAVEL

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel (HQ)	$134	$131	$200	+$69
Total	$134	$131	$200	+$69

Travel funds on-site visits and the monitoring of program participants.

CONTRACTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
General Support	$67	$250	$250	....
Total	$67	$250	$250	....

General Support funds the MBS, Multiclass Securities Program, and related administrative functions.

Detail of Government National Mortgage Association Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment									
Immediate Office President									
General Direction	NA		...	...	4.0		...	...	4.0
Strategic Planning/Risk Management	NA	1	...	...	1.0	1	...	...	1.0
Mortgage Backed Securities Program (MBS)	NA		...	...	2.0		...	...	2.0
Administrative Support/Contract Administration	NA		...	...	4.0		...	...	4.0
Subtotal					**11.0**				**11.0**
Office of Mortgage-Backed Securities									
General Direction	NA		...	...	2.0		...	...	2.0
Support the MBS Program	# of approved issuers maintained in the Ginnie Mae MBS portfolio	40	500	50.11	11.0	40	500	50.11	11.0
Contract Administration/ Internal Skill Development	NA		...	...	4.0		...	...	4.0
Subtotal					**17.0**				**17.0**
Office of Finance									
Perform General Direction	NA		...	...	2.0		...	...	2.0
Budgetary/ Financial Management Activities	NA		...	...	2.0		...	...	2.0
Support the MBS Program	# of approved issuers maintained in the Ginnie Mae MBS portfolio		500	45.93	11.0		500	45.93	11.0
Subtotal					**15.0**				**15.0**
Office of Multifamily Programs									
Perform General Direction	NA		...	...	2.0		...	...	2.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Support the MBS Program	# of approved issuers maintained in the Ginnie Mae MBS portfolio		500	16.70	4.0		500	16.70	4.0
Subtotal					**6.0**				**6.0**
Office of Policy and Capital Markets									
Perform General Direction	NA		...	...	2.0		...	...	2.0
Support the MBS Program	# of approved issuers maintained in the Ginnie Mae MBS portfolio	60	500	33.41	7.0	60	500	33.41	7.0
Subtotal					**9.0**				**9.0**
Office of Program Administration									
Perform General Direction	NA		...	...	1.0		...	...	1.0
Support the MBS Program	# of approved issuers maintained in the Ginnie Mae MBS portfolio		500	27.14	6.5		500	27.14	6.5
Contract Administration/ Internal Skill Development	NA		...	...	2.5		...	...	2.5
Subtotal					**10.0**				**10.0**
Ginnie Mae Total					**68.0**				**68.0**

Field Employment

Detail of Government National Mortgage Association Staff Requirements

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters Employment			
Immediate Office President	11.0	11.0	0.0
Office of Mortgage-Backed Securities	17.0	17.0	0.0
Office of Finance	15.0	15.0	0.0
Office of Multifamily Programs	6.0	6.0	0.0
Office of Policy, Planning & Risk Management	9.0	9.0	0.0
Office of Program Administration	10.0	10.0	0.0
Total Government National Mortgage Association	**68.0**	**68.0**	**0.0**
Field Employment			
Total	**0.0**	**0.0**	**0.0**

Detail of Government National Mortgage Association Staff Requirements

	FTE			
	Actual 2001	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	65.0	68.0	68.0	0.0
Field	0.0	0.0	0.0	0.0
Total	**65.0**	**68.0**	**68.0**	**0.0**

Salaries and Expenses, Housing and Urban Development
Budget Activity 4: Government National Mortgage Association

HEADQUARTERS EMPLOYMENT

EXPLANATION OF UNDERFUNDED WORKLOAD/ALLOCATION FOR FY 2002 AND FY 2003

All needed positions are required to enhance performance accountability and risk management analysis of Ginnie Mae programs. In addition to this requirement, 48% of the organization's current staff will be eligible to retire within the next 2 years. In order to maintain and sustain current institutional/programmatic knowledge, there is a heightened need for succession planning.

Immediate Office of the President & Executive Vice President

With the implementation of the recently approved reorganization of Ginnie Mae, the Office of Management Operations was established. This Office, headed by a Senior Vice President, has three Divisions: Administrative Management, Information Management and Procurement Management. Given the complexity, and confidential nature of the varied responsibilities of this Office, a permanent secretarial position is needed to maintain the integrity of the Office and to support and assist the newly created SES position of Senior Vice President.

Office of Policy and Capital Markets

The Office of Capital Markets directs and manages all Ginnie Mae capital market activities and administers the Ginnie Mae Multi-class program, including, but not limited to, the Real Estate Mortgage Investment Conduit (REMIC) and Platinum Securities programs. This Office directs and coordinates all activities to assist the investor community in creating and marketing existing and new securities that are designed to enhance the competitiveness of all Ginnie Mae securities and be of greater value to investors in the U.S. and foreign markets. Over the past 2 years, the Capital Markets program level has soared while the staffing level has decreased. Along these lines, the filling of the Market Securities Specialist position is necessary to handle the increased/underfunded workload and to assure adequate program oversight, and risk management, thus mitigating potential financial risk or material weaknesses.

Office of Mortgage-Backed Securities

With the implementation of the recently approved reorganization of Ginnie Mae, the Office of Mortgage-Backed Securities was created with three Divisions: Single Family/Manufactured Housing, Multifamily and Mortgage-Backed Securities (MBS) Monitoring. Accordingly, the position of Asset Management Specialist (located in the MBS Monitoring Division) was created to place heightened emphasis on a variety of risk monitoring activities to assure program compliance. This includes the utilization of established risk analysis to conduct and direct various levels of issuer field reviews and directing the use of appropriate compliance and/or enforcement tools to mitigate any risk to Ginnie Mae. With the recent departure of one of the seasoned Asset Managers in this Division, the filling of this position will account for the underfunded workload and provide the needed skill level required to adequately accomplish the goals of this Division and mitigate potential financial risk and/or material weaknesses.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

MISSION REGULATION OF FANNIE MAE
AND
FREDDIE MAC

Congress established important oversight responsibilities for HUD under Title XIII of the Housing and Community Development Act of 1992 (P.L. 102-550) pertaining to mission regulation of Fannie Mae and Freddie Mac, Government-Sponsored Enterprises (GSEs) in the secondary mortgage market. These responsibilities include:

- Setting, monitoring, and enforcing the GSEs' goals for the purchases of mortgages made to low- and moderate-income families, mortgages on properties located in underserved areas, and mortgages made to very low-income families and low-income families in low-income areas, including mortgages on multifamily properties;
- Reviewing the GSEs' requests for approval of new programs;
- Prohibiting discrimination in the GSEs' mortgage purchase activities, including reviewing and commenting on their underwriting guidelines; and
- Establishing a public use data base on the GSEs' mortgage purchases.

The Department plans to intensify its research and analysis underlying its regulatory activities in several areas in fiscal year 2003, including enhanced mission oversight of the GSEs, review and verification of the accuracy of the data provided to the Department by the GSEs, monitoring the GSEs' compliance with anti-discrimination requirements, and evaluation of the impact of the Department's goals for the GSEs on housing affordability.

Under the provisions of P.L. 102-550, these GSEs are assessed for the costs of their financial safety and soundness regulation by the Director of the Office of Federal Housing Enterprise Oversight (OFHEO), who is responsible for ensuring that Fannie Mae and Freddie Mac are adequately capitalized and operating safely. The Director is authorized to collect annual assessments from the GSEs to provide for OFHEO's costs and expenses. However, the GSEs are not currently assessed for the costs of mission regulation.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

POLICY DEVELOPMENT AND RESEARCH

RESEARCH AND TECHNOLOGY

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Obligations - Core R&T	$44,028	$40,384	$47,100	+$6,716
Obligations - PATH	$8,709	$10,084	...	-$10,084
Total	$52,737	$50,468	$47,100	-$3,368
Budget Authority				
(Appropriations):				
Enacted or Proposed - Core R&T	$43,500	$41,500	$47,000	+$5,500
Transfers to Commissions	[-$499]	[-$2,500]	[...]	[+$2,500]
Rescission	-$96	...	...	...
Subtotal Core R&T	[$42,904]	[$39,000]	[$47,000]	[+$8,000]
Enacted or Proposed - PATH	$10,000	$8,750	...	-$8,750
Rescission	-$22	...	...	...
Subtotal	$53,382	$50,250	$47,000	-$3,250
Outlays - Core R&T	$55,056	$52,900	$45,146	-$7,754
Outlays - PATH	$8,644	$7,100	$5,854	-$1,246
Total Outlays	$63,700	$60,000	$51,000	-$9,000

a/ Includes outlays for international activities funded from the U.S. AID transfer.

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget proposes an appropriation of $47 million for research, studies, technology and policy analysis administered by the Assistant Secretary for Policy Development and Research (PD&R) under the Research and Technology account (R&T).

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 appropriation request for core research & technology is $4 million more than the fiscal year 2001 actual amount. (For purposes of this comparison, the fiscal year 2001 amount has been reduced by $499,000, which is the amount transferred to the Commission on Affordable Housing & Health Care Facility Needs.) A little more than half of the increase is attributable to increased costs for housing market surveys and research dissemination and the costs of a new Congressionally mandated Clearinghouse on Regulatory Barriers to Affordable Housing. The balance will be used to expand funding for program evaluations and to analyze the impact of newly available census data on HUD programs.

Funding for core research & technology dropped significantly between 2001 and 2002. In addition to a $2 million reduction in budget authority for core research & technology, the amount of set-asides for Congressional commissions increased from $500,000 to $2.5 million. As a result, the net amount available for core research & technology in fiscal year 2002 was $39 million--$4 million less than in 2001 and $8 million less than requested in fiscal year 2003. (The $5.5 million difference between fiscal years 2002 and 2003 shown in the above table reflects the combined amounts for core research & technology and commissions.) The fiscal year 2003 budget request would restore the $4 million cut in fiscal year 2002 and provide an additional $4 million to cover the costs noted above.

Research and Technology

As in the fiscal year 2002 Budget request, no funds are requested for the Partnership for Advancing Technology in Housing (PATH) program. The decrease in the outlay estimate between 2002 and 2003 is largely due to the elimination of the PATH program in fiscal year 2003, the spendout in fiscal year 2002 of funds from the prior U.S. AID transfer, and to a lesser extent, previously reduced appropriations for core R&T and PATH.

PROGRAM DESCRIPTION

The mission of the Office of Policy Development and Research (PD&R) is to provide reliable facts and analysis to inform the policy decisions of HUD, Congress, State and local governments and other HUD partners. R&T funds enable PD&R to fulfill this mission by maintaining and expanding information on housing needs and market conditions, evaluating current HUD programs and proposed policy changes, and conducting research on a wide range of housing and community and economic development issues, including advances in housing technology.

Summary

During fiscal year 2003, PD&R will initiate or continue work in a number of key areas. Highlights include the following:

- **Analysis of 2000 Census data.** Most decennial census data pertinent to HUD programs will become available for the first time in fiscal year 2003. Beginning in 2003 and continuing into 2004, PD&R will analyze these data to determine their implications for HUD programs. Such analyses will enable HUD to, for example:

  Understand the impact of new census data on formulas for distributing HUD funding and examine whether changes to these formulas are necessary;

  Recalibrate Fair Market rents and income limits for the assisted housing programs;

  Revise the areas classified as "underserved" for the purposes of setting new affordable housing goals for Fannie Mae and Freddie Mac.

  Examine in detail the extent to which progress occurred in the 1990s in addressing important housing goals, such as expanding homeownership and reducing "worst case needs" and housing segregation patterns.

- **Evaluations of HUD Homeownership Programs.** To better understand the impact of HUD homeownership programs and determine how they can be improved, PD&R will initiate or continue work on a number of program evaluations, including evaluations of Section 8 homeownership, homeownership activity under HOME, FHA single-family insurance, and programs that concentrate homeownership investments in particular neighborhoods.

- **Other HUD Program Evaluations.** In fiscal year 2003, PD&R plans to expand significantly its HUD program evaluation activity, in addition to homeownership program evaluations. Based on input from the Secretary and program offices within HUD, PD&R is developing a plan for its program evaluation activity to ensure that it advances key policy objectives and leads to regular periodic evaluations of major HUD programs.

- **Expanding Homeownership Among Low-Income and Minority Households.** Based on the results of a project initiated in 2001 to survey the impediments, practical remedies, and ultimate potential for increased low-income and minority homeownership, PD&R will choose several promising approaches to expanding homeownership about which to conduct more in-depth research and analysis in 2003. Topics such as the costs and benefits of different tax incentives to boost homeownership among low-income families will be examined.

- **Strengthening the Section 8 Voucher Program.** PD&R will continue its efforts to identify ways to improve the effectiveness of Section 8 vouchers. Research projects now underway are examining the reasons for low utilization rates at certain PHAs and steps that other PHAs have taken to boost voucher success rates. During fiscal year 2003, PD&R will examine the Section 8 administrative fee formula to determine whether changes are needed both to ensure the optimal and efficient distribution of funds and to provide incentives for achieving key programmatic outcomes.

- **Performance Management (GPRA).** PD&R will continue its research program to improve HUD's ability to measure the direct effects of HUD's programs.

Research and Technology

- **Housing Finance, FHA, and the GSEs.** PD&R will continue to conduct analyses of housing finance, FHA, and GSE (Fannie Mae and Freddie Mac) issues, examining topics such as the role that FHA and the GSEs play in affordable and minority lending; the role of credit history in mortgage defaults; loss mitigation and alternatives to mortgage default; and the potential for mortgage scoring and risk-based pricing in FHA.

- **Energy Efficiency and Building Technology.** PD&R will undertake research to explore new approaches for production, rehabilitation, and maintenance of housing that enhance energy efficiency and affordability; PD&R will also continue work to identify regulatory barriers that contribute to the high cost of housing construction and rehabilitation.

- **Growth Management.** PD&R plans to conduct research in the area of growth management. Of particular interest is research into the relationship of growth management and housing affordability, and the effects of different mechanisms for financing development and public infrastructure costs.

Description

The above "summary" highlights the key topical areas of PD&R's research program for fiscal year 2003. This section complements the summary by providing further description of each of the main categories of PD&R's ongoing research and analytical work.

Legislative Authority. Title V of the Housing and Urban Development Act of 1970, as amended, authorizes and directs the Secretary to undertake programs of research, studies, testing and approved demonstrations relating to the missions and programs of the Department. Work under this authority is a principal source for Departmental program and policy changes. In order to ensure effective use of the results of these activities, the Secretary is authorized to disseminate significant reports, data, and information to Departments and agencies of Federal, State and local governments, to industry, to the general public and to Congress.

Policy Development and Research. The Assistant Secretary for PD&R is responsible for the development, planning, and execution of HUD research, evaluation and approved demonstration programs; for assisting in the formulation of Department policy; and for disseminating HUD research results. In addition, the PD&R organization has principal responsibility for providing economic and policy analysis and staff assistance to the Secretary in determining national housing and community development goals, program priorities, and objectives; for funding major ongoing housing market surveys; and for supporting the Secretary's role in overseeing the GSEs (Fannie Mae and Freddie Mac).

Finally, in light of its expertise in the field of economics, PD&R performs a number of functions that help to support the administration of the Department's housing programs. These include calculating the key parameters used in housing programs such as income limits and Fair Market Rents and overseeing the field economists who review the market for multifamily housing projects applying for FHA insurance. While PD&R administers fair market rent and customer surveys, the funding for these programmatic functions has been provided through the Public Housing Capital Fund starting in fiscal year 2001 and continuing through fiscal year 2003.

Classification of Activities. PD&R activities may be classified as either fixed or variable:

- Fixed Activities. PD&R expects to commit $28.2 million for fixed activities in fiscal year 2003. The largest of these is the Congressionally mandated American Housing Survey, which provides policymakers and researchers with basic information on the U.S. housing market. The American Housing Survey costs are estimated to be $18.8 million in fiscal year 2003. Other fixed expenses include the Survey of New Home Sales and Housing Completions, the Residential Finance Survey, the Survey of New Manufactured Housing Placements, and the Survey of Market Absorption of New Multifamily Units, as well as research dissemination and support.

- Variable Activities. The remaining $18.9 million will be committed to program evaluations and other research on housing and community and economic development issues.

The following table shows the obligation level for more specific categories of fixed and variable activities in fiscal years 2001, 2002 and 2003. These categories have been revised from prior years to provide a clearer explanation of PD&R activities.

Research and Technology

		ACTUAL 2001	BUDGET ESTIMATE 2002	CURRENT ESTIMATE 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 v 2002
		(Dollars in Thousands)				
I.	Housing Market Surveys	$22,112	$22,900	$23,000	$23,600	+$600
II.	Research Dissemination	3,829	4,400	4,400	4,600	+200
	Subtotal Fixed Activities	**$25,941**	**$27,300**	**$27,400**	**$28,200**	**+800**
III.	Program Evaluations	4,610	6,100	4,981	7,500	+2,519
IV.	Housing Finance Studies	1,941	1,300	1,060	1,750	+690
V.	University Research	2,267	1,500	550	1,600	+1,050
VI.	Urban Data Systems Research ...	987	1,500	1,365	1,900	+535
VII.	Approved Demonstrations	3,507	1,700	1,320	1,000	-320
VIII.	Housing Technology and Regulatory Studies	2,569	2,000	1,653	2,250	+597
IX.	Other Housing and Urban Research	2,206	2,104	2,055	2,900	+845
	Subtotal R&T Variable Activities	**$18,087**	**$16,204**	**$12,984**	**$18,900**	**+$5,916**
X.	Transfer to the Commission on Affordable Housing & Health Care Facility Needs	[499]	...	[1,000]	...	-1,000
XI	Transfer to the Millennial Housing Commission	...	...	[1,500]	...	-1,500
X.	PATH	8,709	...	10,084	...	-10,084
	Grand Total R&T a/	**$52,737**	**$43,504**	**$50,468**	**$47,100**	**-$5,868**

a/ Totals include estimated recoveries.

The following is a description of PD&R activities under each of the categories listed above:

FIXED ACTIVITIES:

I. **Housing Market Surveys**

Given the continuing changes in housing and housing finance markets, it is essential for policy makers to keep abreast of institutional and economic changes and understand their import for financial risk, credit, affordability of rental and owner-occupied housing, residential construction and home purchases. By sponsoring major housing market surveys and conducting research and analysis on housing market finance issues, PD&R provides this essential information to a wide range of policy makers and stakeholders.

Roughly half of the budget for research and technology is dedicated to funding major ongoing housing market surveys including the American Housing Survey, the Residential Finance Survey, the Survey of New Home Sales and Completions, the Survey of Market Absorption, and the Survey of New Manufactured Homes Placements. These studies are described below:

- The American Housing Survey (AHS), a Congressionally mandated survey, is the Nation's primary source of information on the housing stock and housing conditions. Since 1973, the Census Bureau has surveyed a nationally representative sample of approximately 60,000 housing units in odd-number years to gather information on the condition of those units and the characteristics of their residents. In even-number years, smaller, longitudinal samples are surveyed to provide similar data for each of 47 large metropolitan areas at 4-or 6-year intervals. Although conducted by the Census Bureau, these surveys are sponsored, funded and directed by PD&R. HUD, other government agencies, private entities, and researchers use this information to assess the housing needs of the country, evaluate the performance of national housing policy, and study the dynamics of the housing market.

- In fiscal year 2003, PD&R will continue funding for the Residential Finance Survey (RFS) which is a supplement to the decennial census that provides detailed information on the financing of non-farm residential properties, both owner-occupied and rental.

- The Survey of New Home Sales and Housing Completions provides monthly and annual data on sales, completions, and prices of new homes. This survey provides the data for two leading national economic indicators.

- The Survey of Market Absorption of New Multifamily Units provides quarterly national data on how quickly new multifamily units are rented, by rent level and number of bedrooms.

- The Survey of New Manufactured (Mobile) Housing Placements compiles data on the number of new manufactured housing units sold or leased and placed on site by manufactured housing dealers for residential use.

II. Research Dissemination and Support Services

To ensure optimal use of the research and analysis conducted by PD&R, it is essential that these materials be made available to researchers and policy analysts. This funding category supports activities necessary for disseminating and supporting PD&R research. PD&R's research information clearinghouse, HUD USER, and PD&R's Web site www.huduser.org will continue to serve an impressive number of researchers, including policy analysts at all levels of government, the private sector, nonprofit housing advocates, and educators. During the period January 2001-December 2001, over 3.2 million files were downloaded by these users and during the same period, the clearinghouse distributed over 189,000 copies of PD&R products. Through its support services contract, PD&R will continue to have access to technical reviewers for reports and papers; writers; editors; conference planners; and graphic designers. Experts in these areas will assist PD&R staff in the development and marketing of written products; organizing and implementing conferences, workshops and meetings; designing and staffing a PD&R exhibit at national conferences; and providing dissemination and distribution support for PD&R publications.

This funding category also includes two clearinghouses required by legislation. First, the American Homeownership and Economic Opportunity Act of 2000 required PD&R to establish a Regulatory Barriers Clearinghouse to serve as a national repository to receive, collect, process, assemble, and disseminate information to eliminate barriers to affordable housing. Second, the legislation creating Community Outreach Partnership Centers directed HUD to establish a clearinghouse on university/community partnerships to document and disseminate information about such grant programs that PD&R administers. As the number of these grant programs has grown, so too has the role of the clearinghouse in promoting the creation of university/community partnerships.

VARIABLE ACTIVITIES:

III. Program Evaluations

In fiscal year 2003, PD&R plans to expand significantly its program evaluation activity. Based on input from the Secretary and program offices within HUD, PD&R is developing a plan for its program evaluation activity to ensure that it advances key policy objectives and leads to regular periodic evaluations of major HUD programs.

Among program evaluations now underway are: homeownership activity under HOME, Section 8 homeownership, Utilization of Section 8 Vouchers, FHA ARMs, Use of the Voucher Program by Persons with Disabilities, the HOPE VI program, the Family Self-Sufficiency Program, the Welfare-to-Work Voucher program, the Continuum of Care system, the Impact of CDBG on Community Redevelopment, economic development loans made with HUD funds, and Reduced Down Payments for Teachers and Uniformed Municipal Employees.

IV. Housing Finance Studies

While PD&R has a broad research and evaluation agenda in the housing finance area, many PD&R studies focus on the role of FHA and the GSEs (Fannie Mae and Freddie Mac) in expanding affordable lending and programs to increase homeownership opportunities for low-income and minority families.

PD&R's housing finance research will: (1) furnish sound analysis of trends and financial risks in the mortgage capital markets; (2) assess the impact of legislative proposals relating to housing finance; (3) conduct special studies of FHA programs and alternative approaches to improve primary and secondary mortgage markets; (4) analyze issues related to mortgage default and mortgage credit scoring; and (5) assess FHA's new mortgage scorecard technology that is used to measure the relative credit risk of FHA applicants in the automated underwriting of FHA mortgages. Research will also be conducted to improve the understanding of FHA's impact on the single family and multifamily housing markets and to examine the nature of affordable lending in the single family market.

PD&R also provides research and policy analysis support to the Secretary in connection with his role in regulating the Government Sponsored Enterprises (GSEs)--Fannie Mae and Freddie Mac. In fiscal year 2003, PD&R's research program will emphasize analyses of 2000 census data which can support HUD's review of the GSEs' affordable housing goals, and particularly the goal related to GSE activity in underserved housing market areas. The housing goals are scheduled to be evaluated and revised as necessary before the end of 2003. Research will be conducted on implications of current market developments on the GSEs, the secondary mortgage market, and the availability of mortgage finance for lower-income borrowers. Continued attention will be given to the evolution of subprime mortgage lending and markets and the increased use of risk-based pricing throughout the mortgage market. Research and policy analysis will also be performed to support the Department's oversight of GSE fair lending requirements.

V. University Research

PD&R seeks to enhance HUD's overall capacity and knowledge base by encouraging more scholars to focus on research questions relevant to HUD goals. To help build broader attention to policy-relevant research on housing, urban development, and economic issues, PD&R offers incentives to promising researchers at a critical point in the preparation of faculty and researchers -- during the doctoral process and early faculty years. The Early Doctoral Student Research Grant and the Doctoral Dissertation Research Grant enable top doctoral students or recent degree holders to cultivate their research skills through the preparation of papers and dissertations, and the opportunity to present and publish their work. The Urban Scholars Fellowship is a postdoctoral award for 15 months of research support to faculty who are less than 5 years into their academic careers.

VI. Urban Data Systems Research

PD&R will continue to collect and make available basic data on the economic and social condition of cities and to update the State of the Cities Database. Research for fiscal year 2003 will include incorporation into the database of standard and special tabulations from the 2000 census, an analysis of the fiscal disparities between central cities and suburbs, and an examination of the spatial patterns of housing and economic development. Together these projects will provide insight into the phenomenon of urban sprawl and produce information relevant to regional cooperation among local governments. Further data collection and analysis projects include analyses of crime data, business establishment and jobs data, and current labor force statistics for metropolitan areas and central cities.

This category also includes research on the application of Geographic Information Systems (GIS) technology to the field of housing and community and economic development. Among other activities, PD&R will provide researchers with spatially-enabled datasets and help to develop tools to facilitate researchers' use of GIS technology in analyzing housing and community and economic development issues. PD&R will also investigate the potential of GIS activity to facilitate regional planning and increase the effectiveness of citizen participation in the planning process.

VII. Approved Demonstrations

In fiscal year 2003, PD&R will continue to fund research related to the Congressionally approved demonstration, the Jobs Plus Community Revitalization Initiative for Public Housing Families. The goal of the Jobs-Plus is to substantially increase the employment rates of residents living in public housing developments through three broadly defined elements: (1) work incentives; (2) best practices in preparing residents for sustained employment and in linking residents with jobs; and (3) enhanced community support for work. Jobs-Plus is a 5-year demonstration program, which concludes in June 2003. Public housing authorities and collaborative private partners are implementing the demonstration and the Manpower Demonstration Research Corporation is evaluating the various outcomes.

VIII. Housing Technology and Regulatory Studies

This research aims to improve the safety, soundness and energy efficiency of the Nation's housing stock--especially HUD-assisted and regulated housing--while maintaining affordability. A major focus of this research category in fiscal year 2003 will be research on technologies and building methods that can help make housing more energy-efficient as well as strategies for promoting energy conservation in public and assisted housing. Other areas of work include research on building codes, HUD technical standards and support for consensus standards to assure safe, affordable housing; accessibility studies; environmental hazards; manufactured housing; removal of regulatory barriers and streamlining the regulatory system.

In fiscal year 2003, expanded work will continue on research to improve manufactured housing standards, particularly research in support of the HUD Office of Manufactured Housing's efforts to develop Congressionally required model installation standards.

Research and Technology

Research will continue to identify and recommend approaches to reducing barriers to infill housing and reuse of urban land. These include reduction of code barriers to rehab and studies on land assemblage. Research will also continue on understanding the structural requirements and engineering principles needed to assure that the safety and disaster resistance of single-family homes can be improved without sacrificing housing affordability.

IX. Other Housing and Urban Research

This category covers a range of research on different housing and community and economic development issues. Among other topics, PD&R will examine ways to enhance the capacity of faith-based and community organizations to perform housing and community development, and the nature and severity of housing problems among different populations and in different geographic areas.

Other research in this category will examine the effects of growth management policies on the availability and distribution of affordable housing and study existing and alternative mechanisms for financing development and public infrastructure costs.

In fiscal year 2003, PD&R's Office of International Affairs will continue a small program of research studies to support the international exchange of data and information on housing and urban development topics.

U.S. AID TRANSFER. As of September 30, 2000, HUD obligated all of the $10 million transfer of funds from U.S. AID for the Central American/Caribbean Hurricane Reconstruction program. The Department implemented technical assistance projects in six countries in Central America and the Caribbean to support long-term reconstruction in housing and community development areas damaged by the hurricanes. The HUD program concluded on December 31, 2001.

PERFORMANCE RESULTS. PD&R has a broad support role in HUD, evaluating the Department's programs and informing policy decisions to make the programs more effective. The budget request for research and technology has a core purpose of improving performance for *all* strategic goals. One aspect of this support is the provision of performance data and analysis for a major share of HUD's performance indicators; this is one of many uses of the housing market surveys funded out of this account. Another aspect is PD&R's evaluation of programs to shed light on performance issues and market factors that are too complex to encompass with annual performance measures. PD&R's support role is reflected in the Department's new framework of strategic goals and objectives. Since PD&R research supports all of the Department's strategic objectives, the framework no longer contains a separate strategic objective focused solely on research. The aspect of PD&R's work that involves providing quality research products to outside researchers and policymakers is captured with the research-related performance indicator [6.2 Improve accountability, service delivery and customer service of HUD and our partners], "At least 80 percent of key users rate PD&R work as valuable."

STRATEGIC GOALS AND OBJECTIVES ($ AND FTE) AND RESULTS

During fiscal year 2001, PD&R completed a survey and evaluation of its own research products. These products include data sets, evaluation reports, policy journals and documents that appear in print and on the Internet. Customers were surveyed to determine whether they found PD&R research products relevant, useful and well-prepared. HUD research was found to be rated highly and cited frequently in the academic literature, although a need for greater methodological rigor was noted. PD&R will use the findings to strengthen its efforts, and will reassess its research products and program every three years through a similar survey (next survey in fiscal year 2004). In intervening years PD&R will continue to monitor user opinions through mail surveys and other user feedback on its research.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	$52,882	$47,750	$47,000
FTE			
Headquarters	112	115	115
Field	40	37	37
Subtotal	152	152	152
Strategic Objective 6.2: Improve accountability, service delivery and customer service of			

Research and Technology

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
HUD and our partners.			
Indicator: At least 80 percent of key users (including researchers, State and local governments, and private industry) rate PD&R's work products as valuable.	81%	NA	NA (next survey in 2004)
Indicator: PD&R will produce and facilitate the dissemination of more than 40 publications through its distribution clearinghouse, HUD USER.	36	40	40
Indicator: More than 3.2 million downloadable files will be accessed from PD&R's website	3.2 million	3.2 million	3.2 million
FTE Total	**152**	**152**	**152**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 5: POLICY DEVELOPMENT AND RESEARCH

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. All data are presented on a comparable basis for the 3 fiscal years: 2001, 2002, and 2003.

SCOPE OF ACTIVITY

Personnel of the Office of Policy Development and Research (PD&R) are responsible for the management of research and technology studies conducted under contracts, cooperative agreements and grants, as well as in-house research, economic analyses, tax policy analysis, program evaluation and program monitoring, and policy development.

Staff has provided the analytical skills and experience such as assisting in the development of performance measures; targeting of the funds to assure attention to low-income families and vulnerable populations; and assuring that questions of consistency of approach across program lines are addressed. Staff provides continued short range research on basic housing and urban issues to allow the Secretary to be a national spokesperson on these matters. The economic intelligence function, including the American Housing survey and related publications such as the quarterly U.S. Housing Market Conditions report, would also continue. Likewise, setting Fair Market Rents (FMR) and income limits, and assisting on HUDwide, special initiatives are ongoing functions of the Office.

Staff continues to provide extensive support to the Chief Financial Officer and Deputy Secretary on tasks related to the Government Performance and Results Act, including development of the Strategic Plan and the Annual Performance Plan.

PD&R staff supports activities necessary for disseminating and supporting our research products. These materials are made available to all levels of the government, researchers, policy analysts, the private sector and to interested parties through PD&R's research information clearinghouse, HUD USER and via our website www.huduser.org.

Staff works closely with the program offices and the Office of Information Technology to improve automated systems and the program data that reside in these systems, in order to support research and evaluations, and to assure that program managers throughout HUD's organization have the information needed to monitor results.

PD&R is also responsible for the examination of the outcomes of current HUD programs; the evaluation of programs in view of those outcomes; and the review of the continuing efficacy of programs.

PD&R provides technical support to FHA. New ways of doing business require careful up-front study, prompt and thorough evaluations. Actuarial studies, program design, and assessments of who FHA serves are areas where FHA and the Secretary need assistance. PD&R's analytical approach makes its advice particularly useful to FHA and the Secretary.

Staff continues to provide support to the Secretary for mission regulation of Government Sponsored Enterprises (GSEs) activities including: (1) consideration of new program requests; (2) monitoring of GSE performance under geographical and income-based housing goals; (3) research support for establishment of ongoing GSE housing goals; (4) review of fair housing performance; and (5) writing reports to Congress.

Staff also administers outreach and grant programs of the Office of University Partnerships.

Staff continues studies and research to support the international exchange of information and data on housing and development topics.

The economists who serve in HUD field offices report to PD&R. The field economists serve as the Department's primary source of intelligence on local economic and housing conditions, providing analysis and recommendations to field and headquarters management and program officials, including reports for the U.S. Housing Market Conditions quarterly report. They also assist HUD clients in identifying and analyzing economic and demographic data; provide market analysis reviews of various program applications, conduct needs assessments of assisted housing proposals, and advise on the allocations of assisted housing funds.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

WORKLOAD

The workload of PD&R focuses on ways to improve the efficiency, effectiveness, and equity of HUD programs. This entails developing policy recommendations for the Secretary, performing policy and economic analyses, directing research and demonstration activities, and evaluating and monitoring new and existing programs for the Department. The workload also includes supporting the Secretary in carrying out his responsibilities for Fannie Mae and Freddie Mac regulation and preparing reports to Congress. In carrying out its responsibilities, PD&R conducts analyses using either contract or in-house staff resources, depending on the issue and the nature of the work. Research is also accomplished through the submission of unsolicited proposals from the housing research community. PD&R also works with other HUD staff, State and local governments,

academicians, representatives of various interest groups, and other interested parties, to assure that all accessible knowledge is brought to bear on issues of concern to the Department.

TRAVEL

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel	$245	$274	$274	....
Total	$245	$274	$274	....

The requested travel amount of $274 thousand in 2003 will provide funds for the travel requirements of PD&R including: essential travel by the front office and other senior staff, field economists travel, inspection trips to ensure that contractor performance is in line with objectives, and other staff travel.

CONTRACTS

The following table identifies the specific contracts unique to this activity and is followed by a brief description.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Data and Statistical Services	$3,439	$3,442	$3,442	....
Total	$3,439	$3,442	$3,442	....

The 2003 estimate will provide adequate funds for the contract needs of PD&R as described below.

DATA AND STATISTICAL SERVICES

The following are fiscal year 2003 contracts planned for S&E funding:

	Amount (Dollars in Thousands)
Quality Control for Rental Assist Subsidy Determinations	$2,800
F.W. Dodge Data	125
Census Special Tabs	150
Temp Personnel Services Contract	300
Various small contracts	67
TOTAL	$3,442

The Quality Control (QC) for Rental Assistance Subsidy Determinations system is a core part of the Department's Rental Housing Integrity Improvement Program (RHIIP) efforts to reduce subsidy mis-payments. These studies involve on-site income and rent recertifications for a national sample of Public Housing and Section 8 households. The QC income and rent determinations are compared with program sponsor determinations and with IRS/SSA income matches to produce national estimates of the type, severity, and cost of subsidy errors. Starting in fiscal year 2003, these studies will be done on an annual basis to provide more detailed and timely information to program managers on the major sources of error and the effectiveness of measures to reduce these errors. The results will also be used in the HUD's annual financial statements. The annual cost of these studies is estimated at $2.8 million.

The F.W. Dodge Data study provides information used by Field Economists in reviewing the marketability and risk of multifamily projects proposed for FHA insurance.

PERFORMANCE MEASURES

Strategic Goal 6: Embrace high standards of ethics, management and accountability.

Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.

Indicator 6.2.2 HUD partners become more satisfied with the Department's performance, operations and programs.

Detail of Policy Development and Research Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment									
AS for Policy Development and Research									
Provide Policy and Program Support	NA	1	...	...	5.0	1	...	...	5.0
Provide General Direction	NA		...	...	3.0		...	...	3.0
Subtotal		1			8.0	1			8.0
Budget, Contracts, and Program Control Division									
Administer Financial Agreements	# of Grants Processed (Research & University Grants)	56	250	75.17	7.0	56	250	75.17	7.0
Subtotal		56			7.0	56			7.0
Management and Administrative Services Division									
Administrative and Management Support for PD&R	# of Personnel Supported	29	169	74.14	5.0	29	169	74.14	5.0
Subtotal		29			5.0	29			5.0
Office of University Partnerships									
Award and Administer Grant Programs	# of Grants Awarded	60	400	17.75	2.9	60	400	17.75	2.9
Outreach to Colleges, Community Based Organizations, Local Governments, and HUD Staff	# of Customer Contacts	682	3,500	1.55	2.1	682	3,500	1.55	2.1
Subtotal		742			5.0	742			5.0
DAS for International Affairs									
International Exchanges, Contracts, and Programs	# of Major International Exchanges, Contracts, and Programs Developed and Managed	7	15	1,531.00	6.0	7	15	1,531.00	6.0
Subtotal		7			6.0	7			6.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
DAS for Economic Affairs									
DAS for Economic Affairs									
General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					4.0				4.0
Economic Market Analysis Division									
Oversight of Economist	# of Economists Supported	6	40	365.40	6.0	6	40	365.40	6.0
Subtotal		6			6.0	6			6.0
Housing Finance Analysis Division									
Expert Advice on Systems for Financing Single-Family and Multifamily Housing in the United States	# of Offices and Agencies Supported	11	40	354.96	5.0	11	40	354.96	5.0
Subtotal		11			5.0	11			5.0
Housing and Demographic Analysis Division									
Perform Survey Functions	# of Surveys Produced or Supported	21	52	200.77	3.0	21	52	200.77	3.0
Subtotal		21			3.0	21			3.0
Economic Development and Public Finance Division									
Perform Special Initiatives, Studies and Projects		3	NA	NA	4.0	3	NA	NA	4.0
Subtotal		3			4.0	3			4.0
Financial Institutions Regulation Division									
Support for HUD's Regulatory Oversight Function for Fannie Mae and Freddie Mac	# of Analyses Produced	34	200	62.64	5.0	34	200	62.64	5.0
Subtotal		34			5.0	34			5.0
DAS for Policy Development									
General Direction	NA	2	...	...	1.0	2	...	...	1.0
Subtotal		2			1.0	2			1.0
Policy Development Division									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Substantive Policy Guidance on HUD's Programs and Research Agenda	# of Programs and Policies Developed and Reviewed	36	470	67.08	14.0	36	470	67.08	14.0
Subtotal		36			14.0	36			14.0
Research Utilization Division									
Dissemination of Research Results and Policy Information	NA		...	...	8.0		...	...	8.0
Subtotal					8.0				8.0
DAS for Research, Evaluation, and Monitoring									
Provide Policy and Program Support	NA	1	...	...	3.0	1	...	...	3.0
General Direction	NA		...	...	2.0		...	...	2.0
Subtotal		1			5.0	1			5.0
Program Evaluation Division									
Program Research, Evaluations, and Demonstrations	# of Research Projects		60	452.31	13.0		60	452.31	13.0
Subtotal					13.0				13.0
Program Monitoring and Research Division									
Support and Enhance Departmental Programs and Program Monitoring	# of Organizations Supported	2,136	14,700	1.49	9.0	2,136	14,700	1.49	9.0
Subtotal		2,136			9.0	2,136			9.0
Affordable Housing Research and Technology Division									
Conduct Studies Related to Building Technologies, Environmental Issues and Community Development	# of Studies Conducted	28	78	294.46	7.0	28	78	294.46	7.0
Subtotal		28			7.0	28			7.0
Subtotal PD&R Headquarters					115.0				115.0
Field Employment									
Field Economists									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Oversight of Field Economist in SE/Caribbean Region	# of areas monitored for economic and market analysis	14	52	417.6	7.7	14	52	417.6	7.7
Economic Analysis, Evaluations, and Reviews	# of Section 221(D)(3) and (D)(4) reviews	156	609	74.4	16.2	156	609	74.4	16.2
Economic Intelligence and Advice to Program and Management Officials and Outside Clients	# of regional summaries and spotlight narratives	14	52	261.0	4.8	14	52	261.0	4.8
Fair Market Rent Reviews and Related Analytical Support	# of metropolitan areas monitored	86	330	19.61	2.3	86	330	19.61	2.3
Database Management	# of models, databases, and spreadsheets updated	70	250	69.32	6.0	70	250	69.32	6.0
Subtotal		340			**37.0**	340			**37.0**
TOTAL PD&R FTE					**152.0**				**152.0**

Detail of Policy Development and Research Staff Requirements

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters Employment			
AS for Policy Development and Research	8.0	8.0	0.0
Budget, Contracts, and Program Control Division	7.0	7.0	0.0
Management and Administrative Services Division	5.0	5.0	0.0
Subtotal	**20.0**	**20.0**	**0.0**
Office of University Partnerships	5.0	5.0	0.0
DAS for International Affairs	6.0	6.0	0.0
DAS for Economic Affairs			
DAS for Economic Affairs	4.0	4.0	0.0
Economic Market Analysis Division	6.0	6.0	0.0
Housing Finance Analysis Division	5.0	5.0	0.0
Housing and Demographic Analysis Division	3.0	3.0	0.0
Economic Development and Public Finance Division	4.0	4.0	0.0
Financial Institutions Regulation Division	5.0	5.0	0.0
Subtotal	**27.0**	**27.0**	**0.0**
DAS for Policy Development			
DAS for Policy Development	1.0	1.0	0.0
Policy Development Division	14.0	14.0	0.0
Research Utilization Division	8.0	8.0	0.0
Subtotal	**23.0**	**23.0**	**0.0**
DAS for Research, Evaluation, and Monitoring			
DAS for Research, Evaluation, and Monitoring	5.0	5.0	0.0
Program Evaluation Division	13.0	13.0	0.0
Program Monitoring and Research Division	9.0	9.0	0.0
Affordable Housing Research and Technology Division	7.0	7.0	0.0
Subtotal	**34.0**	**34.0**	**0.0**
Total	**116.0**	**116.0**	**0.0**
Field Employment			
Field Economists	37.0	37.0	0.0
Total	**37.0**	**37.0**	**0.0**

Detail of Policy Development and Research Staff Requirements

	FTE			
	Actual 2001	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	112.0	115.0	115.0	0.0
Field	40.0	37.0	37.0	0.0
Total	152.0	152.0	152.0	0.0

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Policy Development and Research

HEADQUARTER EMPLOYMENT

EXPLANATION OF CHANGES FROM 2002 BUDGET ESTIMATE TO 2003 ESTIMATE

Overall, the reduction of FTEs will reduce the level of research, monitoring and policy development support to the Department. The initiation of some of the analyses, research and studies will necessarily be delayed. Response time on some short term projects may be less timely. Some of the lower priority projects may not be done. The office/division explanations are described below.

The Office of the Assistant Secretary for PD&R is under funded by one FTE. This will cause the other FTEs providing support to assume more functions and responsibilities to keep the office running smoothly and response time for some of the important tasks will be less timely.

The Division of Budget, Contracts and Program Control Division is under funded by two FTEs. This will cause the division to devote less than the desired time needed to satisfactorily administer and monitor existing grant agreements and cause delays in the development and execution of new grant agreements.

The Division of Management and Administrative Services Division is under funded by one FTE. This will cause the division to devote less administrative and management support to the personnel of PD&R as it accommodates all the needs of the staff.

The Office of University Partnerships is under funded by one FTE. This will cause the office to devote less time monitoring the technical accomplishments of the grantees and to decrease their efforts in providing outreach to colleges, community-based organizations, local governments and HUD staff.

The Office of International Affairs is under funded by 5 FTEs. This will cause the office to have less major international exchanges of information and data on housing and development topics, contracts and programs.

The Division of Economic Market Analysis is under funded by one FTE. This will cause the oversight load of the field economists to increase for the existing FTEs and less support and time will be devoted to the field economists.

The Division of Housing Finance Analysis is under funded by 1.8 FTEs. This will cause the division to provide expert advice on systems for financing single-family and multifamily housing in the US to fewer office and agencies.

The Division of Housing and Demographic Analysis is under funded by two FTEs. This will cause the division to devote less time per survey in performing survey functions and monitoring survey agreements.

The Division of Economic Development and Public Finance is under funded by 2.5 FTEs. This will cause the division to reduce the amount of special initiatives, studies or projects performed by the division, and to delay initiating other projects.

The Division of Financial Institutions Regulation is under funded by one FTE. This will cause the division to reduce the number of analyses done for the support of HUD's Regulatory Oversight function of Fannie Mae and Freddie Mac, and to delay other analyses.

The Office of Policy Development is under funded by two FTEs. The support provided for the office will be reduced and will cause the FTE providing support to assume more functions.

The Division of Policy Development is under funded by 1.2 FTEs. This will cause a reduction in the substantive policy guidance provided on HUD's Programs and Research Agenda.

The Office of Research, Evaluation and Monitoring is under funded by one FTE. The support provided for the office will be reduced and will cause the FTEs providing support to assume more responsibilities.

The Division of Program Monitoring and Research is under funded by 1.5 FTEs.

This will cause the division to provide support and enhancements of Departmental Programs and Program Monitoring to fewer organizations.

The Division of Affordable Housing Research and Technology is under funded by four FTEs. This will cause the division to conduct less studies related to Building Technologies, Environmental Issues and Community Development.

The Field Economists are under funded by 13.1 FTEs. This will cause a reduction in the following areas:

- Number of areas monitored for economic and market analysis
- Number of Section 221(D)(3) and (D)(4) reviews
- Number of regional summaries & spotlight narratives
- Number of Metropolitan areas monitored
- Number of models, databases & spreadsheets updated.

The analysis and recommendations provided to the field and headquarters and management officials will be at a reduced level.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING ASSISTANCE PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Assistance to State and Local Agencies				
Number of Awards	93	96	98	+2
Obligations	$20,694	$25,649	$25,649	...
Budget Authority				
Enacted or Proposed	$22,000	$25,649	$25,649	...
Rescission	-$48	...	...	...
Subtotal	$21,952	$25,649	$25,649	...
Budget Outlays	$13,825	$13,134	$22,399	+$9,265

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget request for the Fair Housing Assistance Program (FHAP) is $25.649 million, the same as provided in the fiscal year 2002 appropriation. This request supports the Department's focus on eliminating housing discrimination in the rental and sales markets and to combat lending discrimination. In conjunction, the Budget focuses on making homeownership a reality for all persons.

FHAP provides assistance to those State and local agencies that HUD has determined effectively enforce laws or ordinances, which provide rights and remedies substantially equivalent to the Federal Fair Housing Act (the FHAct). The $25.649 million proposed in this Budget will support both the enforcement and the education and outreach activities conducted by these agencies. The fiscal year 2003 Budget also maintains the fiscal year 2002 allocation of $4.5 million for the Partnership Initiative. This Initiative, which for the first time in fiscal year 2002, allowed the FHAP agencies to create partnerships with private, for-profit or not-for-profit organizations, special interest groups, faith-based organizations, housing counseling agencies, and individuals with expertise (such as architects or medical experts in disability cases) that the agency may need to assist it in carrying out its fair housing law.

The Partnership supports the Department's commitment to increasing homeownership rates among minorities, increasing the agency's visibility by encouraging more education and outreach activities, serving as a reinforcement to the agency's enforcement activities, and allowing the FHAP agencies to develop a comprehensive approach to deal with housing and lending discrimination matters.

The FHAct's prohibition against discrimination has been in effect for more than 30 years. However, studies continue to show high indices of race and national origin discrimination in the rental and sales markets nationwide. Discrimination in the lending and sales markets have contributed to continued significant disparities between the homeownership rate of whites and minorities. Home mortgage disclosure data indicate that lenders still reject black and other minority applicants at a rate almost twice that of whites. Builders continue to construct housing, which is inaccessible to persons with disabilities, and in certain parts of the United States, discrimination limits the housing choices of families with children.

The FHAP agencies and community and faith-based partners work together to address the fair housing enforcement needs of underserved populations, especially minority populations that are not English-speaking. The Partnership Initiative will be administered exclusively through the FHAP.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 Budget request for the Fair Housing Assistance Program (FHAP) is $25.649 million, the same as provided in the fiscal year 2002 appropriation. The requested funds will provide support for approximately 98 FHAP agencies, an increase of two over fiscal year 2002. Agencies participate in FHAP either as Capacity Agencies (agencies receive an annual lump sum amount for up to 3 years when first entering the program) or Contributions Agencies (agencies in the program for more than 3 years receive funds under various categories of activities

(administrative, case processing, training, Special Enforcement Efforts (SEE) funds) based upon their workload). All of the agencies, except those in their first year of receiving Capacity Building, will be eligible to receive funds for Partnership Initiative activities.

The $25.649 million funding level for agencies participating in the FHAP for fiscal year 2003 will be allocated as follows:

Case Processing--$14.054 million. It is estimated that in fiscal year 2003, the FHAP agencies will handle and process approximately 65 percent of all complaints received by the Department. In fiscal year 2002, it is projected that the Department will receive over 10,000 allegations. This category covers the costs incurred by the FHAP agencies for processing complaints from receipt through the administrative and/or civil proceedings. For each complaint correctly processed, the agency will receive $1,800 to $2,300. The amount received will depend upon the level of work and time and resources needed to process the case. For example, if an agency must complete an on-site investigation and extensive resources of the agency are used, the complaint is eligible for a maximum of $2,300. This amount is the same as in fiscal year 2002 Budget.

In the second year, HUD will work with the FHAP agencies to assist them in dealing with their aged cases. HUD will prepare guidance for the agencies and provide it to them in advance of their receipt of fiscal year 2003 funds so that they will be aware of any new requirements or performance policies.

This Budget is based on approximately 6,500 complaints. It is estimated that approximately 1,500 complaints may be eligible at $2,300 each for a total of $3.45 million; and 5,000 complaints may be eligible at $1,800 each for a total of $9 million. The remaining $1.604 million will be used to reduce the FHAP's aged-case backlog.

Capacity Building--$1.610 million. The requested funds will be used in fiscal year 2003 to enable approximately 14 capacity building agencies to develop and enhance comprehensive complaint processing resources, to train staff, and to develop and carry out activities deemed necessary for the efficient and effective implementation of the jurisdiction's fair housing ordinance. Each Capacity Building agency would receive $115,000. This amount is the same as in the fiscal year 2002 Budget.

Training--$3.3 million. All contributions agencies that have participated in the FHAP for 3 or more years are eligible to receive training funds to support participation in HUD-sponsored or HUD-approved training and education and outreach activities. During fiscal year 2003: approximately 35 State agencies may receive $30,000 each for training, $5,000 of which may be used for education and outreach activities ($1,050,000); and approximately 60 local agencies may receive $25,000 each for training, $3,000 of which may be used for education and outreach ($1,500,000). In addition, each of FHEO's ten "Hubs" will have access to approximately $75,000 to supplement the training needs of FHAP agencies ($750,000).

Administrative Costs--$1.2 million. The Department will allocate administrative costs to the agencies using a formula based on the number of complaints correctly processed in the previous funding year. If the agency does not meet the standards set out in Part 115 of 24 CFR for allocation by formula, a flat rate of $15,000 (flat rate reflects no increase from fiscal year 2002) will be provided to each agency for administrative costs.

The Budget is calculated on approximately 60 agencies receiving the flat rate of $15,000 for a total of $900,000 and approximately 35 will receive various amounts using the formula totaling approximately $315,000.

Special Enforcement Efforts (SEE)--$985 thousand. Agencies may receive SEE funds if they meet the criteria set forth in Part 115.305 of 24 CFR. The receipt of these funds is based upon the Agency's prior year of outstanding performance. The funds are designed to help agencies enhance their enforcement processes. The amount each agency is eligible to receive will be based on a formula of 20 percent of the previous year's cooperative agreement. Approximately 60 percent of the agencies are eligible to receive funds in this category.

Partnership Initiative--$4.5 million. FHAP agencies may qualify for funding under this category to carry out: (1) enforcement, and (2) other enforcement-related/education and outreach activities based on criteria provided in the policy guidance outlined for this category. FHAP State agencies will be able to provide training to new agencies seeking substantial equivalency status and FHAP agencies will be able to provide translation services within the State to communicate with people who do not speak English. The activities will be conducted with fair housing enforcement organizations and other agencies and organizations, including housing counseling agencies and community and faith-based organizations.

1. Enforcement activities. Approximately $2.5 million is set aside to carry out enforcement activities. The FHAP will be able to partner with any organization or individual to affirmatively further the provisions of the agency's fair housing law or ordinance. The FHAP agencies will be able to provide financial assistance to such qualified individuals, agencies, and organizations to assist them in carrying out activities to support them in implementing their fair housing laws. Such activities include, testing, investigation assistance, obtaining the

services of a translator to assist in the intake, investigation, and resolution of complaints, and other activities that lead to the resolution of complaints. The FHAP agencies will be able to provide financial assistance to individuals and/or organizations where technical expertise is needed (i.e., architects, medical experts in disability cases).

2. Education and outreach and other enforcement-related activities. Approximately $2 million is set aside for enforcement-related education and outreach partnership activities within the State and local jurisdictions. The FHAP agencies will partner with HUD housing counseling agencies programs or activities that serve to increase homeownership opportunities; or work with community and faith-based organizations to conduct seminars to educate the community on fair housing, etc).

PROGRAM DESCRIPTION AND ACTIVITY

The Fair Housing Assistance Program (FHAP) has proven successful in encouraging State and local fair housing enforcement agencies to participate in the enforcement of the Fair Housing Act. Under the program, the Department of Housing and Urban Development reimburses eligible agencies for activities related to their investigation of fair housing complaints. These activities include complaint investigations, conciliation, administrative enforcement/judicial proceedings, training and outreach, technical assistance, and other support activities designed to eliminate housing discrimination. Eligible recipients are defined as those State and local fair housing enforcement agencies that are certified as "substantially equivalent," or agencies operating under an interim agreement for referral of complaints. The availability of this Federal financial assistance has encouraged State and local agencies to enact equivalent fair housing laws and ordinances.

Since the inception of the FHAP in fiscal year 1980, the participating agencies have received funds to carry out activities aimed at eliminating housing discrimination in the United States such as: complaint processing; employee training; the purchase of data and information services; and, for newly participating agencies (Capacity Agencies), capacity building to handle complaints filed under the State or local law. While FHAP has successfully funded these *basic activities* since its inception, program funds have not been available to address more systemic discrimination or to pursue more comprehensive solutions to remedy housing discrimination. Without such support, FHAP agencies face challenges in: working with private fair housing organizations or other experts to develop programs that address emerging, as well as, more novel and complex forms of housing discrimination, such as predatory lending, architectural barriers confronting people with disabilities, and substandard housing in communities along the U.S. Mexican border, known as "Colonias"; partnering with housing counseling agencies; providing education and outreach to lenders and other real estate professionals to ensure non-discrimination and equal opportunity in their transactions; or working with faith-based organizations to conduct fair housing education and outreach activities in their communities. The funding proposed in this Budget will allow FHAP agencies to address all of these priorities.

1. Legislative Authority. The Fair Housing Act, 42 U.S.C. sec. 3601 et seq., prohibits discrimination in the sale or rental of housing; in residential real estate-related transactions; in the provision of brokerage services; and in other housing-related activities. Section 810(f) of the Fair Housing Act allows for the Secretary to refer complaints filed under that law to the FHAP agency whenever a complainant alleges a discriminatory housing practice within the jurisdiction of the State or local agency that has been certified as providing rights, remedies, procedures, and the availability of judicial review which are substantially equivalent to those in the Fair Housing Act. Section 817 of the Fair Housing Act provides that the Secretary may assist State and local agencies in administering a fair housing law by providing them with financial assistance.

2. Program Background. Since 1980, the Department has provided financial assistance under the FHAP to State and local agencies administering substantially equivalent fair housing laws and ordinances. When the Fair Housing Amendments Act was enacted in September 1988, all State and local agencies were required to amend their respective laws and ordinances if they wished to obtain substantial equivalency certification with the amended Federal law.

The Fair Housing Act provides that the Department cooperate with and render technical assistance to State and local agencies formulating or carrying out programs to prevent or eliminate discriminatory housing practices. FHAP and the substantial equivalency certification process both serve to further fair housing by providing financial assistance and by encouraging State and local governments to enact and enforce legislation designed to ensure fair housing. Through training, legal and administrative technical assistance, issuance of written guidelines, participation at meetings and conferences, and review of proposed legislation, the Department provides extensive assistance to help State and local fair housing enforcement agencies obtain certification under the Fair Housing Act. The Department also provides individually tailored technical assistance to any State or local government requesting such assistance.

The implementing regulation for the FHAP, 24 CFR part 115, requires that the fair housing law administered by the agency be substantially equivalent and that a written agreement be executed. Also, agencies that participate in the FHAP must: (a) conform to reporting and record-keeping requirements; (b) agree to on-site technical assistance and guidance and implementation of corrective action; (c) adhere to policies and procedures provided by the

Department; (d) not unilaterally reduce the level of financial resources currently committed to complaint processing; (e) spend at least 20 percent of its total annual budget on fair housing activities; and (f) participate in HUD-sponsored or HUD-approved training. FHAP funds are divided into two categories: capacity building and contributions. Most FHAP agencies do not have sufficient staff to carry out the tasks that would be needed in the investigation of complex fair housing cases, the FHAP will provide funds for assistance in such investigations.

Financial assistance to State and local fair housing enforcement agencies is contingent upon continued substantial equivalency. Substantial equivalency involves an affirmative conclusion on two separate issues: (1) whether the State or local law provides rights, remedies, procedures, and the availability of judicial review that are substantially equivalent to those found in the Fair Housing Act; and, (2) whether the agency has the administrative capability to carry out the provisions of its fair housing law.

All certified agencies will process complaints based on race, color, religion, sex, national origin, familial status, and handicap. This effort will require such agencies to commence and maintain the processing of each complaint through administrative and/or civil proceedings.

STRATEGIC GOALS AND OBJECTIVES: (RESOURCES REQUESTED ($ AND FTE) AND RESULTS)

The FHAP program supports the Department's integrated program efforts to achieve strategic Goal #7: Ensure equal opportunity and access to housing. In addition, all of the Department's programs are focused on increasing awareness of fair housing laws to assist in achieving these goals as well as expending participation of faith-based and community partnerships.

The predominant role of the Office of Fair Housing and Equal Opportunity is to contribute to and facilitate the achievement of Strategic Objective 7.1: Reduce housing discrimination. External factors that are not completely within the control of the Department that impact the success of achieving this objective include the following: (1) many people are not aware of their fair housing rights; and, (2) discrimination can be subtle as well as overt, which makes prevention and enforcement difficult.

Achievement of the below listed indicators for the Fair Housing Assistance Program should result in the reduction of housing discrimination.

Fair Housing Assistance Program

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 4: Strengthen and expand faith-based and community partnerships that enhance communities.			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE			
Headquarters	...	...	3
Field	...	...	...
Subtotal	...	...	3
Strategic Goal 7: Ensure equal opportunity and access to housing.			
Discretionary BA (Dollars in Thousands)	$21,952	$25,649	$25,649
FTE			
Headquarters	87	86	83
Strategic Objective 7.1: Reduce housing discrimination.			
Indicator: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by two to total 98 agencies.	93	96	98
Indicator: FHAP grantees increase the number of fair housing conciliation/settlement agreements processed by 20 percent.	NA	Establish Baseline	Baseline + 20%
Indicator: The percentage of fair housing complaints aged over 100 days will decrease by 5 percentage points from the FY 2002 level of the inventory of substantially equivalent agencies.	Baseline to be Determined	Baseline -5 percentage points	Baseline -10 percentage points
Field	258	262	262
Subtotal	345	348	345
FTE Total	345	348	348

NA = Not Applicable

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING INITIATIVES PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
	(Dollars in Thousands)			
Private Enforcement Initiative				
Number of Awards	37	79	45	-34
Obligations	$10,551	$22,325	$12,150	-$10,175
Education and Outreach Initiative				
Number of Awards	26	71	55	-16
Obligations	$12,375	$10,225	$6,000	-$4,225
Administrative Enforcement Initiative				
Number of Awards	NA	NA	NA	NA
Obligations	...	...	...	...
Fair Housing Organizations Initiative				
Number of Awards	3	5	2	-3
Obligations	$1,199	$4,200	$2,100	-$2,100
Total Obligations	$24,125	$20,250	$20,250	...
Budget Authority				
Enacted or Proposed	$24,000	$20,250	$20,250	...
Rescission	-$53	...	...	...
Subtotal	$23,947	$20,250	$20,250	...
Budget Outlays	$24,713	$24,352	$23,959	-$393

NA = Not Applicable

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget request for the Fair Housing Initiatives Program (FHIP) is $20.250 million, the same as provided in the fiscal year 2002 appropriation. The Budget request will make it possible to: (1) increase enforcement and compliance with the Fair Housing Act and substantially equivalent State and local fair housing laws; (2) promote effective strategic efforts to combat housing discrimination by FHIP participants; (3) continue initiatives on predatory lending; (4) deal with the special needs of "Colonias" along America's southwest border; (5) partner with community and faith-based organizations; and (6) support a nationwide training component (Project on Accessibility Training and Technical Assistance) on the Fair Housing Act accessibility requirements.

EXPLANATION OF INCREASES AND DECREASES

The Budget request of $20.250 million is the same as provided in the 2002 appropriation and will be used to develop or conduct programs to increase compliance with the FHAct and substantially equivalent fair housing laws. The requested funds will continue to support four initiatives that began in fiscal year 2002. These initiatives include:

Combating Predatory lending. Reports show that lenders frequently target racial minorities, the elderly and women, for mortgage loans with abusive terms and conditions. These lenders employ deceptive and aggressive sales tactics that take unfair advantage of the borrower's lack of education and knowledge of mortgage loan transactions. Generally, predatory loan terms include rates and fees that are grossly out of proportion to the true risk posed by the borrower. Predatory loans are almost always a subset of "sub prime loans," i.e., loans for persons with impaired credit or some other characteristic that disqualifies them from receiving prime quality loans. The sub prime market has exploded in recent years. During a 5-year period from 1994 to 1999, the market share for sub prime loans increased from 5 percent to 13 percent. Reports of predatory lending have risen sharply, too.

Increased education, especially among minorities, the elderly and women, populations who are frequent targets of predatory lenders, is vital to curbing the damaging effects of these practices. In fiscal year 2003, the FHIP program will continue to fund a major education and public awareness campaign to combat predatory lending and support enforcement efforts to redress its victims. The Department will work closely with all interested parties, including fair housing groups, consumer groups, Federal, State, and local governments, and the lending and real estate industries to put an end to predatory lending practices.

Southwest Border "Colonias." HUD's core mission includes the promotion of affordable housing in both rentals and homeownership. Activities conducted under FHIP help to overcome discrimination in the housing market. HUD has identified barriers to affordable housing in the southwest border areas known as "colonias." The term Colonias refer to unincorporated settlements that may lack basic infrastructure, such as water and sewer systems, paved roads, and safe and sanitary housing. There are reports of possible fair housing problems in these communities including allegations of predatory lending. Moreover, many of the residents of these communities are recent immigrants who are unaware of their rights under the FHAct. FHIP will continue to fund organizations that will focus fair housing education and enforcement efforts on these communities. The fiscal year 2003 Budget would build on fiscal year 2002 projects, which first brought attention to the fair housing needs of the colonias.

Community and faith-Based/Fair Housing Partnerships. Education and outreach activities are critical for successful fair housing enforcement by HUD and by substantially equivalent State and local government enforcement agencies. Such education promotes compliance with fair housing laws within the real estate-related industries and it also advises those who feel they have been discriminated against about the services offered by Federal, State and local fair housing enforcement agencies. The FHIP statute recognizes that a broad range of entities have a role to play in this educational and outreach effort. Virtually any entity (public or private, for-profit or not-for-profit) that is working to prevent or overcome discriminatory housing practices is eligible to apply under this initiative.

The fiscal year 2003 Budget builds on the collaborative efforts between fair housing and community and faith-based organizations. Generally, community and faith-based organizations do not have the extensive experience educating the public on fair housing laws; however, they have constituencies and networks that would benefit from a better understanding of these laws. Among some communities, the involvement of faith-based organizations in social programs is vital. The George Washington University in a recent report stated:

"Perhaps public and private authorities should work more closely with faith-based organizations to deliver information about fair housing. The church has long been a vital part of civil rights initiatives in the black community. Today churches are increasingly active on a range of community development initiatives. No doubt, their congregants could benefit from such efforts."

Through its partnership with community and faith-based organizations, the Department will continue its efforts to build "bridges" between fair housing organizations and the constituents of faith based and community organizations.

FHAct Accessibility Requirements. In the summer of 2001, HUD awarded a contract to KPMG Consulting to develop an accessibility curriculum and technical assistance plan in the first year, both to be delivered over a 2-year period. The Project on Accessibility Training and Technical Guidance Assistance (PATTG) contract provides for disability advocacy organizations and members of the housing industry to jointly design and deliver training and technical assistance on the accessibility requirements of the FHAct.

The first year included a pilot program to "road test" the new curriculum and initial steps to begin implementation of the technical assistance plan. Also in the first year, KPMG will identify trainers who, in the succeeding 2 years, will provide uniform and consistent training and technical assistance to housing providers and the public about the FHAct, and section 504 of the Rehabilitation Act of 1973. The training and technical assistance will be provided at and through Design and Construction Resource Centers to be established and staffed by KPMG. The Department proposed the reprogramming of $1.7 million in Fiscal Year 2001 funding to continue and extend the PATTG efforts utilizing funds that will not be necessary from the third year funding of the Housing Discrimination Study.

Fair Housing Initiatives Program

HUD will monitor the PATTG contract and related accessibility activities closely, to ensure that the training and technical assistance provided are consistent and effective and meet the accessibility design and construction standards of the FHAct.

There are four program initiatives highlighted in the FHIP authorizing statute--Administrative Enforcement, Education and Outreach, Private Enforcement, and Fair Housing Organizations. Since fiscal year 1996, HUD has sought funding for the three described below. All FHIP-funded projects are required to address discrimination under each of the categories highlighted in the FHAct (race, color, religion, sex familial status, national origin, and "disability"); however, applicants for FHIP funding will be encouraged to include emphasis on the program activities outlined in this year's Budget (predatory lending, accessibility requirements, Southwest Border (Colonias), and partnerships between fair housing and community and faith-based organizations).

Funding for:

Education and Outreach Initiative (EOI). The Budget requests $6 million for this Initiative, a decrease of $325 thousand under the fiscal year 2002 appropriation, to be used to continue support for fair housing activities in the colonias along the southwest border and the Community and Faith-Based/Fair Housing Partnerships. Approximately 70 percent of the funds will support education and outreach activities conducted at the regional, State, local and community-based levels. Such funding will be more responsive to the demand for FHIP-funded education-based activities in more communities and is a better approach to continue the support of the community and faith-based partnership initiative. Approximately 30 percent will be used to fund national education and outreach activities.

Private Enforcement Initiative (PEI). The Budget requests $12.150 million for this Initiative, an increase of approximately $325 thousand over fiscal year 2002 appropriation. The increased regional, State, local and community-based activity proposed for the Education and Outreach Initiative (EOI), as well as for the continual support outlined above in predatory lending, Southwest Border (colonias), community and faith-based partnerships, and accessibility requirements, will result in increased demands for the enforcement-related services provided under PEI. The increase will also allow HUD to fund more PEI projects.

Fair Housing Organizations Initiative (FHOI). The Budget requests $2.1 million for this Initiative. This represents approximately 10 percent of the overall FHIP Budget request, which is the same percentage as in fiscal year 2002. The purpose of FHOI is to provide fair housing enforcement activities in areas that are underserved by government agencies and/or private fair housing organizations. This Initiative was restructured in fiscal year 2001. The changes reflected in the restructuring incorporate sound business principles that take into account that new organizations need sufficient time, start-up funds and other resources to become vital and self-sustaining organizations. The newly sponsored organizations participate in the program for 3 years and are required to meet certain performance measures for each year's funding, including demonstrating they have leveraged increasing amounts of non-FHIP resources.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. Section 561 of the Housing and Community Development Act of 1987, as amended, authorizes the execution of grants, contracts, or cooperative agreements with State or local government agencies, public or private nonprofit organizations, institutions or other entities that are formulating or carrying out programs to prevent or overcome discriminatory housing practices. FHIP supports projects and activities designed to enhance compliance with the Fair Housing Act and substantially equivalent State and local laws. Section 905 of the Housing and Community Development Act of 1992 expanded the provisions of the Fair Housing Initiatives Program to build the capacity of fair housing organizations in unserved and underserved areas, to establish a national media campaign for dissemination of fair housing information, and to establish funding for celebration of National Fair Housing Month. The activities of FHIP-funded organizations complement those of the Federal Fair Housing Act (FHAct) and State and local governmental agencies that administer laws that are substantially equivalent to the FHAct. FHIP funds are awarded on a competitive basis to entities in communities nationwide that demonstrate the experience and the capacity to investigate and verify complaints of discrimination through activities such as testing, and that provide education and outreach to the public on the rights and responsibilities under the fair housing laws through training, media campaigns, and counseling.

Combating housing discrimination supports larger public policy objectives. Racial segregation has declined over the past 3 decades, but it remains very common and studies continue to show discrimination against minorities seeking to buy or rent homes. Addressing this problem is more important than ever as the share of the population that is minority continues to increase and as much of that growth comes from a large influx of diverse immigrant groups, most of them non-white and non-European, with limited English proficiency.

Fair housing education and enforcement projects help minority groups, the elderly, and women defend themselves against home lending abuses, especially a practice that is often called "predatory lending," and to which they are frequently and disproportionately victims. Recent immigrants (especially racial and ethnic minorities who are not English-speaking) often face

discrimination and other obstacles in housing and housing-related transactions that can be mitigated through strong fair housing education and enforcement. Finally, 13 years since the enactment of provisions in the FHAct which require accessible design and construction of new multifamily housing, people with disabilities still encounter widespread non-compliance with the law when they seek to rent or purchase homes and, consequently, suffer lost housing opportunities and other injuries. The optimum time to ensure compliance with the accessibility requirements of the FHAct is before the housing is built and education efforts in this area is a top priority.

FHIP is a critical component in the Department's effort to address fair housing education, enforcement and compliance. The other principal component of the Department's comprehensive fair housing strategy is the Fair Housing Assistance Program (FHAP), authorized by the Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988). That program, for which the Budget proposes a $26 million funding level in fiscal year 2003, is described in a separate justification.

2. Purpose. The Housing and Community Development Act of 1987 established the Fair Housing Initiatives Program for the purpose of preventing and overcoming housing discrimination. This program provides a coordinated approach to further the purposes of the Fair Housing Act, to guarantee the rights of all people to seek housing in an open market free of discrimination, and to inform the public and the housing industry of its rights and obligations under the Fair Housing Act. FHIP also enhances and facilitates the delivery of the Department's housing and community development programs, such as HOME and Community Development Block Grants, by providing a free and open housing market.

The Fair Housing Initiatives Program is intended to supplement current fair housing enforcement activities of the Department. These activities include programs of enforcement, voluntary compliance, and education and outreach. FHIP provides the financial means to assist projects and activities designed to enhance compliance with the Fair Housing Law and substantially equivalent State and local laws.

3. Program Components. There are four major program initiatives that are recognized under the FHIP regulations. These components support public and private enforcement, education and outreach activities, and capacity building for fair housing enforcement organizations. Eligibility for each initiative is set by statute or regulation.

a. The Private Enforcement Initiative. Provides funding to private, tax-exempt organizations that have engaged in enforcement-related activity for at least a year in the 2 years preceding the filing of the FHIP application. FHIP funding is often the only resource for enforcement-related activities. The program now requires a FHIP organization to reimburse the U. S. Treasury for compensation received from FHIP-funded activities.

b. The Education and Outreach Initiative. Provides funding for projects that inform and educate the public, including housing providers, on the rights and obligations of the FHAct and substantially equivalent state and local fair housing laws. This initiative has the broadest eligibility provision. Eligible organizations may be public or private, for-profit or not-for-profit entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices, including entities that will carry out their program solely reflecting receipt of a FHIP award.

c. The Fair Housing Organizations Initiative. This Initiative provides funding to increase fair housing enforcement either by establishing new fair housing enforcement organizations or by expanding the capacity of existing organizations to engage in fair housing enforcement. Application is made by experienced fair housing enforcement organizations who mentor the sponsored organization. Eligibility is limited to private, tax-exempt organizations with at least 2 years of enforcement-related experience in the 3 years preceding the filing of their FHIP application.

d. The Administrative Enforcement Initiative. (Not requested.) This Initiative provides funding to State and local agencies that administer laws that the Assistant Secretary has determined are substantially equivalent to the rights, remedies and procedures offered under the FHAct. These agencies participate in the Fair Housing Assistance Program (FHAP) and because of increased appropriations to FHAP over the years, the Department has not sought funding for this initiative since fiscal year 1995.

STRATEGIC GOALS AND OBJECTIVES; RESOURCES REQUESTED ($ AND FTE) AND RESULTS

Strategic Goals of the Department, as set forth in the Department's fiscal year 2003 Annual Performance Plan, are to: "Ensure equal opportunity and access to housing." In addition, this budget highlights the strategic objective, " Reduce housing discrimination" by focusing FHIP enforcement and education efforts on reducing discrimination in the rental sale of housing and in other transactions related to housing related activities home purchases. The program will assist in expanding both homeownership opportunities and rental housing options.

Fair Housing Initiatives Program

This Budget, with its emphasis on providing greater education, training, and technical assistance on the FHAct's requirements for accessible design and construction of new multifamily housing, specifically supports the Department's objective, "Reduce housing discrimination (failure to design accessible housing constitutes a violation of FHAct prohibition against discrimination)". These efforts will help increase the available housing stock that is accessible, affording the elderly and people with disabilities greater opportunity to purchase units in multifamily developments, such as condominiums and cooperatives; provide more housing choice in the rental market; and expend "maximum independence" in visiting families and friends at multifamily developments. Likewise, education targeting predatory lending will support the Department's strategic goal to "Ensure equal opportunity and access to housing" and objective, "Reduce housing discrimination." The program also supports the Department's efforts to promote faith based and community partnerships in HUD programs.

All of the strategic objectives contained in the APP will be positively affected by the Faith-Based Partnerships in FHIP along with the partnership initiative in FHAP, by empowering the public, encouraging networks of State and local fair housing enforcement agencies and organizations in working in unison with faith-based organizations to promote a fair housing presence in places where there is little or no such presence. These are the driving forces behind this Partnership Initiative. HUD expects that an informed and educated public, housing/real estate industry, and mortgage banking and financing industry, along with aggressive and effective enforcement, will assist in affirmatively furthering fair housing where the outcome of such actions will go a long way toward reducing housing discrimination.

Fair Housing Initiatives Program

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 4: Strengthen and expand faith-based and community partnerships that enhance communities.			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE			
Headquarters	...	...	3
Field	...	...	...
Subtotal	...	...	3
Strategic Goal 7: Ensure equal opportunity and access to housing.			
Discretionary BA (Dollars in Thousands)	$23,947	$20,250	$20,250
FTE			
Headquarters	70	70	67
Field	220	225	225
Subtotal	290	295	292
Strategic Objective 7.1: Reduce housing discrimination.			
Indicator: The share of the population with adequate awareness of fair housing law increases from the 2001 baseline by 2004.	Baseline to be determined	Not Available	Not Available
Indicator: At least two new fair housing groups are funded by FHIP through collaborative efforts between fair housing and community or faith -based organizations.	2	2	2
Indicator: The number of fair housing complaints identified by FHIP partners in the Southwest border region increases by 5 percent.	NA	Baseline to be Determined	Baseline + 5%
Strategic Objective 7.2: Improve the accessibility of housing to persons with disabilities.			
Indicator: The share of newly constructed building that conform to selected accessibility requirements increases from the 2001 baseline.	Baseline to be determined	NA	NA
FTE Total	290	295	295

NA = Not Applicable

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 6: FAIR HOUSING AND EQUAL OPPORTUNITY

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. All data are presented on a comparable basis for the 3 fiscal years: 2001, 2002, and 2003.

SCOPE OF ACTIVITY

The Office of Fair Housing and Equal Opportunity's (FHEO) mission is to enforce the Fair Housing Act and other civil rights laws to ensure the right of equal housing opportunity and free and fair housing choice without discrimination based on race, color, religion, sex, national origin, disability or family composition.

The Assistant Secretary for Fair Housing and Equal Opportunity (FHEO) administers and enforces major legislation that ensures equal access to housing, guarantees equal opportunity in all HUD programs and prohibits, to a limited extent, discrimination in employment with respect to HUD programs.

Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex or national origin. Title VIII was amended in 1988 (effective March 12, 1989) by the Fair Housing Amendments Act, which:

- expanded the coverage of the Fair Housing Act to prohibit discrimination based on disability or on familial status (presence of child under age of 18, and pregnant women);
- established new administrative enforcement mechanisms with HUD attorneys bringing actions before administrative law judges on behalf of victims of housing discrimination; and
- revised and expanded Justice Department jurisdiction to bring suit on behalf of victims in Federal district courts.

In connection with prohibitions on discrimination against individuals with disabilities, the Act contains design and construction accessibility provisions for certain new multifamily dwellings developed for first occupancy on or after March 13, 1991. The 1988 amendments have greatly increased the Department's enforcement role. First, the newly protected classes have proven significant sources of new complaints. Second, HUD's expanded enforcement role took the Department beyond investigation and conciliation into the mandatory enforcement area. The Office of Fair Housing and Equal Opportunity (FHEO) investigate complaints filed with HUD. If the complaint is not successfully conciliated then FHEO determines whether reasonable cause exists to believe that a discriminatory housing practice has occurred. When reasonable cause is found, the parties to the complaint are notified by HUD's issuance of a Determination, as well as a Charge of Discrimination, and a hearing is scheduled before a HUD administrative law judge.

The Fair Housing Initiatives Program (FHIP) was established by Section 561 of the Housing and Community Development (HCD) Act of 1987, as amended, to authorize the execution of grants, contracts, or cooperative agreements with State or local government agencies, public or private, for-profit and not-for-profit organizations, institutions or other entities to support their efforts to prevent or eliminate discriminatory housing practices. FHIP supports projects and activities designed to enhance compliance with the Act and substantially equivalent State and local laws prohibiting housing discrimination. These activities include programs of enforcement, voluntary compliance, and education and outreach. The programs provide a coordinated approach to:

1. Further the purposes of the Fair Housing Act;
2. Guarantee the rights of all Americans to seek housing in an open market, free of discrimination; and
3. Inform the American citizenry of its rights and obligations under the Fair Housing Act.

Since 1980, the Department has provided financial assistance under the Fair Housing Assistance Program (FHAP) to State and local agencies administering substantially equivalent fair housing laws and ordinances. When the Fair Housing Amendments Act was enacted in September 1988, all State and local agencies were required to amend their respective laws and ordinances if they wished to obtain substantial equivalency certification with the amended Federal law. The Fair Housing Act provided that the Department cooperate with and render technical assistance to State and local agencies formulating or carrying out programs to prevent or eliminate discriminatory housing practices. Section 810 of the Fair Housing Act specifically encourages cooperation with State and local agencies charged with the administration of State and local fair housing laws. FHAP and the substantial equivalency certification process both serve to further fair housing by providing financial assistance and by encouraging State and local government to

enact and enforce legislation designed to ensure fair housing. The Department provides extensive assistance to help State and local fair housing enforcement agencies obtain certification under the Fair Housing Act through training, legal and administrative technical assistance, issuance of written guidelines, participation at meetings and conferences, and review of proposed legislation.

The Business and Operating Plan directly correlates with the Department's four strategic goals established to carry out its mission. FHEO programs contribute to all of these goals and will continue to develop and implement programs that:

- ensure Equal Opportunity in Housing for All Americans;
- promote Self-Sufficiency and Asset Development of Families and Individuals;
- improve Community Quality of Life and Economic Vitality; and
- ensure the Public Trust in HUD.

FHIP's emphasis on promoting homeownership and the benefits that flow from it, is helping the Department achieve these overall goals, especially meeting the specific strategic objectives that "housing discrimination is reduced;" "disparities in homeownership rates are reduced among groups defined by race, ethnicity, and disability status;" "poor and disadvantaged families and individuals become self-sufficient and develop assets;" and "the elderly and persons with disabilities achieve maximum independence."

All of the strategic objectives contained in the APP will be positively affected by the Fair Housing Partnership through empowering the public, encouraging networks of State and local fair housing enforcement agencies working in unison with private fair housing organizations, and encouraging a fair housing presence in places where there is little or no such presence. The Department expects that an informed and educated public, housing/real estate industry, and mortgage banking and financing industry, along with aggressive and effective enforcement, will assist in affirmatively furthering fair housing where the outcome of such actions will go a long way toward eliminating housing discrimination.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

STAFFING

Fair Housing is a significant issue across the nation and one of the primary missions of HUD. Investigations are the primary activity in the field Offices. The remaining workload becomes secondary in an effort to ensure that investigations are completed within the 100-day time period. As the major priority of FHEO, the process of performing investigations is consuming a large portion of field staff time. The findings of the Resource Estimation and Allocation Process (REAP) study, suggested additional FTEs that would be beneficial to complete investigations, administer the FHIP/FHAP programs and allow for dedicated staff to handle all program reviews for CPD, PIH and Housing. The study also supports the March 8, 1996, Price Waterhouse business process redesign study of HUD procedures related to the implementation of the Fair Housing Act. The report concluded in part that staffing resources for Title VIII housing discrimination enforcement and compliance was insufficient to carry out FHEO's mission efficiently and effectively.

FHEO has in large part been successful in re-engineering itself into a more effective organization providing better customer service. However, the compliance and enforcement responsibilities required by the Fair Housing Act and other civil rights legislation are extensive and far reaching and require a consistent professional and broad response. Coupled with our concern to provide a robust response to the compliance and enforcement needs of the community and housing industry groups is a need to infuse the organization with younger staff. A recent HUD human resources report entitled "Succession Planning" disclosed that over 60 percent of the FHEO employees are eligible for retirement in the next 3 years. This is the highest percentage in the Department. The vast majority of those eligible to depart will be Equal Opportunity Specialists. This category of staff carry out the most basic civil rights enforcement and compliance functions of the agency, and are the backbone of the FHEO organization. If FHEO is to continue to perform effectively under its current goals and to take on increased activities evolving from 21st century forms of discrimination, such as hate on the Internet, predatory lending, and insurance scams, increased staffing is essential.

While the management reform procedures FHEO established have in many areas been addressed, the reform plan was presented as a total package of interdependent parts. The aspect of the package that has never been realized is the need for staffing resources in the Field and in Headquarters. The reform plan anticipated that all of the enforcement and program compliance services of FHEO would be provided in each of our locations to provide a full range of services in an increased number of locations across the country. While field office Hubs assure that these services are available to all citizens, sufficient staffing would ensure that better customer service could be provided using local approaches and local issues and concerns.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Fair Housing and Equal Opportunity

WORKLOAD

The principal workloac of Fair Housing and Equal Opportunity consists of processing and investigating housing discrimination complaints, implementing civil rights requirements in HUD programs, conducting compliance reviews, managing grants to fair housing organizations, reimbursing fair housing agencies for investigating housing discrimination complaints, and implementing voluntary programs.

1. HEADQUARTERS

The Assistant Secretary and FHEO program offices are responsible for administering and enforcing major legislation that ensures equal access to housing, guarantees equal opportunity in all HUD programs and prohibits, to a limited extent, discrimination in employment with respect to HUD programs.

2. FIELD

The Fair Housing and Equal Opportunity Hub combines the fair housing enforcement and the program operations and compliance activities. The functions of the Hub are basically to: (1) work consistently and cooperatively to carry out the mission of civil rights protection in program delivery and enforcement responsibilities as defined by statute; (2) ensure adequate and appropriate distribution of resources throughout the geographic area to allow for the processing of general and specialty functions; (3) to serve as the point of contact on all major policy issues regarding HUD's civil rights responsibilities within each geographic area; and (4) serve as point of appeals, in consultation with Headquarters, for all Civil Rights Related Program Requirements and Compliance recommendations and/or decisions made.

TRAVEL

Figures for both the Office of Fair Housing and Equal Opportunity and the Office of Equal Employment Opportunity, a sub-component described below, are reflected in this table.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
	(Dollars in Thousands)			
Travel (HQ)	$448	$521	$521	....
Travel (Field)	$513	$591	$591	....
Total	$961	$1,112	$1,112	....

FHEO proposes to accomplish the following BOP/APP goals and objectives:

- ensure Equal Opportunity in housing for All Americans;
- promote Self-Sufficiency and Asset Development of Families and Individuals;
- improve Community Quality of Life and Economic Vitality;
- ensure the public trust in HUD;
- encourage those who experience discrimination to file complaints;
- provide rapid response to initial complaints of discrimination;
- educate housing providers, and housing industry, fair housing and disability advocacy organizations to increase awareness of and compliance with the accessibility provisions of the Fair Housing Act; and
- assure compliance with civil rights and equal opportunity requirements among HUD program recipients and grantees.

Travel funds are utilized to provide support for the BOP goals and providing support to the field offices for increased enforcement efforts, to include increasing by at least 25 percent the number of Section 504/ADA compliance reviews of HUD recipients; to support cooperative efforts with organizations like ADAPT and DRACH to identify cities and/or HUD recipients with major noncompliance issues throughout the country; to provide education and outreach to support the Department's Congressionally mandated Education and Outreach Plan on the Fair Housing Act accessibility requirements and to support cooperative efforts related to the implementation of the FMIP National Model Codes component; to conduct training of HUD field staff on Section 504 of the Rehabilitation Act, Title II of the Americans with Disabilities Act, the Architectural Barriers Act, the Fair Housing Act, and the revised ADA/ABA standards for accessible design, and the various safe harbor standards for the Fair Housing Act, including the ICC/ANSI A117.1 - 1998; to conduct conferences (invitational and Headquarters' planned) on Section 504, ADA and FHAG; staff investigations of Title VI, Title VIII, Sexual Harassment, and Section 504 complaints;

travel to attend training on the requirements of the Quality Housing and Work Responsibility Act of 1998, i. e., Public Housing Agency Plan, Deconcentration, Section 8 Homeownership, Demolition and Disposition, etc.; and participate in on-site performance assessments of Regional Opportunity Counseling (ROC) and Housing Search Assistance Program (HSAP) agencies to provide technical assistance and implement some Best Practices concepts, procedures and principles. Headquarters staff will assist the Field as well as initiate complaints under the various civil rights statutes. Headquarters will also be taking the lead on implementing the goals and objectives and initiating travel and training in relation to the BOP and APP goals and objectives.

CONTRACTS

Figures for both the Office of Fair Housing and Equal Opportunity and the Office of Equal Employment Opportunity, a sub-component described below, are reflected in this table.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Public Information Services ...	$54	$55	$55	....
Technical Services	$1,627	$1,706	$1,706	....
General Support	$194	$197	$197	....
Total.....	$1,875	$1,958	$1,958	....

Public Information Services. Funds will not be available during fiscal years 2002 and 2003 to allow FHEO to continue its efforts in updating, developing, disseminating information and providing assistance on fair housing issues to the public. The following initiatives will remain outstanding for fiscal years 2002 and 2003 as a result of limited funds:

- Education/Outreach LEP Guidance which would entail a campaign developed and designed to reach out to LEP communities through the United States. The campaign would make both HUD's "federally conducted program plans" and "Title VI policy guidance" widely available to LEP advocates and communities.

- Other Services would include distribution to the Fair Housing Initiative Program's Notice of Funding Availability and accommodate the submission of the FHIP and FHAP Program work products, Section 3 reports, and the Regional Opportunity Counseling Programs and the increase in user requests based on greater familiarity with the services provided.

Technical Services. Funds will not be available during fiscal years 2002 and 2003 to allow FHEO to fund much needed technical assistance services. The following technical assistance services will remain outstanding for fiscal years 2002 and 2003 as a result of limited funds:

- Section 504 and ADA Technical Assistance which would include development of technical assistance materials and direct assistance through a series of seminars in major cities, and through a variety of other methods such as use of the Internet, mailings, and workshops at conferences of housing provider groups. This Assistance would be earmarked for Public Housing, Assisted Housing Providers, CDBG grantees, and grantees under other CPD programs such as HOME, Shelter Plus Care, etc. recipients.

- Architectural Consulting Services would support the fair housing enforcement requirements like the implementation of the Department's congressional mandated education and outreach plan on the Fair Housing Act with regards to accessibility requirements and the Departmental congressional requirements addressing guidelines, review and approval of building plans under 42 USC 3604(f)(5).

General Support. Level funding will allow for current support for FHEO's programs and operational activities. Services provided would consist of court reporters, public service announcements, and advertisements.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Fair Housing and Equal Opportunity

DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY

SCOPE OF ACTIVITY

The Office of Departmental Equal Employment Opportunity (ODEEO) was established in 1995, and is a sub-component of the Office Fair Housing and Equal Opportunity. The ODEEO is responsible for planning and implementing the Department's Equal Employment Opportunity/Affirmative Employment (EEO/AE) activities pursuant to the HUD regulation at 24 CFR Part 7 and Federal Regulation at 29 CFR 1614. It is charged with monitoring HUD's Affirmative Employment Program (AEP) and providing guidance in the development and implementation of Program Offices' AEP Plans. The ODEEO is responsible for implementing the Department's Alternative Dispute Resolution (ADR) Program, which is required by the Equal Employment Opportunity Commission's (EEOC) Regulation at 29 CFR 1614.102(b)(2). This Office also processes complaints of employment discrimination filed by HUD employees, former employees and applicants for employment under Executive Order 11478, Title VII, the Age Discrimination in Employment Act, as amended, the Rehabilitation Act, and the Equal Pay Act, in accordance with Equal Employment Opportunity Commission (EEOC) and Departmental regulations and EEOC Management Directive MD-110.

The Office is composed of an Equal Employment Opportunity Division (EEOD), Alternative Dispute Resolution Division (ADR), and an Affirmative Employment Division (AED). The staff is comprised of Equal Employment/Affirmative Employment (EE/AE) Specialists in Headquarters, support personnel, and permanent full-time EEO Counselors in the Field and one in Headquarters. This staff is supplemented with collateral duty EEO Discrimination Complaint Managers, Affirmative Employment Program Managers and Diversity Managers located in the HUD Program Offices.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

WORKLOAD

The Equal Employment Opportunity Division is responsible for: (a) EEO complaint investigation and adjudication; (b) compliance and enforcement activities under Executive Order 11478; and (c) enforcement of Equal Employment Opportunity Commission (EEOC) and Department regulations. This Division has primary responsibility for EEO complaint processing, including complaint receipt, assignment of the complaints for investigation, review of the investigative file, writing the Final Decision and resolving EEO matters through voluntary settlement. It also coordinates and supervises the Department's EEO counseling activities, monitors complaint processing by the EEO Officers, and provides technical assistance and training. It is anticipated that in the coming fiscal year, the Department will process 266 EEO complaints.

The Alternative Dispute Resolution (ADR) Division is responsible for: reducing the number of HUD EEO cases; reducing expenses incurred through the traditional administrative complaint process; reducing employees'/managers' time spent in litigation and away from the job; improving overall organizational ability to resolve conflict, at the lowest level possible; improving morale and enhancing workplace relationships; improving productivity and performance; and training HUD staff, managers and supervisors on ADR practices and principles. The program utilizes contract and Federal Shared Neutral mediators.

The Affirmative Employment Division is responsible for the management of HUD's Affirmative Employment Program (AEP). This involves the provision of guidance, training and technical assistance to the EEO Officers and their AEP Managers in the development and implementation of AEP Plans for the employment of women, minorities and persons with disabilities. This involves:

- coordinating with the Office of Human Resources (OHR) in developing recruitment and outreach strategies to attract minorities, women and persons with disabilities to the Department;
- managing the Department's Diversity Program and interfacing with national groups such as the NAACP and LULAC;
- providing training and technical assistance in implementing the Managers' Guide for Persons with Disabilities, for the recruitment, hiring and employment of persons with disabilities, including researching and suggesting methods of providing reasonable accommodation to disabled persons seeking positions and those already employed by the Department;
- Managing the Applicant Flow System to determine whether the applicant pool for the Department's positions is sufficiently representative of the Civilian Labor Force and whether applicants are being recruited and selected to meet the Department's AEP goals; and
- analyzing data and preparing reports on the Department's AEP progress for the Equal Employment Opportunity Commission, the Office of Personnel Management (OPM) and HUD's management staff.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Fair Housing and Equal Opportunity

TRAVEL

The travel figures for this activity are reflected above in the posted Office of Fair Housing and Equal Opportunity table.

The travel funding requested for fiscal year 2003 will enable the ODEEO to provide quality services in furtherance of its goal to maintain the Public Trust. It will enable staff to obtain regulatory required training and certification and allow attendance at annual conferences to keep abreast of the latest developments in procedures, laws and interpretations related to EEO. The Director of ODEEO will travel to Field Offices to meet with the Regional Directors to provide technical assistance and guidance in support of the administration of the Department's EEO Program. EE Specialists will travel within their jurisdictions to monitor EEO complaint processing activities, monitor performance of contract investigations and alternative dispute resolution (ADR) activities. Funding is required for travel to the Field to monitor and evaluate implementation of EEO/AE efforts as part of HUD's Management Plan. Implementation of the ADR Program requires ADR staff to travel to the Field for training and monitoring of the program. Finally, Affirmative Employment Division (AED) staff will be required to attend training conferences sponsored by EEOC, OPM and HUD contractors to be fully briefed on the latest techniques for preparing Affirmative Employment Plans and methods of effecting Affirmative Action and Managing Diversity. In order for the Diversity Program to be successful, it must be administered through the use of effective strategies for the development and management of qualified minorities, women and persons with disabilities.

CONTRACTS

The contracts figures for this activity are reflected above in the posted Office of Fair Housing and Equal Opportunity table.

Technical Services. Funding is requested in fiscal year 2003 for EEO contract investigations and for the continuation of the Department's Diversity Program. In addition to the contracting of investigations, funding is requested for contracting of the preparation of Final Decisions (FDs) and for Alternative Dispute Resolution (ADR) activities needed to reduce the backlog of EEO complaints. The EEOC has mandated in their latest regulations that all agencies have an ADR Program in place. Funding is included for the training of all managers, supervisors and staff on the use of HUD's ADR Program. It is the policy of the Department to use ADR in the settlement of all appropriate workplace disputes, consistent with ADR's core principles of neutrality, confidentiality, voluntariness and enforceability. Additionally, funding is needed for ODEEO to maintain and enhance its automated complaint and correspondence tracking system and to integrate applicant flow data.

PERFORMANCE MEASURE

Strategic Goal 7: Ensure equal opportunity and access to housing.

Strategic Objective 7.1 Reduce housing discrimination

Indicator 7.1.3 Provide protected classes under the Federal Fair Housing Act with increased access to sale and rental housing without discrimination by completing at least 600 fair housing conciliation/settlement agreements in fiscal year 2003.

Indicator 7.1.8 The percentage of fair housing complaints aged over 100 days will decrease by 5 percentage points from the fiscal year 2002 level of the HUD inventory.

Detail of Fair Housing and Equal Opportunity Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment (FHEO)									
Immediate Office of Assistant Secretary FHEO									
Provide Overall Guidance to FHEO Activities in HQ and Field	NA	2.6	...	...	5.4	2.6	...	...	5.4
Subtotal					5.4				5.4
DAS for Enforcement & Programs									
Provide Guidance for Program Enforcement		0.8			4.0	0.8			4.0
Fair Housing Enforcement									
Provide Enforcement Management and Oversight	NA	0.4	...	...	6.0	0.4	...	...	6.0
Perform Field Office Monitoring and Oversight (Title VIII Program)	Number of Field Office Reviews Completed		104	102.00	5.1		104	102.00	5.1
Conduct Complaint Investigations	Number of Cases Completed		80	44.20	1.7		80	44.20	1.7
Provide Title VIII Technical Assistance	NA		...	...	6.2		...	...	6.2
Develop Program Compliance and Disability Rights Policy	NA		...	...	6.3		...	...	6.3
Perform Disability Rights Technical Assistance and Reviews	Number of Requests for Technical Assistance (Hotline Calls)		1,800	3.10	2.7		1,800	3.10	2.7
Subtotal					32.0				32.0
Fair Housing Grant Programs									
Administer FHIP Grants Management Process	Number of FHIP Grant Applications Reviewed		197	48.57	4.6		197	48.57	4.6
Manage FHIP Grants Awards Process	Number of FHIP Grants Awarded		65	179.20	5.6		65	179.20	5.6

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Manage FHAP/SE Grants Process	Number of FHAP/SE Grants		100	87.36	4.2		100	87.36	4.2
Manage Program Standards Activities	NA	0.6	...	...	6.0	0.6	...	...	6.0
Subtotal					**20.4**				**20.4**
FHEO Policy and Program Evaluation									
Develop FHEO Policy and Provide Program Evaluation	NA	2.0	...	...	5.0	2.0	...	...	5.0
Subtotal					**5.0**				**5.0**
Economic Opportunity Activities									
Monitor Compliance Reviews	Number of 60002 summary reports reviewed		1,000	8.53	4.1		1,000	8.53	4.1
Manage Section 3 Program	NA	2.0	...	...	5.9	2.0	...	...	5.9
Subtotal					**10.0**				**10.0**
Young Implementation Activities									
Conduct Young Implementation Compliance Reviews and Enforcement	Number of Compliance Reviews		39	506.13	9.5		39	506.13	9.5
Provide Young Implementation Technical Assistance, Outreach and Program Oversight	Number of PHAs Supported		70	169.37	5.7		70	169.37	5.7
Subtotal					**15.2**				**15.2**
Operations and Management Oversight									
Provide Overall Management and Oversight for FHEO Operations and Management	NA		...	...	5.0		...	...	5.0
Perform FHEO Field Oversight	Number of FHEO Field Offices		52	360.00	9.0		52	360.00	9.0
Provide FHEO System Development Administration and Technical Assistance	Number of Staff Supported		137	129.05	8.5		137	129.05	8.5
Perform FHEO Correspondence Management	NA		...	...	3.2		...	...	3.2

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Perform FHEO Information Technology Planning and Program Management	NA		...	...	2.3		...	...	2.3
Provide FHEO Human Resources Management	Number of Staff Supported (HQ &Field)		622	16.39	4.9		622	16.39	4.9
Perform FHEO Budget Operations	NA		...	...	4.4		...	...	4.4
Provide FHEO Administrative Services and Operations Management	NA	3.2	...	...	2.7	3.2	...	...	2.7
Subtotal					**40.0**				**40.0**
Headquarters Employment Total					**128.0**				**128.0**
Field Employment (FHEO)									
FHEO Field Guidance and Direction									
Provide overall guidance and direction for Field FHEO activities	NA	4.0	...	...	42.0	4.0	...	...	42.0
Subtotal					**42.0**				**42.0**
FHEO Field Intake Processes									
Perform Field Fair Housing Compliant Intake Activities	Number of Inquiries entered into TEAPOTS		6,239	25.80	77.1		6,239	25.80	77.1
Subtotal					**77.1**				**77.1**
Fair Housing Complaint Processing									
Conduct Field Title VIII Investigations	Number of Complaints closed	184.0	1,990	190.96	165.2	184.0	1,990	190.96	165.2
Investigate Concurrently-Field Complaints	Number of Concurrent Field Complaints closed	100.0	881	63.51	23.8	100.0	881	63.51	23.8
Subtotal					**189.0**				**189.0**
FHEO Field Compliance Reviews									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Perform FHEO Field Compliance Reviews	Number of Compliance Reviews Completed	9.0	124	145.94	8.0	9.0	124	145.94	8.0
Subtotal					**8.0**				**8.0**
FHEO Monitoring of CPD Programs									
Perform FHEO Field Monitoring of CPD Programs	Number of CPD Grantees		1,008	41.39	20.0		1,008	41.39	20.0
Subtotal					**20.0**				**20.0**
FHEO Monitoring of PIH/Housing Programs									
Review Public Housing and Housing Programs for FHEO Compliance	Number of PHA's		3,400	16.50	26.9		3,400	16.50	26.9
Subtotal					**26.9**				**26.9**
Field Fair Housing Initiative Program - FHIP									
Perform FHIP Grant Management in the Field	Number of FHIP Grants		231	278.00	30.8		231	278.00	30.8
Subtotal					**30.8**				**30.8**
Field Fair Housing Assistance Program - FHAP									
Perform FHAP GTR/GTM Activities in the Field	Number of FHAP Grantees		92	365.00	16.1		92	365.00	16.1
Subtotal					**16.1**				**16.1**
Field Program Management and Administrative Support									
Provide FHEO General Program Management and Administrative Support in the Field	NA	7.0	...	...	77.0	7.0	...	...	77.0
Subtotal					**77.0**				**77.0**
Field Employment Total					**486.9**				**486.9**
Fair Housing and Equal Opportunity Grand Total					**614.9**				**614.9**
Headquarters Employment (ODEEO)									
ODEEO General Direction	NA		...	...	3.0		...	...	3.0
ODEEO Administrative Support	# of ODEEO employees supported		28	224.00	3.0		28	224.00	3.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Alternative Dispute Resolution Services	# of ADR cases in process		50	125.00	3.0		50	125.00	3.0
ODEEO Counseling and Complaint Processing	# of EEO complaints in process		266	125.60	16.0		266	125.60	16.0
Affirmative Employment Division	NA		...	...	3.0		..	..	3.0
Subtotal					**28.0**				**28.0**

Detail of Fair Housing and Equal Opportunity Staff Requirements

	Budget Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters Employment			
Fair Housing and Equal Opportunity			
Immediate Office of Assistant Secretary FHEO and FHEO DASs	5.4	5.4	0.0
Fair Housing Enforcement	32.0	32.0	0.0
Fair Housing Grant Programs	20.4	20.4	0.0
FHEO Policy and Program Evaluation	5.0	5.0	0.0
Economic Opportunity Activities	10.0	10.0	0.0
Young Implementation Activities	15.2	15.2	0.0
Operations and Management Oversight	40.0	40.0	0.0
Office of Departmental Equal Employment Opportunity	28.0	28.0	0.0
Total	**156.0**	**156.0**	**0.0**
Field Employment			
Fair Housing and Equal Opportunity			
FHEO Field Guidance and Direction	42.0	42.0	0.0
FHEO Field Intake Processes	77.1	77.1	0.0
Fair Housing Complaint Processing	189.0	189.0	0.0
FHEO Field Compliance Reviews	8.0	8.0	0.0
FHEO Monitoring of CPD Programs	20.0	20.0	0.0
FHEO Monitoring of PIH/Housing Programs	26.9	26.9	0.0
Field Fair Housing Initiative Program - FHIP	30.8	30.8	0.0
Field Fair Housing Assistance Program - FHAP	16.1	16.1	0.0
Field Program Management and Administrative Support	77.0	77.0	0.0
Total	**486.9**	**486.9**	**0.0**

Detail of Fair Housing and Equal Opportunity Staff Requirements

	FTE			
	Actual 2001	Budget Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	157.0	156.0	156.0	0.0
Field	478.0	486.9	486.9	0.0
Total	**635.0**	**642.9**	**642.9**	**0.0**

HEADQUARTER EMPLOYMENT

With the overall Headquarters reduced FTE count of 6.1, the FHIP/FHAP Support Division is the most affected division within Headquarters.

The annual review and evaluation of FHIP applications requires assistance from Field Office personnel, other FHEO Headquarters staff, and external contractors. Other time-consuming FHIP functions include negotiating with FHIP Grant recipients, and developing and conducting FHIP training for grantees.

The FHAP and Substantially Equivalent (SE) workload often takes a backseat to the FHIP demands. This is due to the FHAP's designation as a formula grant program. The drain of FHAP resources for FHIP activities prevents the goal of outreach to non-participating states to become SE certified. The majority of the workload required by the FHAP is the review process to determine SE of FHAP applicants.

FIELD EMPLOYMENT

Fair Housing is a significant issue across the nation and one of the primary missions of HUD. Investigations are the primary activity in the Field Offices. The remaining workload becomes secondary in an effort to ensure that investigations are completed within the 100-day time period. As the major priority of FHEO, the process of performing investigations is consuming a large portion of field staff time.

Completing investigations within the 100-day time period is rarely achievable for the following reasons: people are difficult to track down for signatures; on-site work and interviews take time; and when attorneys are involved, the timeline is extended.

With the reduction of the FTE count to meet the ceiling, which resulted in 39.1 less FTEs, the field offices will have a very difficult time in completing investigations, administering the FHIP/FHAP programs and having dedicated staff to handle all program reviews for CPD, PIH, and Housing.

A 39.1 FTE reduction is unrealistic for FHEO to continue with its mission of reducing housing discrimination and follow up investigations on behalf of the stakeholders.

DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY

HEADQUARTERS EMPLOYMENT

EXPLANATION OF CHANGES FROM 2002 BUDGET ESTIMATE TO 2003 ESTIMATE

No change.

Immediate Office and Administrative Staff

It is the responsibility of the Office of Departmental Equal Employment Opportunity (ODEEO) to ensure that the Department meets the requirements set forth by the Equal Employment Opportunity Commission's (EEOC) regulations, laws, statutes, directives, guidelines and Congressional mandates to be in compliance and to provide technical assistance for legal sufficiency for Alternative Dispute Resolution (ADR) and Equal Employment Opportunity (EEO) cases

In addition, the Information Technology (computer) FTE provides efficient and effective methods to accomplish EEO goals and objectives to reduce the processing time of EEO complaints, provide current and accurate status reports and improve internal controls and accountability

Alternative Dispute Resolution Division

The EEOC requires all Federal agencies to have an Alternative Dispute Resolution (ADR) Program in place. The ADR is effective because it diffuses many EEO conflicts by bringing all parties together. The Department offers training and education on ADR to all HUD employees, managers, supervisors and other personnel with access to the program.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Office of Fair Housing and Equal Opportunity

Equal Employment Opportunity Division

The Equal Employment Opportunity Division (EEOD) is responsible for the processing of equal employment opportunity discrimination complaints both at the formal and informal stages. The Department is required to process EEO complaints within 270 days, as required by the statutes.

Affirmative Employment Division

The Affirmative Employment Division (AED) provides guidance, training and technical assistance to the Department's EEO Officers and AEP Managers. The AED must meet the applicable EEOC guidelines and directives that require Federal agencies to have dedicated/full-time positions responsible for the coordination of Special Emphasis Programs for this purpose.

Congressional Justifications for 2003 Estimates

February 2002

Department of Housing and Urban Development

Part 3

Departmental Management

Center for Faith-Based and Community Initiatives

Inspector General

Federal Housing Enterprise Oversight

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FISCAL YEAR 2003

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 7: DEPARTMENTAL MANAGEMENT

SCOPE OF ACTIVITY

The Departmental Management activity includes the Office of the Secretary and Deputy Secretary and other staff offices under the Secretary's immediate direction, except the Office of Healthy Homes and Lead Hazard Control and the Office of Departmental Equal Employment Opportunity. The responsibilities of the Department are administered under the supervision and direction of the Secretary, who is responsible for the administration of all programs, functions and authorities of the Department. The Deputy Secretary assists the Secretary in the discharge of his duties and responsibilities, and serves as Acting Secretary in the absence of the Secretary. In addition to the Office of the Secretary and Deputy Secretary, this activity includes seven offices of highly specialized staff with Departmentwide responsibility for the following functions: participation of small and disadvantaged businesses in the contracting activities of the Department; public affairs; Congressional and intergovernmental relations; and administrative judicial proceedings. Collectively and separately, these offices are essential to the independent formulation and review of Departmental policy and the promotion and interpretation of that policy.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

WORKLOAD

The Secretary, as head of the Department and as a Cabinet Member, is responsible for the administration of all programs, functions, and authorities of the Department; for the regulation of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation; for enforcing Federal Fair Housing law, educating the public on the rights and duties created by that law, and encouraging State and local governments and the private sector to assist the Federal Government in guaranteeing equal housing opportunities; and for advising the President on Federal policy, programs, activities relating to housing and community development, and equal housing opportunity. The Secretary formulates recommendations for basic policies in the fields of housing and community development and works with the Executive Office of the President as well as other Federal agencies in keeping economic and fiscal policies in housing and community development consistent with other Governmental economic and fiscal policies.

The Secretary meets with governors, mayors and other State officials, county executives and other local officials, and regional and neighborhood leaders, and assists the President in achieving maximum coordination among the various Federal activities which have a major effect upon urban, suburban, metropolitan, or rural housing and community development. The Deputy Secretary assists the Secretary in the performance of his duties and responsibilities, and serves as Acting Secretary in the absence of the Secretary.

The Office of Small and Disadvantaged Business Utilization is responsible for providing technical direction and coordination on all matters relating to the Department's participation in small and disadvantaged businesses in the contracting activities of the Department. The Office oversees the Department's small and disadvantaged business set-aside activity, and has Departmentwide responsibility for carrying out relevant authorities for the Department's Minority Business Enterprise (MBE) programs, including monitoring, evaluating and reporting MBE activities to the Secretary, the Congress, the President, and the general public. The Director of Small and Disadvantaged Business Utilization represents the Secretary before Congressional committees and at meetings on related program activities with Federal, State and municipal or private organizations. This Office was established in 1989 pursuant to the provisions of Section 15(k) of the Small Business Act, as amended (Sec. 221, P.L. 96-507).

The Office of the Assistant Secretary for Public Affairs advises the Secretary and Departmental staff on public and media relations, and coordinates the Department's efforts to keep the public informed of its actions. The basic mission of the Public Affairs staff is to publicize HUD policies and programs and to respond to inquiries from the press. The mission is accomplished through the Immediate Office of the Assistant Secretary which provides advice to the Secretary and principal staff members on matters involving HUD's communications with the public and the media; and the Office of Press Relations, which coordinates liaison between the Department and members of the media.

The Office of Congressional and Intergovernmental Relations provides services and information to the Congress concerning all programs and activities of the Department. The Office coordinates development of the Department's legislative program in cooperation with the General Counsel, and oversees the progress of the Department's legislative program in the Congress, assisting in resolving intra-departmental policy differences and differences between the Department and the Office of Management and Budget on legislative matters. The Office coordinates policy formulation and implementation, and serves as the principal contact with State and local governments, as well as public interest groups, to provide information regarding the Department's programs and initiatives.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Departmental Management

The Administrative Law Judges are independent, impartial triers of fact in on-the-record hearings similar to trial judges conducting civil trials without a jury. Their jurisdiction includes housing discrimination cases arising under the Fair Housing Amendments Act of 1988; civil money penalties and Mortgagee Review Board cases arising under the Department of Housing and Urban Development Reform Act of 1989; fraud cases arising under the Program Fraud Civil Remedies Act; statutory and regulatory debarment cases; and a variety of other cases arising under laws and regulations providing for the Secretary or an administrative law judge to be the presiding official.

The HUD Board of Contract Appeals, pursuant to the Contract Disputes Act of 1978 (P.L. 95-563), acts for the Secretary as an independent forum for hearings and for the issuance of final decisions in all appeals by contractors from final written decisions of contracting officers. The decisions of the Board in these appeals are binding on the Department and the contractor, but can be appealed to the U.S. Court of Appeals for the Federal Circuit. In addition, the Board hears and makes determinations on behalf of the Secretary on administrative appeals relating to the debarment and suspension of contractors, Mortgagee Review Board decisions, and Departmental actions related to IRS offsets of tax refunds of individuals indebted to the Department. The Board has the flexibility to provide either a full trial with discovery, subpoenas, and formal trial procedures, or more informal, expedited hearings for appellants with small claims against the Department. All final decisions are written, and more than half of the Board's hearings are held in the appellant's city to accommodate small business and pro se appellants.

The Office of Departmental Operations and Coordination (ODOC) was established in 1997 and consists of senior level staff who have a broad range of cross-program experience in Departmental operations and management planning expertise to assist the Secretary and Deputy Secretary in their efforts to ensure that HUD policies and actions are consistent with the Department's continued management improvement. ODOC serves as staff support for the Deputy Secretary in discharging his duties for the Department. The Office also acts as a catalyst for the operational management agenda of the Secretary and Deputy Secretary, and ensures that improvement initiatives and management of daily operations are consistent with Departmental efforts to foster excellence in the delivery of program services to HUD customers. Beginning in FY 2001 the Field Labor Relations function was transferred to Headquarters with staff outstationed in the field. This staff is responsible for ensuring the proper and uniform administration and enforcement of construction labor standards pertinent to all HUD programs within the field office jurisdictions and for advising program managers on labor relations matters. Specific functions include processing wage requirements, conducting labor standards investigations and compliance reviews; determining maintenance wage rates for public housing agencies; providing technical assistance and guidance to local public agencies on labor standards/labor relations matters; promoting employment and training opportunities for the disadvantaged in HUD programs; preparing recommendations for sanctions against labor standards violations; and conducting Davis-Bacon residential wage surveys.

TRAVEL

The table below identifies travel requirements unique to this activity. All travel for this activity is by Headquarters' staff.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel (HQ)	$546	$870	$870	....
Total	$546	$870	$870	....

The travel funding requested is in support of the travel by the Secretary and Deputy Secretary, and other senior staff in meetings with State and local officials and regional and neighborhood leaders. Travel by these officials promotes and assists the Administration and the President in achieving the President's and the Secretary's goals and priorities for the Department and in promoting maximum coordination among the various Federal activities in urban, suburban, and metropolitan, or rural housing and community development. It is necessary for officials to visit cities across the country to explain HUD's mission and the directions being taken to facilitate the public's access to HUD programs. Funding for the Office of Departmental Operations and Coordination is included in this request.

The increase of $324 thousand from the fiscal year 2001 actual to the fiscal year 2002 estimate principally reflects the transfer of the Labor Relations function from Field Direction and Operational Support to the Office of Departmental Operations and Coordination in the latter part of fiscal year 2001. These funds will allow travel for the outstationed Labor Relations staff to monitor and provide technical assistance to client agencies, as well as cover headquarters staff participation in on-site technical assistance visits to the field offices.

The fiscal year 2003 estimate is level with the fiscal year 2002 enacted level.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Departmental Management

CONTRACTS

The table below identifies the specific contracts unique to this activity and is followed by a brief description of each item.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Data and Statistical Services	....	$25	$25	....
Technical Services	$69	$460	$460	....
Management Studies	$24	$325	$325	....
Public Information Services	$219	$220	$220	....
Training Support, Non-Fed.	....	$50	$50	....
General Support	$675	$753	$753	....
Total	$987	$1,833	$1,833	....

a. Data and Statistical Services

The service includes data gathering for specialized housing programs. This contract provides for outside assistance in obtaining architectural, engineering or related studies of cost-efficient housing suitable for those with special needs. The data will be used to prepare recommendations based on an extensive amount of research required to obtain statistical and related data on specialized housing and community development programs.

b. Technical Services

Data services provide important and timely information and assistance to senior staff in various offices such as: (1) Public Affairs--for preparation of press releases, speeches, background and briefing papers, "op-ed" pieces and other written material produced by the Office of Public Affairs; (2) HUD Board of Contract Appeals--to enable the staff to conduct legal research in the most cost efficient manner; and (3) Office of the Administrative Law Judges--for legal research to assist the Department's Administrative Law Judges in making rulings on pending court decisions.

The Office of Public Affairs must provide transcripts and electronic duplicates of media appearances by the Secretary, senior HUD officials, and top level executives of the Administration for analysis, and review by program, policy and field staff. The need also exists for services which enable the Office to communicate using current electronic technology. In an effort to provide a greater measure of news wire access, the Office has expanded coverage to include the Federal News Service. These kinds of services demand expertise in technology and constitute a special requirement for contract funds. The expanded areas of electronic news resources are expected to require additional funds to meet the Department's need for full coverage of issues regarding governmentwide reinvention and new directions.

The increase of $391 thousand from the fiscal year 2001 actual to the fiscal year 2002 estimate principally reflects the transfer of the Labor Relations function from Field Direction and Operational Support to the Office of Departmental Operations and Coordination in the latter part of fiscal year 2001. The additional funds will be used to outsource review of contractor payrolls, conduct training for client agencies, and perform ongoing agency monitoring.

c. Management Studies

Management consulting services including evaluation, analyses, studies and other services, are needed to facilitate, support, and ensure effective implementation of HUD policies, programs, and departmental management initiatives.

d. Public Information Services

These funds are to provide for the distribution of news materials to media outlets within the Washington, DC metropolitan area. In addition, funds will provide for information outreach to the public with respect to the provisions of the Fair Housing legislation. This public education program will include new and expanded categories of discrimination, handicapped and familial status.

These funds also provide for the development of audio-visual, print, and other communication materials to support the public communication needs of the Department. The funds are administered by the Office of Public Affairs in consultation with the program offices. The objective is to coordinate Departmental communication efforts for consistency with HUD goals and priorities, to ensure that all communication efforts are coordinated effectively, and to make sure that the vehicles produced reach their intended audiences with relevant and useful information.

e. Training Support

Professional training assistance is needed to provide expert support for outreach to small, minority and women business owners to include conference management, development and dissemination of materials. Training is also required for communications and media relations staff, as well as field staff with public affairs duties.

f. General Support Services

These funds are to provide for temporary contract personnel to meet short-term priority tasks needing highly skilled clerical and secretarial support; to enable the Office of Public Affairs to contract for various news-related gathering and dissemination of information regarding HUD programs and initiatives; and for contractual services in support of improvement initiatives and delivery of program services to HUD customers.

Detail of Departmental Management Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Departmental Management									
Policy Decisions	NA		...	...	22		...	...	22
Legislative coordination	NA		...	...	26		...	...	26
Liaison with State/local governments	NA		...	...	3		...	...	3
Public outreach/information	NA		...	...	18		...	...	18
Hearings/decisions	NA		...	...	14		...	...	14
Small business assistance	NA		...	...	5		...	...	5
Subtotal					**88**				**88**
Headquarter Employment									
Office of Departmental Operations and Coordination									
Provide General Direction	NA		...	...	1.0		...	...	1.0
Support Activities	NA	2	...	...	15.0	2			15.0
Subtotal					**16.0**				**16.0**
Office of Labor Relations									
Ensure Compliance with Prevailing Federal/Wage Requirements in all HUD programs	# of Field personnel Supported	20	54	309.34	5.0	20	54	309.34	5.0
Subtotal					**5.0**				**5.0**
Web Team									
Provide Web Support to the Department	# of Account Requests or Updates		3,053	4.79	7.0		3,053	4.79	7.0
Subtotal					**7.0**				**7.0**
South west Border Region, Colonias and Migrant/Farmworker Initiaitve									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide Support and Coordination for the Southwest Border Region, Colonias and Migrant/Farmworker Initiative	Level of Effort	2	N/A	N/A	8.0	2	N/A	N/A	8.0
Subtotal					**8.0**				**8.0**
Total ODOC HQ					**36.0**				**36.0**
Office of Labor Relations/Field									
Perform Monitoring Reviews	#of reviews completed	125	500	33.41	6.0	125	500	33.41	6.0
Establish Annual Wage Determinations	# of Annual wage determined/established (PHA and TDHE)	326	2,500	19.21	20.0	326	2,500	19.21	20.0
Perform Contractor Compliance Reviews	# of Compliance Reviews	625	5,000	10.03	21.0	625	5,000	10.03	21.0
Perform Administrative Functions	Level of Effort		N/A	N/A	7.0		N/A	N/A	7.0
Perform Technical Oversight and Management	Level of Effort		N/A	N/A	6.0		N/A	N/A	6.0
Subtotal					**60.0**				**60.0**
Total ODOC					**96.0**				**96.0**
Total					**184.0**				**184.0**

Detail of Departmental Management Staff Requirements

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarter Employment			
Departmental Management	88.0	88.0	0.0
Departmental Operations & Coordination	96.0	96.0	0.0
Total	**184.0**	**184.0**	**0.0**

Detail of Departmental Management Staff Requirements

	FTE			
	Actual 2001	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	146.0	184.0	184.0	0.0
Field	0.0	0.0	0.0	0.0
Total	146.0	184.0	184.0	0.0

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Departmental Management

EXPLANATION OF CHANGES FROM REAP REQUIREMENT TO 2002 CURRENT ESTIMATE

HEADQUARTER EMPLOYMENT

The immediate office of Departmental Operations and Coordination is under funded by two FTE. The major impact will be the delay in implementation of planned refinements to existing processes including the Compliance and Monitoring Program and the Quality Assurance Review Program.

The Southwest Border initiative is also under funded by two FTE. This will reduce the Department's development of measurable strategic goals and objectives, establishment of cross-program working groups, and performing special studies and projects. Since much of the work is done in the field, the reduction in FTE will result in less coverage of the border areas and fewer communities being served.

The impact of reduced staffing in the Office of Labor Relations to a level of 60 FTE limits the Department's ability to ensure that workers on HUD-funded/assisted construction jobs are properly compensated, to provide client access to technical assistance and training, and to promote, facilitate and implement job training, apprenticeship and employment initiatives.

FIELD EMPLOYMENT

Departmental Management has no field employees. Field activities are performed by staff outstationed from Headquarters.

EXPLANATION OF CHANGES FROM 2002 CURRENT ESTIMATE TO 2003 ESTIMATE

No change is proposed for fiscal year 2003.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 8: CENTER FOR FAITH-BASED AND COMMUNITY INITIATIVES

SCOPE OF ACTIVITY

The Center for Faith-Based and Community Initiatives (CFBCI) was established by Executive Order 13198 on January 29, 2001. The purpose of CFBCI is to coordinate Department efforts to eliminate regulatory, contracting, and other programmatic obstacles to the participation of faith-based and other community organizations in the provision of social services. Further, CFBCI will play a key role in facilitating intra-Departmental and inter-Agency cooperation concerning the needs of faith-based and community organizations.

The CFBCI reports directly to the offices of the Secretary and Deputy Secretary. CFBCI staff will focus their efforts on areas of research, law and policy; development of an inter-agency resource center to service faith-based and community partners; and expanding outreach, training and coalition building. These areas of emphasis will help CFBCI comply with the Executive Order, as well as participate in HUD's overall strategic goals and objectives--particularly as they relate to partnership with faith-based and community organizations.

Workload

The CFBCI is charged with the following key responsibilities in compliance with Executive Order 13198, and to participate in implementing HUD's strategic goals and objectives:

Annual Departmentwide Inventory. CFBCI is charged to conduct, in coordination with the White House Office of Faith-Based and Community Initiatives (WHOFBCI), an annual Departmentwide inventory to identify all existing barriers to the participation of faith-based and other community organizations in the delivery of social services by the Department, including but not limited to regulations, rules, orders, procurement, and other internal policies and practices, and outreach activities that either facially discriminate against or otherwise discourage or disadvantage the participation of faith-based and other community organizations in Housing and Urban Development (HUD) programs;

Expand Opportunities for Faith-Based and other Community Organizations. The CFBCI will also coordinate a comprehensive departmental effort to incorporate faith-based and other community organizations in department programs and initiatives to the greatest extent possible;

Remediation of Barriers. CFBCI will propose initiatives to remove barriers identified in the annual Department wide inventory, including but not limited to reform of regulations, procurement, and other internal policies and practices, and outreach activities;

Develop Pilot Projects. CFBCI will propose and develop innovative pilot and demonstration programs to increase the participation of faith-based and other community organizations with respect to programming changes, contracting opportunities, and other Department initiatives, including Web and Internet resources. This includes, but is not limited to, the following CFBCI activities:

- develop and host an inter-Agency website on faith-based and community initiatives. This website will serve as a resource for all persons interested in partnership or information concerning the WHOFBCI and the other Cabinet agencies (Health and Human Services, Education, Labor, and Justice). HUD CFBCI will also host a resource center, which will serve as an information clearing-house for faith-based and community organizations, and all persons interested in the initiatives.

- plan and conduct, in cooperation with WHOFBCI and other agency Centers, 12 inter-Agency summits designed to disseminate information concerning the initiatives, partnership opportunities that exist within the various agencies, and strategies to develop local public/private partnerships;

- participate in HUD field conferences, trainings and seminars;

- provide training for HUD field staff concerning the faith-based and community initiatives;

- partner with HUD program offices to establish mutual goals and identify opportunities to assist program areas in carrying out their strategic plans and objectives, with particular regard to their faith-based and community partnerships.

Salaries And Expenses, Housing And Urban Development
Budget Activity 8: Center For Faith-Based And Community Initiatives

TRAVEL

	ESTIMATE 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel	....	$200	$250	+$50
Total	$0	$200	$250	+$50

The travel funding requested for fiscal year 2003 will allow key CFBCI staff to participate in conferences, seminars, meetings and summits to train field staff, expand outreach to faith-based and community groups, and participate in events and activities conducted by HUD field staff or other public/private entities. This travel funding also includes requests for mandatory CFBCI participation in activities or events initiated by the Secretary or the WHOFBCI.

- Inter-Agency Summit Cost. As stated above, CFBCI proposes 12 inter-agency summits in key cities across the country.
- HUD Field Conferences - HUD's field offices frequently partner with State and local governments to conduct conferences on information related to faith-based and community organizations. CFBCI staff will participate in 25 State and local conferences to either provide technical assistance training, or serve as conference speaker.
- Pilot Project Site Visits, Meetings, and Travel with the Secretary. Principal CFBCI staff will travel with the Secretary, Deputy Secretary, or WHOFBCI for site visits and pilot project development. CFBCI anticipates that principal staff would participate in 20 of these events, while CFBCI program staff would participate in 15 events.
- Technical Assistance, Task Force Travel. CFBCI anticipates program staff participation in 50 1-day trips to provide technical support and partnership with task forces that address key issues involving faith-based and community organizations (e.g., involvement in predatory lending and efforts to address the colonias regions of the country).

Most of the travel will involve travel for 1-2 CFBCI staff members. The larger summits would involve up to 6 CFBCI staff.

CONTRACTS

The table below identifies contract requirements unique to this activity.

	ESTIMATE 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Contracts	....	$1,500	$1,500	....
Total	$0	$1,500	$1,500	....

Funding is requested in fiscal year 2003 for contracting related to conferences, training, seminars and other activities designed to implement CFBCI's goals for faith-based and community partnership. CFBCI's funding request is supported by final conference support expenditures conducted by the CFBCI's predecessor, HUD's Center for Community and Interfaith Partnerships (CCIP) for fiscal years 1999 through 2000. CFBCI received a report from the HUD contractor that provided conference support services to CCIP. That report indicates that the total conference support cost for CCIP's 9 conferences was $1,251,363.

CFBCI will significantly expand outreach to faith-based and community organizations by planning and conducting 12 inter-agency summits and will aggressively seek to increase diversity among the faith-based and community groups that will attend the summits, as well as to increase the number of attendees. Additionally, CFBCI will participate in a number of national, State and local events described above-providing materials and other requested assistance. In view of the previous expenditures and the expanded scope of activity for CFBCI, we request that an amount of $1,500 thousand be budgeted for contract support, pending further review of previous expenditures. CFBCI will investigate alternative service providers in order to procure the best services at the most competitive cost.

Detail of Center for Faith-Based Community Initiative Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment									
Focus, Integrate, and Intensify HUD's Relationship with Faith-Based and Community Organizations	NA		...	...	8.0		...	...	8.0
Subtotal					8.0				8.0

Detail of Center for Faith-Based Community Initiative Staff Requirements

Headquarter Employment	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Center for Faith-Based Community Initiatives	8.0	8.0	0.0
Total	**8.0**	**8.0**	**0.0**

Detail of Center for Faith-Based Community Initiative Staff Requirements

	FTE			
	Actual 2001	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	1.0	8.0	8.0	0.0
Total	1.0	8.0	8.0	0.0

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Faith-Based and Community Initiatives

HEADQUARTERS EMPLOYMENT

EXPLANATION OF CHANGES FROM 2002 BUDGET ESTIMATE TO 2003 ESTIMATE

This is a new organization and will not be fully staffed until fiscal year 2002. No changes are proposed to the fiscal year 2002 staffing level for fiscal year 2003.

FIELD EMPLOYMENT

EXPLANATION OF CHANGES FROM 2002 BUDGET ESTIMATE TO 2003 ESTIMATE

There are no field staff.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 9: CHIEF FINANCIAL OFFICER

SCOPE OF ACTIVITY

The mission of the Office of the Chief Financial Officer (CFO) is to lead the Department's Headquarters and Field Office officials toward the understanding and practice of sound financial management in program development and operations, and in the stewardship of public resources. The CFO advises the Secretary on all aspects of financial management. The CFO ensures that the Department establishes and meets financial management goals and objectives, and that the Department is in compliance with financial management legislation and directives. The scope of activity cross-cuts the entire Department. The CFO is responsible for the preparation, justification and monitoring of the Department's annual budget. In addition, the CFO establishes policies and standards for development, maintenance, operation and evaluation of the Department's financial management systems, including: budget and accounting systems, internal control systems, financial reporting systems, asset and credit management systems, and systems to audit compliance with financial management and related requirements. The CFO also provides accounting services for administrative and operating activities of the Department. The CFO also has responsibility for overseeing the Departmental implementation of the Government Performance and Results Act (GPRA), including the annual strategic plan and the annual performance and accountability report.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

WORKLOAD

The workload of the Office of the Chief Financial Officer is essentially defined by the following key objectives:

- prepare, justify, and monitor the annual budget;
- prepare, justify, and monitor the strategic plan;
- prepare, justify, and monitor the annual performance plan;
- establish and maintain integrated financial management systems;
- improve Departmental management of asset and credit management functions;
- develop a strong internal control program that effectively addresses material weaknesses and reportable conditions in the Department;
- produce audited consolidated financial statements;
- develop uniform financial management policies and procedures;
- process all accounting transactions and payments; and
- coordinate Departmentwide audit resolution activities.

TRAVEL

The table below identifies travel requirements:

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel (HQ)	$237	$498	$389	-$109
Travel (Field)	$37	$44	$34	-$10
Total.....	$274	$542	$423	-$119

Travel funding is required to fully carry out CFO responsibilities for improving Departmental financial management. CFO travel will focus attention on program delivery operations at the field office level and will provide oversight and review for: asset and credit management; debt collection; resolution of audit findings and internal control weaknesses; and test and establish internal controls.

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: Chief Financial Officer

CONTRACTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Management Studies	$2,398	$2,712	$3,250	+$538
Technical Services	$778	$759	$891	+$132
General Support	$131	$180	$246	+$66
Training Contracts, Non-Fed Emp.	$65	$84	$117	+$33
Total.....	$3,372	$3,735	$4,504	+$769

Management Studies. These funds will be used to support implementation of the Resource Estimation and Allocation Process (REAP), and its associated FTE verification component known as the Total Estimation Allocation Mechanism (TEAM), business process re-engineering studies and for support to update policies and procedures throughout the OCFO. This contractual activity supports the Department's strategic management of human capital which is part of the President's Management Agenda.

Technical Services. Examples of technical services contracts include:

- FirstGov.Gov, in which the Department has a Memorandum of Agreement (MOA) authorizing fiscal year payments for information services that links visitors to information and services posted on Federal websites. The Federal Government will help our citizens gain one-stop access to existing Government information and services, increase Government accountability to its citizens;
- Professional Software Consortium, Inc., which provides the OCFO with an annual maintenance agreement and software upgrade(s) for the Civilian PCS Program for the Department's National Relocation Center;
- Federal Employment Information and Services, the Department has an agreement with Office of Personnel and Management(OPM) to provide Federal Employment Information and Services. OPM is authorized to charge fees to agencies to pay the cost of providing access to job listings and vacancy announcemants worldwide;
- Economy Act Agreement, HUD has an agreement with the Small Business Administration (SBA) to reimburse SBA for costs incurred by SBA to certify small disadvantaged businesses;

  Travel Management Center, provides travel services to the Department;
- Imaging Disbursement and Collection Documents, which would provide imaging services for the Department's Excess Rental Income, Section 235 and Section 236 programs; and
- Cooperative Administrative Support Unit, which provides staff for the Fort Worth Accounting Center's mailroom.

General Support Services:

- Executive Personnel Services, Inc., provides temporary clerical and accounting support for the organization whenever critical vacancies or exigencies occur.

PERFORMANCE MEASURE

Strategic Goal 6: Embrace high standards of ethics, management and accountability.

Strategic Objective 6.1: Improve HUD's management and internal controls, including FHA's financial management, and resolve audit issues.

Indicator 6.1.7: HUD financial statements receive unqualified audit opinions.

Indicator 6.1.8: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.

Detail of Chief Financial Officer Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment (CFO Accounting)									
CFO Immediate Staff & Mgmt Staff									
Provide Administrative Support	Number of Personnel Supported		221	85.03	9.0		221	85.03	9.0
Perform General Direction	NA		...	...	6.0		...	...	6.0
Subtotal					**15.0**				**15.0**
OACFO for Accounting									
Perform General Direction Special Projects	NA		...	...	4.0		...	...	4.0
Prepare Consolidated Reports and Financial Statements	NA	2	...	...	12.0	2	...	...	12.0
Process Cash Reconciliations	Number of Cash Reconciliations Processed		1,044	34.00	17.0		1,044	34.00	17.0
Process Payments and Collections	Number of Payments and Collections Processed	1,850	20,350	1.13	10.0	1,850	20,350	1.13	10.0
Administer Travel for HUD	NA	1	...	...	4.0	1	...	...	4.0
Subtotal					**47.0**				**47.0**
Field Employment (CFO Accounting)									
CFO Accounting Center									
Perform General Direction	NA		...	...	2.0		...	...	2.0
Perform Special Projects and Quality Control/Audit Support	NA		...	...	2.0		...	...	2.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Perform Reconciliations (Reports and Control Division)	Number of Reconciliations Completed		372	56.12	10.0		372	56.12	10.0
Process Obligaton Documents (Funds Control)	Number of Obligating Documents Executed		50,640	0.45	11.0		50,640	0.45	11.0
Perform Loan Accounting for Loan Portfolio (Funds Control)	Number of Loans Managed		5,600	2.61	7.0		5,600	2.61	7.0
Process Payments (Program Payments Branch)	Number of Program Payments Processed		23,320	0.27	3.0		23,320	0.27	3.0
Provide Travel Voucher and Order Support (Travel Group)	Number of Travel Vouchers Processed		35,000	0.42	7.0		35,000	0.42	7.0
Provide Relocation Support (Relocation Branch)	Number of Relocation Requests Processed		54	193.33	5.0		54	193.33	5.0
Provide Commercial Invoice Processing (Commercial Branch)	Number of Invoices Processed		36,137	0.69	12.0		36,137	0.69	12.0
Subtotal					**59.0**				**59.0**
Total CFO Accounting					**106.0**				**106.0**
Headquarters Employment									
OACFO for Financial Management									
Perform General Direction	NA		...	...	2.0		...	...	2.0
Perform FERA and Compliance Reviews	NA	6	...	...	13.0	6	...	...	13.0
Perform Audit Coordination	Number of Audits Reports (GAO and OIG) Issued		152	96.15	7.0		152	96.15	7.0
Subtotal					**22.0**				**22.0**
OACFO for Budget									
Perform General Direction	NA		...	...	4.0		...	...	4.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Support the Budget Process (Programs)	NA	2	...	...	18.0	2	...	...	18.0
Support the Budget Process (Salaries and Expenses)	NA		...	...	8.0		...	...	8.0
Support the Resource Management and Budget System	NA	2	...	...	14.0	2	...	...	14.0
Subtotal					**44.0**				**44.0**
OACFO for Systems									
Perform General Direction and Oversight for the ACFO for Systems	NA		...	...	4.0		...	...	4.0
Monitor HUD Financial Management Systems	NA		...	...	3.0		...	...	3.0
Formulate Financial Policy and Procedures	Number of Systems Supported		73	371.83	13.0		73	371.83	13.0
Manage CFO's Financial Systems	Number of Systems Supported		73	800.87	28.0		73	800.87	28.0
Subtotal					**48.0**				**48.0**
Total					**235.00**				**235.00**

Detail of Chief Financial Officer Staff Requirements

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters Employment			
CFO Immediate Staff & Mgmt Staff	15.0	15.0	0.0
OACFO for Accounting	47.0	47.0	0.0
OACFO for Financial Management	22.0	22.0	0.0
OACFO for Budget	44.0	44.0	0.0
OACFO for Systems	48.0	48.0	0.0
Total	**176.0**	**176.0**	0.0
Field Employment			
CFO Accounting Center	59.0	59.0	0.0
Total	**59.0**	**59.0**	0.0

Detail of Chief Financial Officer Staff Requirements

	FTE			
	Actual 2001	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	147.0	176.0	176.0	0.0
Field	62.0	59.0	59.0	0.0
Total	**209.0**	**235.0**	**235.0**	**0.0**

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: Chief Financial Officer

HEADQUARTER EMPLOYMENT

EXPLANATION OF CHANGES FROM REAP REQUIREMENT TO 2002 BUDGET ESTIMATE

OACFO for Accounting

An under funding of two FTE will impact the preparation of Consolidated Reports and Financial Statements. Beginning in fiscal year 2002, OMB requires submission of interim unaudited financial statements and greatly accelerated submission of the annual audited statements. This is a significant workload increase without a corresponding increase of FTE.

An under funding of one FTE in processing payments and collections reduces management and control of the Section 235/236 and bonds payments process which would allow better coordination of debt management across the Department.

An under funding of one FTE in the administration of travel for HUD reduces the Department's ability to better monitor travel card delinquencies and process salary offsets in response to Congressional recognition of HUD's high credit card delinquency rate.

OACFO for Financial Management

The under funding of six FTE in the performance of FERA and Compliance Reviews will reduce the amount of time which can be devoted to resolving an unacceptable high volume of overdue final actions on audit recommendations. The Audit Resolution Division processes a heavy volume of OIG and GAO audit liaison and audit resolution activity.

OACFO for Budget

The under funding of two FTE to support the Budget Process (Programs) impacts the office's planned improvements to budget formulation with superior integration of GPRA performance requirements with program, staffing and other administrative budget resources. Most specifically, increased emphasis on program performance and results, and specific budget efforts related to unexpended balances will be impacted.

The under-funding of two FTE to support the Budget Process (Budget Management and Systems) greatly limits productivity and staffing analyses required for full implementation of the Resource Estimation and Allocation Process (REAP). This has been a long-standing criticism of Congress, GAO and OMB.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 10: GENERAL COUNSEL

SCOPE OF ACTIVITY

The General Counsel, as the chief legal officer of the Department, is the legal adviser to the Secretary and other principal staff of the Department. It is the responsibility of the General Counsel to provide legal opinions, advice and services with respect to all programs and activities, and to provide counsel and assistance in the development of the Department's programs and policies.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

WORKLOAD

The principal workload of the Office of General Counsel (OGC) consists of providing advice to program managers; preparing memoranda on legal problems arising under HUD programs; representing the Department in litigation and administrative hearings; and drafting, reviewing and clearing regulations and legislation and legislative and regulatory materials. Foremost, however, OGC supports the Department's efforts to focus on its core mission of home ownership, affordable housing and economic development.

Inclusive in the mission of the OGC, are the missions and duties of the Office of Enforcement (OE), which are to ensure the public trust by protecting residents, increasing the quality of housing and eliminating fraud, waste and abuse. In order to meet the above missions and goals, the OE has developed a focused and centralized approach to program enforcement Department-wide. Enforcements workload is made up of case referrals from the Office of Housing, Office of Public and Indian Housing (including the Troubled Agency Recovery Centers), Office of Community Planning and Development, Office of Fair Housing and Equal Opportunity (non civil rights cases), and referrals for action before the Mortgagee Review Board.

1. HEADQUARTERS

The work of the legal staff will address the requirements and initiatives of the Secretary significantly increasing activities to assure the ethical administration of HUD programs both by HUD staff and program participants, enhance procurement, enhance Federally Assisted Affordable Housing; and enhance home ownership accessibility to larger numbers of people, including public housing residents and Section 8 recipients.

a. IMMEDIATE OFFICE OF GENERAL COUNSEL

The General Counsel is responsible for providing all of the legal advice and service necessary at the Headquarters level for the formulation, implementation and operation of Departmental programs and administrative management. The General Counsel also provides professional supervision to the staff and functions of the legal offices of the Department in Headquarters and in the field and the Office of Enforcement. The Immediate Office is professionally staffed by the General Counsel, Senior Advisors and administrative personnel.

b. OFFICE OF DEPUTY GENERAL COUNSEL (PROGRAMS AND REGULATIONS)

The primary function of the Deputy for Programs and Regulations relates to legal work in connection with Government National Mortgage Association (Ginnie Mae) activities, Fannie Mae and Freddie Mac oversight, capital markets and tax matters, and with the drafting, development, clearance and publication of the Department's regulations and legislation. Consequently, the Deputy for Programs and Regulations focuses primarily on the legal issues raised by the Assistant Secretary for Housing, the Assistant Secretary for Congressional and Intergovernmental Relations, the Assistant Secretary for Policy Development and Research, as well as those generated by the President of Ginnie Mae and regulation of, Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac). This Deputy also addresses programmatic issues of the Assistant Secretary for Public and Indian Housing and the Assistant Secretary for Community Planning and Development. The Deputy for Programs and Regulations works very closely with OGC's Office of Finance and Regulatory Enforcement, and Office of Legislation and Regulations.

c. OFFICE OF DEPUTY GENERAL COUNSEL (LITIGATION)

The primary function of the Deputy General Counsel for Litigation relate to litigation in connection with Federal Housing Administration (FHA) activities; Community Development; Public Housing Authorities; and with the development, clearance and publication of the Department's regulations. Consequently, the Deputy focuses primarily on non-civil rights litigation raised by the Assistant Secretaries for Housing, Public and Indian Housing, Community Planning and Development, and Policy Development and Research. One of the Deputy's primary focuses is the enforcement in HUD's programs. The Deputy coordinates OGC's activities regarding

civil and administrative actions that the Department pursues in all program enforcement areas that are not addressed by the Enforcement Center (EC), including, but not limited to, Multifamily Housing, Public and Indian Housing and Community Planning and Development.

d. OFFICE OF DEPUTY GENERAL COUNSEL (EQUAL OPPORTUNITY AND ADMINISTRATIVE LAW)

The primary functions of the Deputy for Equal Opportunity and Administration relates to legal work in connection with civil rights, employment and procurement. In the area of civil rights the Deputy General Counsel addresses legal work in connection with Title VIII of the Civil Rights Act of 1968, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Executive Order 11063 concerning Equal Opportunity in Housing, Executive Order 11625 concerning Minority Business Enterprises, and Section 3 of the Housing and Urban Development Act of 1968. Therefore, the Deputy for Equal Opportunity and Administration focuses on civil rights issues facing the Department and Fair Housing litigation issues.

e. OFFICE OF DEPUTY GENERAL COUNSEL (HOUSING FINANCE AND OPERATIONS)

The Office of Deputy General Counsel for Operations provides day-to-day operational guidance to OGC and Field Operations with respect to all administrative, management and organizational issues, including all personnel, staffing, budget, training and travel activities, as well as the development of computerized systems and facilities. The Deputy is the rating official for all Field Assistant General Counsel with the General Counsel being the reviewing official. This Office is responsible for the oversight and effective management of the salaries and expenses budgets for both Headquarters and the Field Legal Services. The Deputy directly oversees all activities of the General Counsel's Office of Insured Housing and all operational activities of all other aspects of the Headquarters and Field Legal Services. The Deputy for Operations also represents the General Counsel at all levels inside and outside the Department and acts in the absence of the General Counsel or the Deputy General Counsel for Programs and Regulations, Deputy General Counsel for Litigation or Deputy General Counsel for Equal Opportunity and Administrative Law. This Deputy is a member of the Executive Resources Board, the Performance Recognition Board and the Contract Management Review Board. The Office includes the Management and Administrative Services Staff and the Field and Management Operations Staff. The Deputy also relates to legal work in connection with Federal Housing Administration (FHA) and transactional real estate matters associated with the insured and assisted housing programs and legal issues resulting from contractual arrangements with outside counsel for legal services related to program development and enforcement. The Deputy directly oversees the OGC's Office of Human Resources, with respect to contracting and personnel.

Management and Administrative Services Staff

This Staff provides day-to-day operational guidance and support to the Office of General Counsel with respect to all administrative, budgetary, management and organizational functions. This includes providing management support for the use and control of staff and fund resources, preparing the budget and providing budget oversight, and providing and/or coordinating all OGC personnel/staffing, labor and employee relations, travel, space management, and general administrative services. This staff also coordinates Headquarters Management Reform and Business and Operating Plan (BOP) activities.

Field and Management Operations Staff

This Staff provides oversight of and support to Field Assistant General Counsel, Chief Counsel, Chief Attorneys and their staff with respect to all administrative, management and organizational issues, including personnel, staffing, budget and travel activities. This also includes monitoring the delivery of legal services as well as facilitating communication between Headquarters OGC staff, program staff and Field Counsel through teleconferences, meetings and briefings. This Staff also oversees the installation and maintenance of computer hardware and software, the development of computer systems and the provision of access to legal research services for Headquarters and Field legal staff. In addition, this Office prepares the Management Plan and operational manuals, and represents the General Counsel on various Departmental management committees and task forces. This staff is also responsible for developing and editing the Web Page.

f. OFFICE OF ASSISTED HOUSING AND COMMUNITY DEVELOPMENT

This Office of program counsel provides legal advice for practically all of the Department's grant programs, including legal responsibility for five formula-based grant programs—CDBG, HOME, Native American Housing Assistance Self Determination Act (NAHASDA) block grants, and Capital and Operating funds for public housing and the administration of Section 8 assistance and the homeless programs. Historically, program and legal practice has demonstrated that while the establishment of formula grants and block grants tends to reduce workload demand at the field office level, it is imperative that clear, reliable policy for HUD administration and enforcement be maintained at the Headquarters level. Program counsel perform a key role in this respect. Further funding over $2 billion of Headquarters-administered discretionary grant competitions impels additional legal workload.

Program counsel perform work on the development and initial implementation of statutory, regulatory, and other administrative policy governed by Headquarters, including providing written opinions, oral advice, and some drafting of regulations. In addition, program

counsel must construe authorization-type legislation enacted annually through the appropriations process. Beyond these statutory and regulatory responsibilities, initiatives in connection with Departmental Field reorganization, program consolidation, and other HUD management priorities of the Administration, fall within the program area coverage of this Office.

As counsel for the Section 8 program, these attorneys ensure that fair and legally appropriate interpretations of law governing the renewal of Section 8 housing are consistently applied. This function, along with legal advice to accommodate the fusion of Section 8 subsidies with restructuring of debt, is crucial to maintaining participation in the Section 8 programmatic equilibrium and disincentivizing Section 8 opt-outs. Increasing affordable housing and home-ownership is the keynote of program law counsel in connection with public housing, Section 8, and the other assisted housing programs. The community development programs for which this Office provides continuing legal advice address homelessness, and promoting jobs and economic development. Also, the Office's careful counsel on the content and terms of Headquarters-fashioned Notices of Funding Availability (NOFAs) for competitively distributed program assistance is a linchpin in carrying out legally and equitably the Department's discretionary grant programs. This Office also maintains legal consonance of diverse areas that range from buttressing admission and eviction policies with firm legal foundations to ensuring opportunities of tenants in assisted housing projects to enjoy their Constitutionally endowed free exercise of religion. The Office serves as principal legal advisor for constitutional and other legal matters related to faith-based organizations.

The combination of dramatic downsizing and Field decentralization demands sureness and uniformity in questions arising from the Field. In this connection, program counsel in this Office assist in establishing clear and consistent precedent. HUD's Field Counsel are experienced but that experience is broad-based and covers a variety of programs, and does not permit the specialization which Headquarters program counsel can provide. At the same time, the Assistant Secretaries and their staffs administering programs in Headquarters require prompt and dependable advice from the General Counsel's Office to ensure legality in Headquarters program decisions, whether in developing a new policy or in handling a tricky case problem arising in the course of a national competition funding round.

The Office is made up of two Divisions: the Assisted Housing Division and the Community Development Division.

Assisted Housing Division

The Assisted Housing Division provides legal advice in connection with the Department's programs under the United States Housing Act of 1937, including the Capital Fund for public housing development and modernization, and the counterpart Operating Fund, the Section 8 housing assistance programs, the Housing Development Grant Program, Indian housing loan guarantees and homeownership and resident management programs. It serves as program counsel for HOPE VI (the Urban Revitalization Demonstration) and for other mixed-finance initiatives to leverage private and other non-Federal investment in developing low-income housing. This Division also has responsibility for the Housing for Special Populations: Elderly and Disabled programs, HOPE 1 Homeownership, administration of the Architectural Barriers Act, tax-exempt financing, the elimination of drugs in assisted housing, and congregate housing.

The Assisted Housing Division has experienced increased demands for services from the Office of Public and Indian Housing, in particular with respect to transaction work in mixed-finance and the overhauling of public housing under the Quality Housing and Work Responsibility Act of 1998 (QHWRA). With the funding of these programs and statutory changes, the demand for legal advice has grown significantly. The Assisted Housing Division also monitors hundreds of litigation cases in which HUD or a public housing authority (PHA) is a party.

Recent initiatives added to this Office include: (1) the continuing legal implementation of QHWRA; (2) replicating mixed-finance models while handling a burgeoning caseload of transactions; (3) stepping up equitable but get-tough housing occupancy policies; and (4) operationalizing integration of the needs-driven allocation system for the Drug Elimination grant programs into the Administration's Operating Fund proposal. In particular, the evolution of the public housing modernization and operating subsidy budgets into the now enacted permanent Capital and Operating Funds commands new legal interpretational workload for this Division. Perhaps the most telling programmatically significant changes are the use by public housing authorities of Capital Funds as security for local bond issuance, to accelerate project modernization. It has become clear that other components of QHWRA pose new series of legal questions in such areas as the PHA Plan and demolition and disposition of public housing developments. Legal implementation issues also surround the new mechanisms for Section 8 tenant-based assistance and for realistic, fair terms for renewal of Section 8 project-based assistance that deter owner opt-outs.

Community Development Division

The Community Development Division provides legal counsel in connection with the Community Development Block Grant (CDBG) program authorized under title I of the Housing and Community Development Act of 1974, related loan guarantees under section 108 of the same Act, the HOME program established under the National Affordable Housing Act, the McKinney-Vento Act homeless housing assistance programs, Empowerment Zones and Enterprise Communities, Renewal Communities, Comprehensive Housing Affordability Strategies (CHAS), Native American Housing

Assistance Self Determination Act (NAHASDA), Youthbuild, the Housing Opportunities for Persons With AIDS (HOPWA) program, the HOPE 3 program, phase-out of the Urban Development Action Grants (UDAG) program, and the revolving fund for liquidating programs. The Office also is responsible for the provision of legal services regarding the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as it affects all HUD programs.

The Community Development Division has maintained with level staff the substantial increase in its workload resulting from the additional programs for which it was given responsibility under the last major legislative initiatives (HOME, HOPE 3, McKinney-Vento Act homeless assistance, Empowerment Zones and Enterprise Communities, Economic Development Initiative (EDI) and Brownfields (BEDI) grants in connection with the Section 108 Loan Guarantee program, Housing Opportunities for Persons with AIDS, and NAHADSA). In various approaches, this legal work assures conformance to statutory and regulatory requirements undergirding the Department's strategic objectives to reduce homelessness and promote jobs and economic development.

This high level of workload can be expected to continue as the Division assists in legal aspects of monitoring outflows of NAHASDA funds. This formula grant transition for Native American assistance programs reduces the heavy workload stemming from legal advice for Headquarters discretionary grant programs (which had been the subject of Congressional and Office of Inspector General critiques), but the follow-up implementation of that fund requires speedy, reliable legal counsel. For this formula grant program, it is imperative that the lessons of early implementation be broadcast and monitored through performance measures against which Indian tribes are fairly but clearly held accountable. Other major new initiatives to be assisted by the Division are implementation of the Renewal Communities legislation, Community Technology Centers, Round III of Empowerment Zones, the tribal colleges and universities facilities program and the American Dream Homeownership initiative. Within the lodestar CDBG program, Division attorneys will play a key role in HUD actions to promote better performance in the timeliness of expenditures.

Last, there will be a need for program counsel's heavy involvement in areas such as the existing Empowerment Zones and Enterprise Communities, administration of competitive funding for the McKinney-Vento Act homeless programs, continuing simplification of the HOME program, HUD's statutory, staff-intensive responsibilities for defense base closures, and simplified planning requirements through the Department's incorporation of statutory CHAS and other planning requirements into the Consolidated Plan.

g. OFFICE OF FINANCE AND REGULATORY ENFORCEMENT

OGC's Office of Finance and Regulatory Enforcement provides legal services for a wide band of key enforcement, regulatory and program functions of the Department all of which are presently operated from HUD Headquarters. These functions are essential to carrying out key Departmental objectives. By way of examples, the Office's support of Ginnie Mae and GSE regulatory activities result in billions of dollars of capital for mortgages to low- and moderate-income families and families underserved by mortgage credit increasing affordable housing and home ownership while supporting HUD's fair lending efforts. Likewise, the Office's exercise of its responsibilities in support of HUD's Manufactured Housing program makes possible the provision of more than a third of the nation's new affordable housing stock. The Office's legal assistance to HUD's international program is essential to HUD's efforts to develop housing policy and empower people and communities world-wide. The Office's efforts in implementing NAHASDA and in ensuring that HUD's activities meet environmental and labor standards requirements support jobs promotion, economic development and community empowerment. Moreover, the Office's regulatory responsibilities including Manufactured Housing, Real Estate Settlement Procedure Act (RESPA), Interstate Land Sales, and Lead-Based Paint requirements, as well as its review of all HUD debarments, LDPs, and settlements along with its audit resolution functions, are also critical to meeting Departmental objectives.

This office consists of three Divisions: Ginnie Mae/Finance, Program Compliance, and GSE/RESPA. An Assistant General Counsel supervises each Division.

Ginnie Mae/Finance Division

The Division provides capital markets and tax advice to the Department as well as virtually all of the legal services for the Government National Mortgage Association (Ginnie Mae). Ginnie Mae is a government corporation whose annual revenues exceeded expenses by approximately $700 million in the last fiscal year. The Division increases affordable housing and home ownership by providing legal support to Ginnie Mae as it assists lenders in raising capital in the secondary market and providing market liquidity. The development of Ginnie Mae's Targeted Lending Initiative, in which the Division played a significant role, provides an incentive to invest in designated communities, thus expanding home ownership opportunities for the most underserved homebuyers. Beginning in January 2002, Ginnie Mae book entry securities will be held by the Federal Reserve Bank of New York. Previously, Ginnie Mae book entry securities were held at the Depository Trust and Clearing Corporation. It is expected that the change will increase demand for Ginnie Mae securities, particularly among international investors, which should benefit homebuyers with federally insured and guaranteed mortgages. The Division has been involved in all aspects of this move, which is extremely complicated and detail

intense, including publication of proposed and final rules, amendments to multiclass trust agreements and numerous other matters.

The Division provides opinions concerning Ginnie Mae's statute, regulations and handbooks, including recommendations and drafting support for the preparation or revision of proposed or amended legislation or regulations. The Division provides legal services to Ginnie Mae in connection with all Ginnie Mae defensive, affirmative and enforcement litigation, including: preparation of the administrative record; researching relevant case law; drafting affidavits, briefs and other filings; attending depositions, hearings and trials; coordinating with Justice, contract counsel and opposing counsel; and initiating and responding to settlement offers. In connection with this litigation, the Division drafts the annual audit letter concerning pending and threatened litigation and claims, and a monthly litigation report. With respect to issuer defaults, the Division travels to execute the default, if appropriate, and provides legal support in the recovery, possession and control of the Ginnie Mae mortgage portfolio, including all legal and servicing documents and accounts.

The Division provides tax and capital markets advice to the Department, including tax advice on difficult development areas. The Division reviews for legal sufficiency all Ginnie Mae Guides (and revisions), All Participants Memoranda, significant correspondence and agreements. The Division provides research and advice on legal policy issues, such as the impact on Ginnie Mae programs proposed by other Departmental offices or by other agencies (e.g., the Department of Veterans Affairs), or the legal implications of new technologies or technology issues.

The Division reviews all legal documents for all multi-class structured finance transactions for compliance with Ginnie Mae requirements. In fiscal year 2001 through June, Ginnie Mae guaranteed 65 structured finance transactions with more than $45 billion in securities. The Division also supervises three legal services contractors that provide additional multi-class expertise.

The level of work for the Division has increased during fiscal year 2001 as the Division acquired increased responsibilities. The Division handles all matters involving patents and trademarks, including applications, oppositions and litigation. Finally, the Division has been assigned responsibility for tracking all outstanding audit recommendations that are coded "J," indicating that a legal matter is involved. The Division prepares a report showing the outstanding audit recommendations, the responsible attorney, the status of the legal matter and any change that should be made in the audit code.

Program Compliance Division

The Program Compliance Division provides legal services in consumer protection, enhancement of public safety, disclosure of information to land purchasers and homebuyers, enforcement of anti-fraud and anti-kickback statutes, and collection of debts owed to the Department.

The Division manages all the legal work for the nationwide enforcement of the Real Estate Settlement Procedure Act (RESPA). The Division has assisted the program office with a number of new RESPA cases to enforce the statute's anti-kickback, unearned fees, and other provisions. The Division attorneys work closely with the program office in carrying out investigations of RESPA violations. They draft subpoenas, conduct subpoena hearings, interview witnesses, prepare pleadings, negotiate settlements, and are engaged in major RESPA enforcement efforts. The Division has worked closely with the Department of Justice, the FTC, and other regulatory agencies in predatory lending cases that allege RESPA violations. These cases have resulted in not only injunctive relief but also restitution for victims of the predatory practices. The Division has also initiated enforcement through civil penalties for violations of title insurance and annual escrow disclosure requirements of RESPA. They have also worked closely with other HUD attorneys to seek RESPA enforcement as part of Mortgagee Review Board cases and to contribute to the development of legislation, regulations and policy pertaining to RESPA enforcement issues.

The Interstate Land Sales Full Disclosure program is a national program that requires developers to give full disclosure of material facts about subdivision sales offerings and to engage in honest sales practices. The Program Compliance Division's enforcement of the Act plays a significant role in enforcing disclosure and anti-fraud provisions in subdivision land sales. The Division has been actively involved in cases to stop fraud and misrepresentation to consumers, and making sure that consumers are not overcharged in their purchase of land and receive required disclosures before they purchase subdivision land. The Division provides legal advice and opinion to the program office. Division attorneys are working on The Secretary's Southwest Border Task Force looking into the severe problems for residents in the various colonias developments in the southwest United States. Enforcement actions under the Land Sales Act may be a significant tool for improving the living conditions for the colonias residents.

The program office has entered into a contract for professional investigation services that will be extended through FISCAL YEAR 2003. Investigations into suspected RESPA and Interstate Land Sales violations are under way and are expected to result in a greater enforcement caseload.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: General Counsel

The Division acts as advisory and enforcement counsel for the National Manufactured Housing Construction and Safety Standards Act of 1974, which last year regulated over one-sixth of all new housing starts in the country. The Division has been actively involved in several cases in Federal District Court. The Division supplies counsel to the program office on implementation of substantial new responsibilities under the Manufactured Housing Improvement Act of 2000, compliance and preemption issues, reform of regulations for enforcement, options to make manufactured homes safer, and the use of manufactured homes as part of affordable housing initiatives. The program will have additional new responsibilities involving the implementation of the Manufactured Housing Consensus Committee, installation standards and a national dispute resolution system. The Division continues to provide significant counsel to the program office in implementing changes to the Act's standards-development process for manufactured homes. Division attorneys have assisted in successful litigation and negotiation of settlements. The Division is now actively involved in several enforcement actions, including an action against a manufacturer for building hundreds of homes that are unsafe or poorly constructed and fail to meet Federal standards. Additional enforcement actions against manufactured home producers and dealers with defective or unsafe homes are in the initial stages of development. The Division also assists the program office with drafting regulations and Interpretative Bulletins, and prepares memoranda on legal issues that arise in the program. The recent incidence of bankruptcies in the industry has added bankruptcy counseling to the Division's responsibilities.

The Division provides legal counsel for the Department's debt management officials, including advising the Chief Financial Officer and other Headquarters clients on collection policies and strategies and enforcing collection in administrative and Federal Court forums. In this regard, the Division is part of the CFO's Debt Collection team, which is identifying and resolving issues to improve HUD's debt management and collection, including preparation and consolidation of applicable handbooks. The Division also drafts regulations for the CFO, currently, a revision of 24 CFR Part 17 subpart C. Division attorneys represent the Department in offset collection cases before the Office of Administrative Law Judges. The Division is also responsible for providing legal advice and assistance on Federal bankruptcy policy issues and expects to represent the Department in administrative wage garnishment cases after the Department issues its administrative wage garnishment rule in the first quarter of calendar 2002.

GSE/RESPA Division

The Division is responsible for providing all legal services for the Secretary's regulation of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), both referred to as GSEs, under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA), which revised the Secretary's regulatory responsibilities and the GSEs' Charter Acts. The GSEs finance most of the conventional, non-governmental mortgages in the nation. In carrying out its efforts in support of the Department's GSE regulatory functions, the Division provides legal services for HUD's: (1) monitoring and enforcing low- and moderate-income housing, central cities, and special affordable housing goals which apply to the GSEs; (2) reviewing and soliciting requests for new programs from the GSEs; (3) implementing Fair Housing/Fair Lending requirements under FHEFSSA; and (4) protecting and disclosing GSE data, including operating a new public use data base. During this fiscal year, the Division will continue to provide legal services necessary to implement the final rule which establishes new housing goals for the GSEs for the year 2001 and beyond and significant revisions to the GSE regulations including, but not limited to, the establishment of new data and monitoring requirements. The Division also will provide services central to the Department's first comprehensive review of the GSEs' automated and traditional underwriting guidelines under FHEFSSA to ensure their consistency with FHEFSSA as well as the Fair Housing Act. The Division will assist the Department's review of new program requirements and the Department's development and issuance of rules regarding statutory revisions to FHEFSSA and the GSEs' non-mortgage investments. The Division will provide advice on significant and controversial reports on these subjects as well as any additional reports on the GSEs to the Congress on GSE regulation. Finally, the Division will develop significant materials and testimony on improvements to the GSEs' regulation.

The Residential Lead-Based Paint Hazard Reduction Act of 1992 (the 1992 Act) substantially expanded the Department's and the Division's regulatory and enforcement responsibilities respecting lead-based paint poisoning prevention and abatement. The Division provides all counselor and enforcement services to the Department for the Department's Lead-Based Paint Hazard Reduction Program under this Act. In 2002, the Division will continue to provide all legal advice necessary to implement the Department's final rules containing all lead-based paint requirements for Federally assisted and Federally owned residential housing. The Division will also provide all legal services to enforce and direct the enforcement of HUD's Lead-Based Paint Disclosure Rule including continuing the Office's remarkably successful partnership with the Department of Justice to bring major cases against large-scale violators of the Act. The Division also provides all necessary legal services in support of HUD's $100 million Lead-Based Paint Grant Program. The Division also provides all legal services for the development of Real Estate Settlement Procedure Act (RESPA) and Regulation X regulations and policy that cover settlement transactions for nearly every one-to-four family residential real estate loans in America. In fiscal year 2002, in addition to providing day-to-day regulatory advice, including responding to a heavy volume of inquiries from compliance officers, regulatory officials and firms nationwide, the Division will provide extensive legal services in support of HUD's efforts

to implement guidance and regulations concerning the application of RESPA to Internet Lending in light of new E-Signature Legislation and new internet origination systems. The Division will also develop major new regulations and legislative proposals to simplify and improve RESPA requirements to increase competition and lower costs for consumers. In 2002, the Division will also have legal responsibility for all HUD initiatives on Predatory Lending. The Division will also develop further advice and guidance on mortgage broker and other fees under RESPA, as well as finalizing rules on telemarketing and mortgage servicing disclosures and new policy statements on mortgage insurance and other business arrangements.

The Division provides advice and review for all Headquarters environmental and Davis-Bacon issues with a nationwide effect on the Department's programs. Division staff serves as OGC's Environmental Clearance Officers, providing environmental review of Departmental regulations, funding notices and directives and draft provisions respecting environmental requirements. In 2002, the Division will collaborate in completing rules revising the Department's environmental regulations as necessary in light of legal requirements and provide key legal advice to implement NAHASDA, including recent NAHASDA amendments concerning environment and labor standards. As part of its environmental responsibilities, the Division also counsels HUD's core programs on significant issues such as implementation of Environmental Justice requirements and recipients' environmental obligations prior to the expenditure of funds. The Division's legal services will include efforts in support of HUD's nationwide implementation of Davis-Bacon prevailing wage rate requirements, HUD-determined wage rates for public housing, Indian and Native Hawaiian housing block grant project operations and related labor standards. On an ongoing basis, these services include advice on all labor related HUD program issues, legislative initiatives, liaison with the Office of the Solicitor of Labor and representing the Department as needed in cases before the Department of Labor's Administrative Review Board.

h. OFFICE OF HUMAN RESOURCES LAW

The Office of Human Resources Law provides legal services pertaining to the programs and functions of the Assistant Secretary for Administration, the Chief Financial Officer, the Chief Procurement Officer, the Inspector General, and the Assistant Secretary for Public Affairs. The office handles multiple personnel, ethics and contract matters relating to the Office(s) of the Secretary and Deputy Secretary. The Office of Human Resources Law is a critical component of the Department's compliance with the HUD Reform Act of 1989. It also handles all legal issues relating to ethics and compliance with the Government-wide Standards of Conduct, with financial disclosures by Presidential appointees and senior Departmental officials, the Hatch Act Amendments and issues regarding political and official travel. The Office also represents the Department in Unfair Labor Practice claims before the Federal Labor Relations Authority, adverse and disciplinary employee actions before the Merit Systems Protection Board, and discriminatory employment matters filed before the Equal Employee Opportunity Commission. The Office of Human Resources Law advises Department officials regarding contract and procurement issues, and represents the Department in bid protests and contract claim disputes before GAO, the HUD Board of Contract Appeals, the U.S. District Court, and the U.S. Court of Federal Claims. The Office has three Divisions: the Ethics Law Division, the Personnel Law Division, and the Procurement and Administrative Law Division.

Ethics Law Division

The Ethics Law Division plays a critical role in the Secretary's goal of Restoring the Public's Trust. The Division recommends and implements Departmental policy to ensure compliance with the Ethics in Government Act, the HUD Reform Act of 1989, the Federal criminal conflict of interests statutes under 18 U.S.C., and the Standards of Ethical Conduct regulation for employees of the Executive Branch. The Division provides advice to agency officials at all levels, including the Office of the Secretary and Principal Staff, regarding gift acceptance, prohibited financial interests, financial disclosure reporting requirements, and permissible political activity including mixed pursuant to the Hatch Act political and official travel; and outside and post-Government activities. The Division coordinates with the White House Counsel's Office and the Office of Government Ethics on all conflict of interest and standards of conduct issues related to the confirmation of individuals nominated by the President to positions requiring Senate confirmation, and coordinates all corrective and disciplinary action with HUD program offices regarding conflict of interest declinations issued by the Justice Department.

The Ethics Law Division is charged with assisting the Department in meeting an array of mandatory requirements imposed by law and regulation. These include the responsibility for:

- responding to inquiries, audits and reports regarding the Department's ethics program from the Office of Government Ethics, GAO and other governmental entities;
- providing annual ethics training to HUD employees throughout the nation, including training for newly hired employees, and all high level officials;
- ensuring that an effective system continues to be in place regarding the review and certification of public and confidential financial disclosure reports; and

- ensuring that all assistance distributed by competition comply with the HUD Reform Act of 1989.

Personnel Law Division

The Personnel Law Division provides counsel to HUD management on the implementation of an array of Federal personnel laws and regulations governing whistleblower protection actions, equal employment opportunity, adverse and disciplinary employee actions, labor relations, and the Department's reorganization operations. Attorneys in this Division serve as Agency Representatives in administrative hearings before the Merit Systems Protection Board (MSPB), the Office of Special Counsel, the Equal Employment Opportunity Commission (EEOC), and the Federal Labor Relations Authority (FLRA). The Division assists Assistant U.S. Attorneys in personnel litigation actions filed in the Federal courts.

The functions of the Personnel Law Division are critical to the Department's HUD 2020 Management Reform, especially as it relates to consolidation and reorganization activities. Given the Department's budget and staffing constraints, it will require aggressive action to meet with stated goals. As a result, the Division's workload will substantially increase throughout the next and outlying fiscal years. As the agency moves forward with Management Reform activities, the number of personnel actions is likely to increase in every forum, including appeals filed in the Federal courts. The Division will continue to play a major role toward avoiding litigation through innovative Alternative Dispute Resolution action. The Division will be a critical link to the personnel legal services being provided at the location of the ASCs and will provide advice, guidance, and oversight of the centers.

Procurement and Administrative Law Division

Attorneys in the Procurement and Administrative Law Division advise HUD management on matters relating to procurement and contracting, bid protests, delegations of authority, matters filed with the General Accounting Office (GAO), the HUD Board of Contract Appeals, and in litigation before the Court of Federal Claims. The Division also reviews and drafts decisions on Freedom of Information Act (FOIA) appeals for the Deputy General Counsel for Housing Finance and Operations and provides legal assistance regarding training and other administrative law and litigation activities.

The Division is essential to enhancing HUD's procurement integrity. The legal services provided by Division attorneys require expedited legal research and expert legal advice regarding the award and administration of procurement contracts. These functions require that the Division maintain expertise regarding the Federal Acquisition Regulation, the Competition in Contracting Act, and the Federal Property and Administrative Services Act. The staff serves as legal counsel to numerous Technical Evaluation Panels. Division attorneys provide critical procurement advice and guidance to management officials. The Division is central to the Department's contract streamlining actions and provides legal assistance in implementing several streamlining recommendations. The workload in this Division is expected to increase over the next several years, as the Department moves toward consolidation and outsourcing of functions and operations. The Division will continue to play a major role toward avoiding litigation through innovative alternative Dispute Resolution procedures. The Division will be a critical link to the legal services on procurement matters being provided at the location of the ASCs and will provide advice, guidance and oversight to those centers.

OGC training responsibilities relate to enhanced program enforcement as well as concern about HUD's contracting integrity and reliance upon technology. In order for OGC to meet the challenges of the new HUD, training OGC staff has assumed greater significance. Coordination of training is an important function of the Division, and reflects the importance of training to the accomplishment of OGC's goals and objectives.

The Division is also responsible for the processing and disposition of FOIA appeals. With the reassignment of the FOIA operations to OGC, it has been necessary to divide responsibility between FOIA intake and initial determination, which is handled by the FOIA Division, and FOIA appeals, which is handled by the Procurement and Administrative Law Division. The FOIA Division reports to the Associate General Counsel for Litigation.

2. OFFICE OF INSURED HOUSING

The Office of Insured Housing serves as program counsel for FHA which is the single largest program area in the Department. The term "program counsel" is used to describe those attorneys who specialize in the interpretation of statutes, regulations, administrative guidance, and case law that govern the operation of Departmental programs. The work includes providing oral and written legal guidance, preparation of correspondence on program legal matters, and drafting contracts and other legal documentation. The Office has substantial contact with HUD field offices, HUD Housing program staff, and members of the public on matters affecting FHA mortgage insurance programs.

The Office provides legal services with respect to all FHA mortgage insurance programs under the National Housing Act and the Multifamily Assisted Housing Reform and Affordability Act of 1997 and also works with the other OGC Offices on a regular basis. These legal services support the goals of increasing and maintaining affordable housing and home ownership and restoring the public trust in the Department. The Office actively supports the

Office of Legislation and Regulations by drafting legislation and regulations on FHA programs and by submitting comments on regulatory and statutory initiatives as well as on NOFAs. The Office provides significant legal support for development and operation of the Mark-to-Market (M2M) program. The Office coordinates with the Office of Litigation on Departmental representation for defensive litigation as well as the Office of Fair Housing for compliance with the Fair Housing Act and civil rights laws. The Office works with the Departmental Enforcement Center on matters concerning affirmative litigation and preparation of legal advice relating to actions before the Mortgagee Review Board. The Office coordinates with the Office of Assisted Housing and Community Development on matters (e.g., the Section 8 program) that affect the FHA programs.

The Office of Insured Housing provides legal advice and support for the FHA program activities described below. The need for uniform interpretation (precedential in scope) of statutory and regulatory authority as well as program administrative requirements require the services of experienced program counsel in Headquarters OGC. This specialized legal expertise usually is not available in Field Offices where the legal work calls for a broader range of skills and experience from each attorney. Extensive staff reductions would require a reprioritization of legal services as well as a determination of which functions, if any, could be provided through procurement of outside legal counsel so that legal support could be provided by OGC in a manner that will further the Secretary's priorities. Further staff reduction would cause delays in providing legal services and could create a material weakness.

Multifamily Mortgage Division

This Division provides legal advice and support for FHA's multifamily programs which include: multifamily rental housing, elderly housing, nursing homes, intermediate care facilities, hospitals, group practice facilities, cooperatives and condominium projects, Mark-to-Market, multifamily mortgage loan sales, low-income project preservation, and property disposition initiatives. This legal advice includes: support for the Office of Housing in development of new FHA mortgage insurance programs under existing insurance authorities; interpreting various program regulations for multifamily rental housing and health care programs; restructuring debt on projects with reduced section 8 project-based assistance (Mark-to-Market program); assisting the Office of Housing in implementing the E-SIGN and E-GOV statutes; assisting the Office of Housing in its effort with the Department of Health and Human Services (HHS) to implement several major health care initiatives designed to strengthen communities by offering better quality health care to citizens; management and disposition of the HUD-owned property inventory; operation of the State and Local Housing Finance Agency (HFA) Risk-Sharing program and the Reinsurance program involving Fannie Mae and Freddie Mac; developing new and modifying existing policies and procedures for avoiding loan defaults and mortgage insurance claims; implementation of legislative provisions affecting the Prepayment and Preservation program; sales of HUD-held multifamily mortgage loans; defensive litigation support to the Office of Litigation and to field offices on all cases of national import within the FHA and Mark-to-Market program areas; support for the Mark-to-Market program Office of Multifamily Housing Assistance Restructuring OMHAR and the Mark-Up-to-Market and the MAP/DAP Initiatives; review of FHA documents in time-sensitive bond refunder transactions; processing FHA multifamily mortgage insurance claims; and advice regarding operation and improvement of existing programs of mortgage insurance, including the interpretation, application, and revision of existing documents, guidelines, and regulations. This Division also prepares and provides training to attorneys in various field offices on multifamily and hospital loan closings.

Single Family Mortgage Division

This Division provides legal advice and support for FHA's single family mortgage insurance programs under Titles I and II of the National Housing Act and for the Housing Counseling program under section 106 of the Housing and Urban Development Act of 1968. The legal advice and counsel includes: assistance implementing new programs; assistance regarding mortgage insurance claims; reviewing and commenting on proposed legislation; and drafting and review of Handbooks, Housing Notices, Mortgagee Letters, regulations, regulatory waivers, Federal Register Notices (including Notices of Funding Availability), grant agreements, contracts, memoranda of understanding, mortgage forms, and correspondence. The legal advice generally concerns matters such as: approval of FHA Title I lenders and Title II mortgagees, mortgage credit analysis, property valuation, approval of appraisers and nonprofit organizations, condominium and PUD approval, deed restrictions, loan origination, loan servicing, loss mitigation, mortgage foreclosure and bankruptcy, mortgage insurance claims, loan sales, real property disposition, home equity conversion mortgage (HECM) loans, section 203(k) purchase and rehabilitation loans, distributive shares, and MIP refunds. Current initiatives for which legal services are being provided include: Automated Underwriting Systems, implementation of the E-SIGN and the E-GOV statutes, the Accelerated Claim Disposition demonstration, prevention of predatory lending, and the repair of 203(k) properties in New York City.

3. OFFICE OF LEGISLATION AND REGULATIONS

The Office of Legislation and Regulations provides legal advice to the entire Department on legislative, regulatory and appropriations issues, is responsible for the drafting of the majority of the Department's legislation, regulations and other regulatory policy documents, and manages and oversees the Department's legislative and regulatory agendas. The Office has two Divisions: the Legislation Division and the Regulations Division, each headed by an Assistant General Counsel.

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Major areas of legislative responsibility include: development, preparation and clearance of the annual and special programs of authorization legislation; provision of legal counsel during Congressional consideration of the legislation; preparation and clearance of reports on proposed or pending Federal legislation; provision of drafting and all other legal services with respect to appropriations law and the Department's annual and other appropriation Acts; response to Congressional technical drafting service requests for assistance in drafting HUD-related appropriation and authorizing legislation; preparation of implementation guides for recently enacted appropriations acts; and maintenance of a legislative reference service for the Department and members of the public.

Major areas of responsibility for regulations include: development, drafting and clearing regulations and other policy documents (e.g., notices of funding availability, policy statements,) necessary to carry out the Department's programs and policies; managing HUD's implementation of rulemaking under the following authorities--24 CFR Part 10, Section 7(o) of the Department of Housing and Urban Development Act, the Regulatory Flexibility Act, the Paperwork Reduction Act, and Executive Order 12866; preparing the Semiannual Agenda of Regulations, the Annual Regulatory Plan of the Department, and Annual Unfunded Mandates Report; clearing within the Office of General Counsel Departmental issuances prepared by the program offices;; preparation of implementation guides on authorization acts and all other legal services with respect to rulemaking; and maintenance of a rule docket service for the Department and members of the public.

Because the Office's familiarity with Departmental and other authorities is broad and crosses program and agencies lines, the Office of Legislation and Regulations is frequently called upon by the General Counsel and the Deputy General Counsels for special projects (for example compilation of the programs of HUD, service on interagency task forces), and for coordination of legislative, regulatory and appropriations issues with OMB and other agencies and with offices throughout the Department, including other OGC offices.

The Office is responsible for ensuring that the legislative and regulatory policies of the Department are translated into action documents of the highest quality, frequently under exceedingly tight time schedules. Since each Division's work products become enacted as statutes or promulgated as regulations, or otherwise have the force of law, perfection is always the necessary goal. The work is exacting and relentless: "new "priority" regulations and legislative assignments are frequently added. This Office already has experienced a significant reduction in FTEs (particularly through retirement of experienced staff from both Divisions) and has advised of the critical need for an additional attorney in the Regulations Division and an attorney with substantial experience in appropriations law for the Office. Any further reduction of FTEs will require the Office to set more stringent priorities for the work of its two Divisions. Since the implementation of the Secretary's new initiatives and priorities are to a large extent within the responsibilities of the Office, this management task will be very challenging.

Legislation Division

The demand for the Legislation Division's services has grown dramatically over the last several years and is expected to continue at or above the current level for the foreseeable future as major legislation affecting the central mission of the Department is proposed by the Administration and considered by the Congress. Priority work performed by the Division includes: ensuring that HUD's annual legislative program is completed on time and at the level of quality that is required effectively to present the Department's legislative priorities; preparing reports (requests for comments on pending and proposed legislation from the Congress and the OMB) so that the Department can communicate its views within the Administration and with the Congress on a host of important proposed and pending bills in a timely manner; meeting Congressional requests for technical drafting and other services; and providing ongoing informal and written advice on budget and appropriation law matters for all of HUD.

The Legislation Division has recently assumed increased responsibility for advising the Department on cross-cutting appropriations issues as the new Administration seeks the expertise and coordinating role of this office to bring consistency in interpretation to department wide appropriations issues. The new Administration also has placed greater responsibility on the Legislation Division for the legislative process. The Legislation Division will assume a more active role for OGC in the Department's budget process than in recent years. Additionally, the Legislation Division is currently working on and will continue to work on for the next several months, HUD's fiscal year 2003 authorization and appropriation legislation. The Secretary's significant authorization legislation, however, will be HUD's fiscal year 2003 authorization legislation that will involve legislative consolidation and streamlining of certain HUD programs, as well as new initiatives that are determined key to HUD's core mission. The work on the fiscal year 2003 authorization legislation begins mid-July and will continue through 2002. The Legislation Division will draft the majority of this legislation as well as coordinate the legislative review process within the Department and with OMB.

Regulations Division

The Department has historically carried a docket of over 300 rule assignments, and that has not changed in recent years. Priority work for the Regulations for fiscal year 2002 involves regulatory implementation of four major statutes. These are the fiscal year 2002 HUD Appropriations Act, the American Homeownership and Economic Opportunity Act, the Mark-to-Market Extension Act of 2001, and the Electronic Signature Act. All four statutes carry numerous

rulemaking requirements, many of which must be published under tight statutory deadlines. The Regulations Division also has responsibility for regulatory implementation of the Government Paperwork Elimination Act for which compliance is required by 2003. As is customary with HUD's appropriations acts in recent years, the fiscal year 2002 HUD Appropriations Act has certain provisions that must be implemented through rulemaking or notice, for which the Regulations Division will assume key responsibility.

In addition to the rulemaking workload, the Regulations Division assumes considerable responsibility for the development, drafting, and coordination of review within the Department and with OMB of the Department's notices of funding availability. Since 1998, the Department has published a SuperNOFA, which is the publication in one Federal Register edition of approximately 40 NOFAs. The Regulations Division has the lead for development, processing and publication of the SuperNOFA. The coordination required to achieve publication of this many documents on the same date is significant and involves considerable staff time.

The Regulations Division will also play a central role in the implementation of the new Administration's initiatives. The new Administration has certain initiatives that they intend to pursue that must be implemented through rules or notices. Key among these initiatives is the prohibition of predatory lending practices, and further improvements to HUD's public housing programs. The Regulations Division already has begun work on rules to address certain predatory lending practices. Additionally, the Administration has agreed to negotiated rulemaking to address changes to the formula allocation for the Native American Housing Assistance Block Grant. The negotiated rulemaking process will require significant involvement of staff from the Regulations Division. The Regulations Division also has the lead for several "reform" initiatives directed at ensuring more openness and accountability in the announcement of funding awards, in the regulatory waiver process and in the establishment of committees that offer input and suggestions to the Department on various initiatives.

k. OFFICE OF LITIGATION

The Office of Litigation performs a central coordinating role utilizing the Defensive Litigation Tracking System, with respect to all litigation brought against HUD. The Office, working in conjunction with the Department of Justice (DOJ), handles the defense of major, non-routine lawsuits against the Department involving substantial programmatic issues of nationwide impact, or raising issues of particular importance or sensitivity. The Office is also responsible for preparing responses for the HUD and FHA audits, concerning threatened and pending litigation matters.

The Office of Litigation has three divisions: Assisted Housing and Civil Rights Litigation; Insured Housing and Community Development Litigation; and the Freedom of Information Act (FOIA). The Office's two Litigation Divisions divide substantively between them all of the Department's programs and activities. Attorneys in either division may be assigned to handle cases from the other division including FOIA litigation, in order to accommodate workload fluctuations between the divisions and to optimize efficient allocation of resources. Attorneys in both divisions are responsible for handling, in conjunction with DOJ counterparts, lawsuits in Federal courts throughout the country. Each attorney is responsible for handling all aspects of litigation with respect to his or her individual caseload, which can vary in size, depending on the work demands of the assigned cases. Each attorney is also responsible for monitoring cases handled by attorneys in the Field. The Assistant General Counsel for each division supervises trial attorneys, and provides guidance and policy oversight review.

Cases that are sufficiently important, complex, and/or sensitive are handled in Headquarters by the Office of Litigation, and not in HUD field counsel offices, because:

The attorneys in both of the Office of Litigation's divisions are experienced in handling cases requiring familiarity with complexities of constitutional law and the Administrative Procedure Act, including recent developments in those fields. Working with DOJ, the Office is able to present legal arguments that are on the very cutting edge of the law. Many cases handled have implications for HUD nationwide.

In addition, the Office performs a central coordinating function with respect to major legal issues in litigation brought against the Department. The Office also coordinates and handles subpoenas, testimony approval, issues, appeal recommendation to DOJ, representation requests, and other matters Departmentwide. The Office acts as a convenient and logical conduit to coordinate events that are happening throughout the country. HUD field counsel, by contrast, generally handle cases with implications within their designated geographic area.

Since cases involving issues of nationwide impact almost always challenge decisions made in Headquarters, the decision makers must be consulted throughout the litigation, both for the preparation of HUD's defenses, as well as toward possible settlement. The Office's location in Headquarters affords ongoing access to decision makers in a much more efficient and cost effective way than if the various Field Assistant General Counsel had the lead. The Office spends considerable time and effort coordinating with HUD program officials, as well as with the Offices of the Secretary, Deputy Secretary, Public Affairs, and Congressional Affairs, so that the Department's responses to discovery and the positions taken in legal briefs accurately reflect HUD practice and policy. Finally, the cases the Office of Litigation handles are normally also assigned by DOJ to Main Justice cases, rather than United States Attorneys' offices, and this Office works with Main Justice on an ongoing basis.

The Assisted Housing and Civil Rights Litigation Division

The Assisted Housing and Civil Rights Litigation Division handles major cases concerning the operation of HUD's assisted housing programs, both public and private, pursuant to the United States Housing Act of 1937. The Division also handles major cases involving claims of civil rights discrimination and violations of the Fair Housing Act and Title VI of the Civil Rights Act of 1964.

The Insured Housing and Community Development Litigation Division

The Insured Housing and Community Development Litigation Division handles major cases involving the operation of HUD's insured housing programs pursuant to the National Housing Act, and related statutes. The Division also handles major cases involving community development programs pursuant to the Housing and Community Development Act of 1974, and related statutes, and housing for the homeless programs pursuant to the Stewart B. McKinney Homeless Assistance Act and related statutes. The staff also handles litigation involving other programs not covered by the major categories mentioned. At present, the Division is handling the defense of cases involving the Low-Income Housing Preservation and Resident Homeownership Act of 1990, the discontinuation of the single family mortgage assignment and forbearance program, the Department's sales of HUD-held mortgages, the prepayment of mortgages on multifamily projects, and the Multifamily Assisted Housing Reform and Affordability Act of 1997.

FOIA Division

The FOIA Division is responsible for processing all Freedom of Information Act requests received at HUD Headquarters. Additionally, it is responsible for providing both legal and technical guidance on FOIA issues to Headquarters program offices and to HUD field offices. It is headed by an Assistant General Counsel and staff includes attorneys, non-attorney FOIA specialists and clerical support. It is responsible for assuring: (1) timely response to FOIA requests, (2) the accuracy of the response in compliance with the statutory requirements, and (3) consistency of application of the standards. The Division is currently involved in activities related to the implementation of the revised FOIA regulations, and for making sure that the Department is in compliance with statutory requirements for making agency records available electronically. The Division also conducts ongoing training programs to insure that all HUD staff are aware of their legal responsibilities under the FOIA. In addition, it provides subject matter support to the Office of Litigation on cases involving FOIA issues.

1. OFFICE OF FAIR HOUSING

The Office of Fair Housing performs all legal work in connection with compliance and enforcement activities under Department civil rights authorities, including Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act, the Age Discrimination Act and the Fair Housing Act. The Office provides leadership on all legal issues relating to the administration and enforcement of the Fair Housing Act and other HUD civil rights authorities and conducts or participates in the initiation and trial of novel and complex cases before HUD Administrative Law Judges. The Office of Fair Housing analyzes state statutes and reviews field counsels' analyses of local ordinances to identify whether the provisions are substantially equivalent to the fair housing act and provides advice to the Office of Fair Housing and Equal Opportunity (FHEO) on State and local recertification issues. The Office drafts legal opinions on Fair Housing Act questions and on all other civil rights authorities applicable to HUD programs and activities and drafts regulations involving all civil rights authorities. The Office represents the Department with the National Association of Attorneys General and other Interagency Task Forces; and also conducts fair housing training for field counsel and FHEO staff. The Office of Fair Housing has two divisions: The Fair Housing Enforcement Division and the Fair Housing Compliance Division.

a. The Fair Housing Compliance Division

The Fair Housing Compliance Division provides legal services and advice throughout the Department on matters pertaining civil rights issues of national significance and interest, including preparing legal opinions on such matters. These opinions require substantial research and expertise in civil rights law and routinely include policy considerations involving the General Counsel and the Assistant Secretary for Fair Housing and Equal Opportunity. The Division provides legal advice on the Fair Housing Initiative Program (FHIP), and the implementation of fair housing and civil rights regulations. The Division reviews for the purpose of concurring or nonconcurring with substantially all Department issuance including NOFAs, regulations, guidance and notices to insure that they comply with civil rights requirements and, to the extent feasible, affirmatively further fair housing.

The Division conducts administrative enforcement activities involving discrimination involving HUD assisted and public housing and community development programs. The Division advises and assists the Office of Fair Housing and Equal Opportunity in conducting and evaluating reviews of recipients of HUD funding to determine their compliance with nondiscrimination requirements of applicable civil rights laws, such as Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973 and Section 109 of the Housing and Community Development Act of 1974. The Division also works with the Assistant Secretaries for Housing, Public and Indian Housing, and Community Planning and Development in developing procedures for

assuring that housing and community development activities promote the achievement of the goal of fair housing.

The Division provides guidance regarding the responsibility of the Secretary and HUD program participants to administer programs and activities relating to housing and urban development in a manner that affirmatively furthers fair housing.

In connection with the Department's exercise of supervisory authority with regard to the Government Sponsored Enterprises, the Division provides advice and guidance on the consistency of underwriting guidelines used by the enterprises with the nondiscrimination requirements in the Fair Housing Act. The Division also works with the Department of Justice and other Federal agencies on special interagency civil rights initiatives, such environment justice, housing and school desegregation, predatory lending and rural housing development.

b. The Fair Housing Enforcement Division

The Fair Housing Enforcement Division oversees fair housing enforcement activities for the Department. The Division's attorneys review reasonable cause determinations, draft and file charges of discrimination, and enforce the charges before the administrative tribunal. The Division's attorneys serve as desk officers for field counsel fair housing enforcement operations providing legal assistance required. The Division also handles all aspects of appeals of administrative law judge decisions to the Secretary. The Division works with the Department of Justice on cases where there has been an election to Federal District Court and develops recommendations to the Attorney General for appeals to circuit courts, recommendations for appearances as amicus curiae in fair housing cases in Federal district court and comments on recommendations to seek certiorari. The Division provides legal advice to FHEO's Office of Enforcement and reviews cases involving unresolved issues between Field Counsel and FHEO Hub Directors. The Division develops and delivers fair housing training for attorneys and investigators.

The Division provides legal advice on the FHEO Fair Housing Assistance Program (FHAP) and reviews state and local fair housing laws and ordinances and provides the Assistant Secretary for Fair Housing and Equal Opportunity with a legal assessment of the extent to which the laws or ordinances provide rights and remedies for housing discrimination that are substantially equivalent to those provided in the Federal Fair Housing Act. The Division drafts and reviews proposed legislation affecting the Fair Housing Act and its enforcement and develops regulations for implementation and enforcement of the Act.

The Division also assists in the Department's efforts to provide advice and guidance in support of public and private efforts to comply with the nondiscrimination requirements of the Fair Housing Act such as the development of the design and construction requirements of the Fair Housing Act in building code language. The Division also works with HUD's clients and partners such as the National Association of Attorneys General, the International Building Code Congress, the National Association of Homebuilders and numerous civil rights organizations.

m. OFFICE OF APPEALS

The Office of Appeals advises the Office of the Secretary with respect to appeals from initial decisions HUD administrative law judges in fair housing and other enforcement cases, and from debarments and suspensions and actions of the Mortgagee Review Board.

2. FIELD

The primary mission of the field legal staff is the provision of support, advice and counsel to program administrators in the field. Field legal services are increasingly being called upon to be a source of stability and a source of authority to provide the necessary assurance program managers seek in their assumption of new responsibilities. In the field, the Assistant General Counsel, Chief Counsel and Chief Attorneys are the chief legal officers of their respective Offices. They receive operational direction, administrative support, and professional advice and direction from the General Counsel and Deputy General Counsel for Housing Finance and Operations.

a. Legal Service Centers. Ten Legal Service Centers provide the full range of legal services and assistance to Secretary's Representatives, State/Area Coordinators, and managers and staff in program and administrative offices located within the Center's geographic jurisdiction. Each Center is headed by an Assistant General Counsel, who reports to the Deputy General Counsel for Housing Finance and Operations in OGC Headquarters.

Within the jurisdiction of the Legal Service Centers are 37 State/Area offices where Multifamily, FHEO, CPD and/or Public Housing Hubs/Centers are located. Each State/Area office is headed by a Chief Counsel or Chief Attorney who respond to the field Assistant General Counsel.

b. Litigation. Litigation is a major responsibility of the Field Counsel. It involves working with the U.S. Attorneys in handling cases to which HUD is a party and participation with local government or private attorneys in handling cases involving HUD-assisted local governmental activities. The caseload covers the full range of the Department's program responsibilities, including subsidized and insured housing, property management and disposition, and community development programs, as well as cases involving claims collection, environmental issues, civil

rights, landlord-tenant matters, architectural and construction contract disputes, and tort claims. Field Counsel also handles judicial foreclosures of multifamily projects, single family defensive foreclosure actions, and some of the affirmative litigation cases instituted by the Department.

c. Fair Housing and Equal Opportunity Enforcement. This function involves providing legal services with respect to the enforcement of civil rights laws and equal opportunity requirements applicable to HUD programs. Field Counsel have a critical role in the coupling of fair housing enforcement. Other services provided include nondiscrimination in HUD-assisted programs, equal employment opportunity, and increased employment opportunities for lower-income persons in connection with HUD-assisted projects. Field Counsel also make the initial determination of the substantial equivalency status of State and local ordinances on fair housing. The effort to eliminate systemic discrimination in housing and the Department's strengthened procedures for Title VI compliance reviews have substantially increased the fair housing/equal opportunity workload of Field Counsel.

Field Counsel are fully involved in Fair Housing enforcement: they must review the Final Investigative Report (FIR) where a determination of reasonable cause or no reasonable cause has been made by the Office of Fair Housing and Equal Opportunity; they represent complainants and the Secretary at hearings held before Federal Administrative Law Judges in certain types of cases; they assist the DOJ and the U.S. Attorneys in fair housing cases tried in Federal District Court; they process requests for prompt judicial relief where a unit will be sold or rented before a case can be investigated and litigated or where a complainant is about to be evicted; and they attend training on the processes involved in the handling of fair housing enforcement cases.

d. Procurement and Administrative Law. Legal advice is provided on a variety of administrative law issues, including procurement, contract administration, Freedom of Information Act, Privacy Act, delegations of authority, and similar matters.

With regard to procurement and contracting issues, generally the Legal Service Center located where ASCs are located dedicates attorneys who are responsible for providing legal advice and litigation services, including representing the Department before administrative forums to defend HUD's position in bid protests and claim disputes.

As a result of increased emphasis on the importance of quality control in procurement and contracting matters, attorneys are located in the Legal Centers for each of the Administrative Service Centers (ASCs) to provide legal advice and guidance to the Contracting Division managers and staff members in those ASCs. Because these attorneys provide contracting legal support covering several programmatic and geographic jurisdictions, the Legal Center attorneys have a dual reporting responsibility to both the Deputy General Counsel for Housing and Operations and the Assistant General Counsel for the Legal Centers servicing the ASCs. Such dual reporting responsibility ensures greater consistency and quality of service throughout the country.

e. Personnel Law. Legal advice and services to the Department are provided on personnel issues, including misconduct, unsatisfactory performance, labor relations, equal employment opportunity, and other employment-related matters. The legal support includes working with the Department of Justice in representing the Department in Federal court.

In addition to legal support within OGC-Headquarters, attorneys located in the Legal Centers in each of the ASCs provide advice and guidance to the Human Resources Divisions in those ASCs. Because the Legal Center attorneys provide legal support to managers and staff covering several programmatic and geographic jurisdictions, the Legal Center attorneys have a dual reporting responsibility to both the Deputy General Counsel for Housing Finance and Operations and the Assistant General Counsel for the Legal Centers servicing the ASCs. Such dual reporting responsibility ensures greater consistency and quality of service throughout the country, as well as providing legal assistance to supplement that given by Headquarters OGC.

f. Federal Tort Claims Center. The function of this Office is to provide centralized handling of tort claims filed against HUD from the Field Legal Center in New England. All claims throughout the country are forwarded to the Claims Center, where staff review incoming tort claims, determine if additional documentation or investigation is necessary, and decide whether the claim should be denied or settled. If the claimant initiates litigation, the Claims Center is responsible for handling the litigation, including monitoring contract legal services that may be procured for this purpose. This approach ensures that tort claims are dealt with in a systematic, consistent manner.

g. Single Family. For those Offices in which a Single Family Homeownership Center (HOC) is located, the Field Legal Center includes staff dedicated to providing legal support and assistance to the HOC managers and staff. This support includes a wide range of legal issues affecting FHA single family mortgage insurance programs, from title concerns and land trust matters to administrative sanction review and case preparation.

h. Housing Programs. Field Counsel provide all legal services required in connection with HUD's insurance of mortgages on multifamily properties, including representing the Department at initial and final closings of projects, among which are those financed by tax-exempt bonds. The closing attorney is responsible for assuring the legal sufficiency of all

closing documents for full insurance projects. Field Counsel provide legal reviews of applicable documents where there is a change in the mortgagor entity, and furnishes legal assistance in connection with the non-judicial foreclosure of multifamily projects, the management and disposition of acquired properties, debt collection, and bankruptcies. Field Counsel also review Section 202 and Section 811 capital advance applications for elderly and disabled projects, and conduct initial and final closings of Section 202 and Section 811 projects. In addition, Field Counsel provide legal advice and guidance on Single Family Mortgage Insurance programs. Field counsel will be assuming greater responsibility for Mortgage Sales Portfolio Reengineering and HOPE VI.

i. Community Planning and Development. This function includes the provision of legal services required in connection with the CDBG program. Field Counsel prepare contracts, amendments, special contract conditions, and sanctions imposed for noncompliance with program requirements. Field Counsel are also responsible for making legal determinations relative to environmental and labor requirements, for rendering decisions in connection with field office consideration of relocation appeals by displaced persons, and for providing legal advice concerning CDBG monitoring activities.

j. Public and Indian Housing. In the conventional Public Housing program, Field Counsel are responsible for the review of program matters with legal implications, such as demolition/disposition of projects, cooperation agreements between housing authorities and general purpose governments, and eminent domain and other takings. Field Counsel also provide a wide range of legal services in connection with the low-rent public housing projects in occupancy, such as the income eligibility and landlord-tenant matters like evictions. With respect to the Section 8 Lower-Income Housing Assistance program, Field Counsel are responsible for making determinations as to the legal capacity of participants in the program, and related occupancy matters. Field Counsel are assuming responsibility for public housing transformation efforts, including HOPE VI and mixed-finance developments.

n. OFFICE OF ENFORCEMENT

The Office of Enforcement (OE), formerly known as the Departmental Enforcement Center, (DEC), was established in fiscal year 1998, and was realigned to the Office of General Counsel (OGC), during fiscal year 2002. The Office of Enforcement (OE), was established to ensure the public-trust in HUD's ability to provide decent, safe and sanitary housing by effectively consolidating and administering timely enforcement actions. The Office of Enforcement strives to achieve these objectives by: (1) consolidating enforcement functions of the Department, and centralizing scattered and inconsistent enforcement policies; (2) creating a cadre of experienced attorneys and analysts to focus on and resolve the Department's most difficult cases, freeing program staff to better service and support the Department's core initiatives; (3) promoting credibility and results for HUD's enforcement efforts; (4) enhancing critical partnerships between HUD program areas and with external agencies and organizations; (5) taking aggressive action against those that are in serious non-compliance with statutory and regulatory requirements of the Department; (6) consolidating suspension and debarment authority within the Department; and (7) eliminating fraud, waste and abuse of HUD programs by recipients and other beneficiaries.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

1. Office of Chief Counsel

The Office of Chief Counsel (OCC) performs legal work with respect to affirmative Federal Court litigation, administrative hearings, and sanctions initiated by the Department to enforce statutory, regulatory and contractual requirements applicable to participants in HUD programs and to other persons subject to HUD's programs. The Office represents the Department in administrative and civil money penalty proceedings in which the Department seeks sanctions against individuals and entities for violating various statutory provisions and regulations promulgated by the Department. The Office also provides general legal advice and counsel to the Mortgagee Review Board, the Office of Multifamily Housing Management, Lender Activities and to the Office of Housing with respect to Civil Money Penalties. The Office also supports the Troubled Agency Recovery Centers (TARCs) and will seek receivership of Public Housing Authorities that fail to improve their physical inspection scores. In Federal court litigation, the office works with the Department of Justice (DOJ), which by statute has lead counsel responsibility.

a. Administrative Proceedings Division

This Division is responsible for legal review of proposed suspensions and debarments, as well as of Limited Denials of Participation (LDPs) issued by Headquarters officials. In the course of this work, the Division provides services and representation to the Assistant Secretaries for Housing, Public and Indian Housing, and Community Planning and Development, as well as the President of Ginnie Mae and the Inspector General.

With respect to the HUD Mortgagee Review Board, the Division provides legal review with regard to each mortgagee or Title I lender matter that is scheduled to come before the Board and then implements the Board's decisions. The Division also provides legal advice and representation to the HUD Multifamily Previous Participation Committee, provides legal guidance to program officials in conjunction with single family mortgagee Credit Watch termination

hearings and resulting decisions, and assists the OGC Office of Litigation to the extent termination actions are challenged in Federal district court.

With respect to administrative civil money penalties that can be imposed under the HUD Reform Act of 1989, the Division is responsible for legal assistance and representation regarding such penalties against FHA mortgagees, Title I lenders, and Ginnie Mae issuers. The Division is also responsible for handling civil money penalty cases against multifamily mortgagors who fail to file their annual audited financial statements as required by their regulatory agreement.

The Division also provides legal review services for all referrals of false claims and/or false statements by the Inspector General under the Program Fraud Civil Remedies Act (PFCRA). The Division prepares the required requests for Department of Justice approval, issues complaints, and represents HUD at any administrative hearings on PFCRA cases.

b. Program Enforcement Division

This Division handles enforcement actions involving the Multifamily Housing Program, the Public and Indian Housing Program, the Community Development Block Grant program and actions brought under the False Claims Act for fraud involving all HUD programs.

In Multifamily Housing Programs, attorneys are involved in identifying and initiating judicial actions with the assistance of the DOJ directed at multifamily project owners for failing to operate their projects in compliance with HUD's requirements. In the Public and Indian Housing Programs, assistance is provided in taking actions against public housing authorities that are in substantial default of their contractual, regulatory and statutory obligations with HUD. In the Indian Housing Block Grant Program (IHBG), this Division provides the Office of Native American Programs (ONAP) with advice and guidance in the development of cases and the pursuit of remedies. This Division also handles CPD referrals for sanctions under the Community Development Block Grant Program (CDBG).

c. Satellite Legal Division

Attorneys are located in each of the five OE Satellite Offices (New York, Atlanta, Chicago, Fort Worth, and Los Angeles). These legal offices provide legal services in connection with all matters handled within a DEC Satellite Office. One Lead Attorney and two to three staff attorneys are assigned to each Satellite Legal Division Office. The Lead Attorney is responsible for the coordination of legal work with the Office of Chief Counsel in Headquarters and the local DEC Satellite Office Director; the assignment of cases to other satellite attorneys; and such other duties as are assigned by the Office of Chief Counsel.

Satellite attorneys in these offices provide legal services in connection with the Multifamily Housing Program identified above, work closely with the Program Enforcement Division and are overseen by a Deputy Chief Counsel. Attorneys participate as team members in evaluating and developing recommendations for proposed enforcement actions through Action Plans; represent the DEC at administrative hearings; coordinate enforcement actions with the Inspector General's Office, Department of Justice and other agencies; and negotiate settlement agreements.

2. Office of Operations

The Office of Operations includes a Headquarters component and five satellite offices. Headquarters is responsible for policy development and oversight of support to the Satellite Offices. The Satellite Offices evaluate properties referred to the Office of Enforcement based on HUD concerns about possible owner non-compliance, physical and/or financial, with HUD requirements. Following its evaluation an action plan is developed that establishes what steps HUD will take to achieve compliance.

a. HQ Operations Division

The work of the HQ Operations Division primarily addresses distressed multifamily properties referred by the Real Estate Assessment Center (REAC), the Office of Housing, and other Program offices. This Division is responsible for judicial or administrative receivership for those public housing authorities that the Office of Public and Indian Housing (PIH) refers to the Office of Enforcement. The OE supports PIH in take-over and/or receivership cases referred by the Office of Native American Programs (ONAP). Additionally, the OE works with the Assistant Secretaries for Community Planning and Development (CPD), and Fair Housing and Equal Opportunity (FHEO), on matters which require enforcement actions to resolve program non-compliance issues with their grantees. In the case of FHEO, the Office of Enforcement will only be involved in non-civil rights issues. This Division uses general contractors who perform due diligence, workouts, on-site reviews, and other actions to effect enforcement against property owners or Contract Administrators and/or effect recovery of distressed multifamily properties. Division staff works with the Center attorneys in processing legal documents and will be the principal point of contact for field staff communications regarding any enforcement actions taken against troubled projects. Enforcement is fully responsible for properties referred by REAC and will conduct due diligence on the properties and develop an enforcement plan covering appropriate sanctions (if any) and corrective actions by HUD and the owners including a timetable for completion of all activities.

b. Satellite Offices

Satellite Offices are located in Atlanta, Georgia; Los Angeles, California; New York, New York; Ft. Worth, Texas; and Chicago, Illinois. The primary role of satellite offices is to manage the day-to-day recovery and enforcement strategies for multifamily properties as well as referrals received from PIH, the Office of the Inspector General (OIG) and CPD. Five Satellite Offices are responsible for a total of ten enforcement teams. Each Satellite Office has an assigned geographic area and receives direct inquiries. REAC, the Office of Multifamily Housing, and Property Disposition Centers (relocation, foreclosure and mortgagee in-possession) are the primary sources of referral. The Satellite Offices carry out enforcement actions using general contractors who perform due diligence, workouts, and other actions necessary to effect enforcement activities.

	FY 2001	FY 2002	FY 2003
Referrals for Physical/Financial Non-compliance.	2,438	2,300	2,300
Referrals for Non-submission of Financial Statements	900	4,800	4,800

3. Office of Compliance & Mortgagee Review Board

a. Compliance Division

The role of the Compliance Division within Enforcement is to remove irresponsible participants who have engaged in fraud, waste and abuse of HUD programs. By using administrative sanctions (Suspension and Debarment) the Division enables HUD to protect the American taxpayer and the integrity of its programs and to minimize continuing fraud, waste and program abuse.

Compliance Division staff evaluate suspension and debarment recommendations and referrals from various sources. The Compliance Specialist drafts administrative sanction notices when warranted. When a referral is found by the Administrative Proceedings Division to lack sufficient support to sustain an administrative sanction, the Compliance Division is charged with the responsibility of working with the referring office to marshal additional evidence or of informing the source of the referral that the case is being closed due to lack of evidence.

The Office of Enforcement takes compliance actions against participants in any and all HUD program areas including Housing (Title I and Title II and Multifamily and Single Family), Public and Indian Housing, Community Planing and Development, and the Government National Mortgage Association (Ginnie Mae). Referrals come to the DEC from various sources including the OIG (including Investigation and Audit), the eighteen Multifamily Hubs, the four Single Family HOCs, the five OE Satellite Offices, and other HUD program and field offices.

b. MRB Division

The purpose of the Mortgagee Review Board (MRB) Division is to support the MRB in its efforts to oversee the performance of lenders participating in the FHA insurance programs. On the basis of its review the MRB determines whether the Department should continue doing business with a lender. Approximately 95 percent of the matters considered by the Board pertain to lenders participating in FHA's Title I and Title II Single Family insurance programs. Only a few cases involve Multifamily participants. The Home Ownership Centers provide approximately 90 percent of the referrals and the Office of Inspector General refers approximately 10 percent of the cases based on its audits or investigations. The Mortgagee Review Board is authorized to take any of the following administrative actions: Letter of Reprimand; Probation; Suspension of Approval; Withdrawal of Approval; Civil Money Penalty; or Settlement Agreement.

4. Office of Information and Technology

The Office of Information and Technology is responsible for: (1) developing and maintaining internal information systems for the Center; (2) interfacing with the Department's financial information and program systems to ensure data required by the Office of Enforcement is accurate, current, accessible and reliable; (3) preparing reports for internal use and for other Departmental purposes; and, (4) coordinating with users from other parts of the Department. This Office will also maintain the established file protocol as contractors retrieve materials.

5. Office of Administrative and Management Services

The Office of Administrative and Management Services is responsible for a wide range of functions which support the overall operations of Enforcement, including: (1) the provision of staff training and orientation courses; (2) budget and financial management; (3) administrative and personnel support services; (4) procurement services; (5) the provision of public information; (6) tracking and reporting on DEC workload and accomplishments; and (6) management planning and reporting requirements.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: General Counsel

TRAVEL

The table below identifies travel requirements unique to this activity.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel (HQ)	$440	$903	$903	....
Travel (Field)	$389	$860	$860	....
Total	$829	$1,763	$1,763	....

The proposed travel budget of $1,763 thousand in fiscal year 2003 will support travel for both the Headquarters and satellite offices and will be used for travel supporting the Secretary's priorities associated with maintaining and expanding the Office of Enforcement's role as the enforcement arm of the Department. The Director plans to travel locally and nationally to communicate to HUD's constituency and other interested parties the mission, role and responsibilities as the OE works to ensure the public trust.

Enforcement's travel for the fiscal year 2003 estimate is approximately $1,476 thousand, of which will be distributed as follows; $732 thousand for headquarters and $744 thousand for the field. The Office of Enforcement anticipates receiving approximately 2,300 referrals. Travel will be required for multiple site visits; detailed evaluations; to meet with owners; management agents; Assistant U.S. Attorneys; and Department of Justice attorneys. The requested amount will also provide for witness travel. Witnesses may be called to appear in enforcement proceedings in U.S. Courts throughout the Country.

CONTRACTS

The table below identifies contract requirements unique to this activity.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Technical Services	$1,041	$1,396	$1,396	....
General Support	$612	$920	$920	....
Training	$112	$172	$172	....
Total	$1,765	$2,488	$2,488	....

The proposed funding level for fiscal year 2003 is $2,488 thousand. Funding levels include resources necessary for the Office of Enforcement to continue their enforcement duties as well. Of the funding levels requested approximately $2,004 will be made available for the Office of Enforcement, of which will be distributed as follows; Technical Services $962 thousand, General Support $870 thousand, and Training $172 thousand. The following are descriptions of the type of workload that will be outsourced.

Technical Services

- Legal Services contracts provide legal support services that will assist Enforcement Center attorneys in pursuing affirmative litigation against project owners receiving the benefit of FHA insured financing and/or Section 8 assistance.
- Technical assistance contracts for Assessment and Analysis Services will also be used to provide the Center with histories of the ownership of the project; descriptions of the project's physical condition; analysis of current financial status; and recommendations for resolving the problems identified by the contractor.
- Contracts for court reporting services and transcripts are essential in deposing witnesses and taking affidavits in preparation for evidentiary proceedings.

General Support. This funding principally provides for contract temporary services for clerical, administrative and legal support in areas where a short-term critical need is identified.

OGC's potential contracting out cost is anticipated not to exceed $484 thousand for technical services in fiscal year 2003. This level represents no increase above the fiscal year 2002 enacted estimate. Technical services costs, ($434 thousand), includes the administration of the FEDLINK contract for Westlaw and Lexis-Nexis legal research services. OGC has recommended that the activity be included in the Departmental library contract and funded annually as a mandated, non-discretionary line item. And approximately $50 thousand is requested for General Support, which is needed for continued system support functions of the goals and objectives of the OGC.

Detail of General Counsel Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment (General Counsel)									
Offices of General Counsel and Deputy General Counsels									
Office of General Counsel - Immediate Office	General Direction	1	18	2,088.00	17.00	1	18	2,088.00	17.00
Office of Deputy General Counsel - Programs and Regulations	NA	2	...	...	0.00	2	...	...	0.00
Office of Deputy General Counsel - Equal Opportunity and Administrative Law	NA		...	...	2.00		...	...	2.00
Office of Deputy General Counsel - Litigation	NA	1	18	2,088.00	1.00	1	18	2,088.00	1.00
Office of Deputy General Counsel - Housing Finance and Operations Immediate Office	NA		...	...	3.00		...	...	3.00
Provide Day-to-Day operational guidance to field staff	NA		...	...	4.00		...	...	4.00
Provide Day-to-Day operational guidance to Headquarters staff	NA	1	...	...	6.00	1	...	...	6.00
Office of Appeals	NA		...	...	1.00		...	...	1.00
Subtotal					**34.00**				**34.00**
Office of Litigation									
Immediate Office	NA		...	...	1.00		...	...	1.00
Management Support Staff	NA		...	...	5.00		...	...	5.00
Assisted Housing and Civil Rights Litigation Division	NA	1	...	...	9.00	1	...	...	9.00
Insured Housing and Community Development Litigation Division	NA	1	...	...	8.00	1	...	...	8.00
Freedom of Information Division	NA	2	...	...	15.00	2	...	...	15.00
Subtotal					**38.00**				**38.00**

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Office of Assisted Housing and Community Development									
Immediate Office			...	...	2.00		...	...	2.00
Provide timely, succinct, comprehensive and accurate legal advice and services concerning Assisted Housing Programs	NA		...	...	13.00		...	...	13.00
Provide timely, succinct, comprehensive and accurate legal advice and services concerning Community Development Programs	NA	1	...	...	9.00	1	...	...	9.00
Subtotal					**24.00**				**24.00**
Office of Finance and Regulatory Enforcement									
Immediate Office	NA		...	...	2.00		...	...	2.00
Provide legal services in areas of very high priority, including HUD's regulation of Fannie Mae and Freddie Mac, the application of consumer protection requirements to the mortgage industry, Federal environmental laws including HUD's lead-based paint hazard control requirements and enforcement, Federal labor standards requirements, and other key Departmental activities including the international program and administrative sanctions	NA	3		...	7.00	3	...	...	7.00

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide timely, succinct, comprehensible and accurate legal advice and counsel to program clients, program contractors, and state and private inspection agencies, and assist in the enforcement of the Real Estate Settlement Procedures Act, Interstate Land Sales Act, Manufactured housing Act, Debt Collection Act and their implementing regulations	NA		...	...	14.00		...	...	14.00
Act as corporate counsel to Ginnie Mae and provide tax and intellectual property support to the Department		2	...	...	6.00	2	...	...	6.00
Subtotal					**29.00**				**29.00**
Office of Insured Housing									
Immediate Office	NA		...	...	3.00		...	...	3.00
Provide timely, succinct, comprehensible, and accurate legal advice and counsel to program clients in order to assist them in meeting their goals and objectives in carrying out provisions in the National Housing Act regarding mortgage or lender approval and all single family FHA mortgage insurance programs	NA	2	...	...	11.00	2	...	...	11.00

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide timely, succinct, comprehensible, and accurate legal advice and counsel to program clients in order to assist them in meeting their goals and objectives in carrying out provisions in the National Housing Act and related statutes for all multifamily mortgage insurance programs and in carrying out provisions in the Multifamily Assisted and Affordability Act of 1997n for the Mark-to-Market program.	NA	2	...	...	14.00	2	...	...	14.00
Subtotal					**28.00**				**28.00**
Office of Legislation and Regulations									
Immediate Office	NA	1	...	...	2.00	1	...	...	2.00

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide timely and sound legal advice and legislative services to HUD officials and staff; coordinate the development and clearance of HUD's annual authorization legislation; participate in the development of budget and legislative proposals; provide legal counsel during congressional consideration of HUD-related authorization and appropriations legislation; provide legal advice in connection with appropriations law; prepare policy positions on pending legislation; provide technical drafting services, legal review, and other technical assistance, upon request, for Members of Congress and their staffs, in connection with authorization and appropriation legislation.	1		1	...	...	7.00	1	...	...	7.00

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide timely, succinct, comprehensible and accurate legal advice to the HUD Secretary, the General Counsel, and all program Assistant Secretaries on all regulatory issues; draft the majority of the Department's regulations, notices of funding availability (NOFAs) and other Federal Register documents that directly support these officials' implementation of the housing and community development programs. Manage and oversee the Department's regulatory agenda; provide for coordination of HUD's regulatory agenda with the Office of Management and Budget and Congress.	NA			...	... 10.00			...	... 10.00
Subtotal					**19.00**				**19.00**
Office of Human Resources Law									
Immediate Office	NA		0	...	... 3.00			...	... 3.00
Personnel Law Division	NA			...	... 9.00			...	... 9.00
Ethics Law Division	NA		1	...	... 9.00		1	...	... 9.00
Procurement and Administrative Law Division	NA		2	...	... 9.00		2	...	... 9.00
Subtotal					**30.00**				**30.00**
Office of Fair Housing									
Immediate Office	NA			...	... 2.00			...	... 2.00

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide legal and enforcement services to the Office of the Assistant Secretary for Fair Housing and Equal Opportunity (FHEO) in connection with the Department's Fair Housing and equal opportunity priorities.	NA		...	...	8.00		...	...	8.00
Provide legal and compliance services to the Office of the Assistant Secretary for Fair Housing and Equal Opportunity (FHEO) in connection with the Department's Fair Housing and equal opportunity priorities.	NA	2	...	...	8.00	1	...	...	8.00
Subtotal					**16.00**				**16.00**
Subtotal OGC HEADQUARTERS					**220.00**				**220.00**
Field Employment (General Counsel)									
Regional Field Legal Services Centers									
Provide legal advice and guidance on administrative law issues.	Number of administrative law issues		1,716	2.23	1.80		1,716	2.23	1.80
Provide legal advice and guidance in connection with the Community Planning and Development Programs.	Number of CPD issues that require legal guidance		429	4.67	1.00		429	4.67	1.00
Provide legal advice and guidance on enforcement issues.	Number of enforcement cases		692	17.50	5.80		692	17.50	5.80
Provide legal advice and services with respect to the enforcement of civil rights laws and equal opportunity requirements applicable to HUD.	Number of Title VIII cases, ADA cases,and Section 504 cases		3,888	10.60	19.70		3,888	10.60	19.70

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide legal services in connection with HUD's insurance of mortgages on multifamily properties.	Number of multifamily issues		2,163	12.67	13.10		2,163	12.67	13.10
Provide litigation support which involves working with the U.S. Attorneys in handling cases to which HUD is a party and participation with local government or private attorneys in handling cases involving HUD-assisted local government activities.	Number of items of litigation		2,947	24.15	34.10		2,947	24.15	34.10
Provide assistance for "TEAM HUD" activities	NA	1	...	...	20.73	1	...		20.73
Provide advice with respect to matters related to Native American Programs.	Number of Native American issues		527	21.24	5.40		527	21.24	5.40
Provide legal advice and services to the Department on personnel law issues, including misconduct, unsatisfactory performance, labor relations, equal employment opportunity and ethics, and other employee-related matters.	Number of opinions and items		3,063	7.07	10.40		3,063	7.07	10.40
Provide legal advice on a variety of procurement and contracting issues	Number of procurement and contracting issues		417	18.18	3.60		417	18.18	3.60
Provide a wide range of legal services in connection with public housing.	Number of public housing issues		1,200	8.54	4.90		1,200	8.54	4.90
Provide legal advice with respect to project-based and tenant-based Section 8 programs.	Number of items (meetings, phone calls, memos, and assignments)		520	7.07	1.80		520	7.07	1.80

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide legal advice with respect to the Section 202/811 programs.	Number od Section 202/811 program issues		1,328	9.69	6.20		1,328	9.69	6.20
Provide legal advice with respect to single family housing	Number of single family housing issues		1,721	6.87	5.70		1,721	6.87	5.70
Provide supervisory, management, and administrative support to the Office of Assistant General Counsel.	NA		...	...	9.97		...	...	9.97
Provide legal services in connection with multifamily housing property disposition.	Number of multifamily property disposition issues		618	15.64	4.60		618	15.64	4.60
Provide legal advice and guidance with respect to Young v. Martinez and Walker v. Martinez.	Number of issues		2,148	4.13	4.20		2,148	4.13	4.20
Subtotal					**153.00**				**153.00**
37 Subordinate Field Legal Offices		4	...	...	97.00	4	4		97.00
Subtotal OGC FIELD					**250.00**				**250.00**
Headquarters Employment (Enforcement Center)									
Immediate Office									
Provide Service to Support DEC's Mission	NA		---	---	5.4		---	---	5.4
Subtotal			---	---	**5.4**		---	---	**5.4**
Information Technology Division									
Provide Information Technology Suport and Maintenance	Number of Systems/Sub-systems Supported		6	2,088.00	6.0		6	2,088.00	6.0
Subtotal					**6.0**				**6.0**
Administrative & Management Services Division									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Perform Administrative and Management Support Services for DEC HQ and Satellite Offices	Number of personnel supported	35.0	246	118.74	12.0	35.0	246	118.74	12.0
Subtotal					**12.0**				**12.0**
Office of Operations									
Perform General Direction	N/A	1.0	---	---	0.0	1.0	---	---	0.0
Subtotal			---	---	**0.0**		---	---	**0.0**
Office of Operations - Operations Division									
Provide Support to the DEC HQ and Satellite Offices	NA	2.0	---	---	9.0	2.0	---	---	9.0
Subtotal			---	---	**9.0**		---	---	**9.0**
Office of Special Programs									
Perform General Direction	NA		---	---	1.0		---	---	1.0
Subtotal			---	---	**1.0**		---	---	**1.0**
Office of Special Programs - Compliance Division									
Process Suspensions and Debarments	Number of suspensions and debarments		882	21.30	9.0	18.0	900	21.30	9.0
Subtotal					**9.0**				**9.0**
Office of Special Programs - Mortgagee Review Board Division									
Process MRB Referrals	Number of mortgagee review board referrals		77	108.46	4.0	3.0	80	108.46	4.0
Conduct MRB Case Reviews	Number of mortgagee review board referrals	80.0	80	26.10	0.0	80.0	80	26.10	0.0
Subtotal					**4.0**				**4.0**
Office of Chief Counsel									
Provide Management and Support to the Office of the Chief Counsel	NA		---	---	4.0		---	---	4.0
Subtotal			---	---	**4.0**		---	---	**4.0**

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Office of the Chief Counsel - Program Enforcement Division									
Provide Management and Support to the Program Enforcement Division	Number of Cases (Multifamily, CMP, PIH, Litigation, Bankruptcy)		990	14.76	7.0		990	14.76	7.0
Subtotal					**7.0**				**7.0**
Office of Chief Counsel - Administrative Proceedings Division									
Perform Review for Legal Sufficiency	Number of RLS Cases	500.0	1,040	4.17	1.1	500.0	1,040	4.17	1.1
Process Suspension Debarment Appeals	Number of Appeals	115.0	240	129.89	7.8	115.0	240	129.89	7.8
Process Credit Watch, Mortgage Termination, and Mortgagee Review Board Cases	Number of Cases	274.0	568	35.87	5.1	274.0	568	35.87	5.1
Process Civil Money Penalty Cases	Number of Cases	116.0	241	21.05	1.3	116.0	241	21.05	1.3
Perform Case Administration and Related Requests	NA		---	---	4.8		---	---	4.8
Subtotal					**20.1**				**20.1**
Subtotal Headquarters					**77.5**				**77.5**
Satellite Offices (Atlanta, Chicago, Fort Worth, Los Angeles, New York)									
Handle FASS Cases	Number of FASS Cases	15.0	1,278	57.64	34.9		1,151	57.64	31.8
Handle PASS Cases	Number of PASS Cases	5.0	302	321.84	45.8	5.0	274	321.84	41.5
Handle EF Cases	Number of EF Cases	2.0	82	189.19	7.2	2.0	74	189.19	6.5
Handle EP Cases	Number of EP Cases	2.0	90	390.68	16.5	2.0	82	390.68	15.0
Perform Special Projects and General Administrative Functions	NA		---	---	29.9		---	---	29.9

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Process Civil Money Penalties (Non-submission of financial statements)	Number of CMP Cases		---	---	0.0	88.0	4,800	4.35	9.8
Handle PASS Referrals with Scores Between 31 and 60		700.0	700	38.78	0.0	700.0	700	38.78	0.0
Subtotal Satellite Offices					**134.3**				**134.5**
Total					**211.8**				**212.0**

Detail of General Counsel Staff Requirements

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters Employment			
General Counsel			
Office of General Counsel, Offices of Deputy General Counsel, and Office of Appeals	34.0	34.0	0.0
Office of Litigation	38.0	38.0	0.0
Office of Assisted Housing and Community Development	24.0	24.0	0.0
Office of Finance and Regulatory Enforcement	29.0	29.0	0.0
Office of Insured Housing	28.0	28.0	0.0
Office of Legislation and Regulations	19.0	19.0	0.0
Office of Human Resources Law	30.0	30.0	0.0
Office of Fair Housing	18.0	18.0	0.0
Enforcement Center			
Immediate Office	5.4	5.4	0.0
Information Technology Division	6.0	6.0	0.0
Administrative & Management Services Division	12.0	12.0	0.0
Office of Operations	0.0	0.0	0.0
Office of Operations - Operations Division	9.0	9.0	0.0
Office of Special Programs	1.0	1.0	0.0
Office of Special Programs - Compliance Division	9.0	9.0	0.0
Office of Special Programs - Mortgagee Review Board Division	4.0	4.0	0.0
Office of Chief Counsel	4.0	4.0	0.0
Office of the Chief Counsel - Program Enforcement Division	7.0	7.0	0.0
Office of Chief Counsel - Administrative Proceedings Division	20.1	20.1	0.0
Satellite Offices (Atlanta, Chicago, Fort Worth, Los Angeles, New York)	134.3	134.5	0.2
Total	**431.8**	**432.0**	**0.2**
Field Employment			
General Counsel			
10 Regional Field Legal Service Centers	153.0	153.0	0.0
37 Subordinate Field Legal Offices	97.0	97.0	0.0
Total	**250.0**	**250.0**	**0.0**

Detail of General Counsel Staff Requirements

	FTE			
	Actual 2001	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	392.0	431.8	432.0	0.2
Field	230.0	250.0	250.0	0.0
Total	622.0	681.8	682.0	0.2

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Office Of General Counsel

HEADQUARTER EMPLOYMENT

EXPLANATION OF CHANGES FROM 2002 BUDGET ESTIMATE TO 2003 ESTIMATE

In Headquarters, a limitation on resources will adversely affect the Secretary's initiatives of Ethics, the pursuit of enforcement actions related to RESPA, and Lead Base Paint, as well as GSE oversight and Ginnie Mae support. The Department initiatives on procurement integrity will also be adversely affected if there are insufficient legal resources to support the CMRB. Insufficient resources will also adversely affect the Department's litigation capability and its overall responsiveness on legislation and regulations.

FIELD EMPLOYMENT

EXPLANATION OF CHANGES FROM 2002 BUDGET ESTIMATE TO 2003 ESTIMATE

If OGC is not provided with the staffing requested, work will have to be further prioritized and a determination will have to be made as to what can and what cannot be accomplished. Failure to provide the resources necessary will impact on OGC's ability in the Field to assist program offices in meeting their goals relating to multifamily closings, and Title VIII Fair Housing Enforcement.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 11: ADMINISTRATION AND STAFF SERVICES

SCOPE OF ACTIVITY

The Office of Administration provides general Departmental support such as management analysis, human resource management, training, correspondence and scheduling for the Secretary, staffing and performance analysis, general building and office services, as well as special activities directly assigned by the Secretary. Field Administration staff also provide management information services, including reports and statistics, as well as direct and essential daily administrative support to program operations.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

WORKLOAD

The Assistant Secretary for Administration is responsible for the development and promulgation of policies, standards, procedures, systems and materials related to the resource and administrative management of the Department and for the execution of such policies and directives at Headquarters and in the field. The Assistant Secretariat and associated offices are responsible for carrying out all administrative support functions that enable HUD's ability to execute its mission. The organization has twelve offices: Office of Management and Planning, Office of Executive Scheduling, Office of Executive Secretariat, Office of Special Actions, Office of Administrative and Management Services, Office of Human Resources, HUD Training Academy, Office of Budget and Administrative Support, Office of The Chief Procurement Officer, Office of Security, Office of Departmental Grants Management and Oversight, Office of Field Operations and Technical Support, and three Field Operating Units located in the cities of New York, Atlanta, and Denver.

The Deputy Assistant Secretary for Operations is responsible for oversight, management, and quality delivery of all Office of Administration services provided to all internal HUD customers. This function is supported by three customer focused divisions at Headquarters and three customer focused Field operating units is responsible for providing day-to-day administrative customer service to all field offices in its geographical area. The Office of Field Operations provides quality and timely customer service and is the single point of contact for all administrative requirements within its geographical area. This Office also provides its customers "one-stop shopping" for the following services: training, information technology, and other administrative resources as required by its field offices.

The Office of Administration field staff is located in three Administrative Service Centers (ASCs):

- **ASC-1, New York:** Field Operations for New England, New York/New Jersey, Mid-Atlantic, and Midwest
- **ASC-2, Atlanta:** Field Operations for the Southeast/Caribbean and Southwest
- **ASC-3, Denver:** Field Operations for Great Plains, Rocky Mountains, Pacific/Hawaii, Northwest/Alaska.

The ASCs service all of HUD's program field office locations and staff located in the field. The ASC Directors are responsible for directing and monitoring administrative activities in their jurisdictions and for insuring coordinated delivery of all administrative services to field managers and employees. The ASCs provide administrative resource services, and information technology services, which are described below.

The Administrative Resources Division consists of a wide variety of support activities including procurement of goods and services, mail handling, communication services, space management, transit subsidy services, inventory controls, printing support, and property and paperwork management. The management function consists of a wide variety of activities, principally organization and management analysis, coordination of Departmental management plan systems within the former regional areas, and the monitoring and analysis of resource utilization within the ASCs. Staff providing these services are distributed among both the Administrative Service Centers and State and Area field offices, with policy guidance and management provided by staff at the Service Center level.

Information Technology Division is principally related to automated data processing systems including setting up ADP equipment in accordance with system architecture and the subsequent maintenance of ADP equipment. The services also consist of data management, reporting and information services, hardware and software installations for PCs and servers, trouble-shooting

on all hardware and software in each field office, web page updates, developing local systems, and providing monitoring and technical assistance in the areas of data quality, special studies, and reports and statistics. The services are provided in both State and Area field offices, with the responsibility for policy guidance and technical assistance residing at the Service Center level. Funding for this activity, implemented through the ASCs in the field, will be paid from the Working Capital Fund.

- Office of Field Operations and Technical Support serves as The Office of Administration point of contact that delivers and provides quality products and services to Administration customers in the areas of information technology. This Office is responsible for guiding the development of integrated Department systems that enable workforce empowerment and support program office execution of the Department and HUD 2020 objectives. The Office of Field Operations and Technical Support creates and provides quality control to ensure that all contracting efforts are in compliance and conform to established HUD contracting policy.

The Deputy Assistant Secretary for Resource Management is responsible for providing technical services and deep specialty skill needs to support the Department's mission, and enable the DAS for Operations to provide quality customer-focused service delivery to all internal HUD customers. This function is supported by two offices, which have overall responsibility for providing technical services in their organizational specialty areas. These offices provide the Office of Administration with the following core cross-functional services: statutory and regulatory support, performance standards development, quality control, specialty skill leadership, and project support for Departmental national initiatives.

- The Office of Human Resources (OHR) is responsible for planning, developing, administering and evaluating all personnel programs for the Department except training. This includes overseeing the payroll processing services provided by the National Finance Center (NFC) of the U. S. Department of Agriculture; improving recruitment and selection procedures; maintaining the Departmental position management program; providing advice and assistance on performance and conduct problems; implementing and administering the HUD/American Federation of Government Employees (AFGE) contract and overseeing implementation and administration of HUD/National Federation of Federal Employees (NFFE) agreements in several field offices; providing support of executive services activities, which includes the Executive Performance Appraisal System and Senior Executive Service Awards programs; implementing the Departmental Performance Management System; promoting a drug-free work place; and providing employee support through the Employee Assistance Program.

  The Employee Service Center (ESC) is part of the OHR. The ESC streamlines the delivery of benefits and processing services for the entire Department by consolidating these activities into one location. The primary services provided by the ESC are the benefits line, Employee Express, and personnel interface with the NFC, which provides payroll services. The benefits-line provides 24-hour access to general benefits information and Employee Express provides the opportunity to directly change selected benefits and other designations by touch-tone telephone. The Employee Service Center is located in Chicago, Illinois, and reports to the Director, Office of Human Resources, in Headquarters.

- The Office of Administrative and Management Services (OAMS) is responsible for the development, administration and evaluation of all administrative services for the Department. These services include, but are not limited to: Headquarters facilities management; Departmental space and telephone management; paperwork management; property management; mail and distribution services; transportation and safety services; and overall management of printing and visual arts activities.

The following offices report directly to the Assistant Secretary:

- The Office of Budget and Administrative Support (OBAS) is responsible for providing administrative support to The Office of Administration personnel, in the management of resources, and financial management. The Administration's budget and fiscal operations, which includes budget formulation and execution is controlled and monitored in this office. OBAS services includes reporting periodically on the status of financial resources, the result of operations and development of reports to support internal as well as external requirements of information concerning the Office of Administration's financial activity. OBAS also coordinates all Office of Inspector General and General Accounting Office audit activities.

  OBAS also provides oversight of contracts assigned to the Office of Administration. This oversight is conducted through the Contract Oversight Division, which has a staff of Government Technical Representatives (GTRs). The GTRs provide contract oversight and monitoring functions to ensure that services and products delivered to the Department are efficient, effective and within cost. The staff coordinates with the Office of the Chief Procurement Officer and provides advice and guidance to program officials, Government Technical Monitors (GTMs), and contractor personnel in matters involving contract administration.

- The HUD Training Academy (HTA) is responsible for providing a cost-effective and coordinated strategy for the delivery of training and employee development programs, which support the objectives, and goals of the Department of Housing and Urban Development. HTA is the center for HUD staff training; provides mission and occupational training in support of Departmental priorities; provides for individual training needs through internal training programs and partnerships established with colleges and universities; provides needs assessments and evaluations for its programs and activities; and delivers training to Field locations using innovative technology such as distance learning and video conference systems. The HTA consists of two Institutes:

- The Program Technical Training Institute provides technical training, retraining of HUD employees for new and changing skills, and coordination of training with intermediaries. It also manages the distance learning/satellite system; and

- The Employee and Management Development Institute administers career enhancement and professional skills development at the general workforce and supervisory/management levels, for example; implementation of the Individual Development Plan (IDP) Program; administration of Learning Resource Centers; professional skills development programs for non-supervisory employees; and career counseling. It also manages the establishment of educational partnerships Department wide for achieving technical and cross training for all employees.

- The Office of The Chief Procurement Officer (OCPO) is responsible for all Departmental procurement activities in support of HUD's operations and program requirements. This includes providing the necessary procurement support to achieve the Department's programmatic goals through the award and administration of contracts, purchase orders, and interagency agreements. OCPO is also responsible for the development and implementation of Departmental policies, standards, and procedures for an effective contracting program; and to ensure that HUD receives good value for the funds expended.

- Office of Departmental Grants Management and Oversight (DOMPC) is responsible for providing leadership; oversight and strategic direction for the management and coordination of grant programs within the Department. The Office ensures that program areas are maintaining up-to-date policies and procedures consistent with Public Law and OMB requirements. Additionally, DOMPC ensures consistency with Departmental policies and the efficient use of HUD funds and staffing resources in the management of grant programs; provides advice and guidance to program Assistant Secretaries and staff to formulate improvements in grant policies and practices; provides recommendations to the Secretary and the Office of the Chief Information Officer on ways to integrate government grant management functions consistent with e-government principals. DOMPC also ensures the integration of IT solutions related to grants management, databases and enterprise wide information systems related to grants and grant policy for the Department.

- The Office of Management and Planning (OMAP) is the Department's internal consultant organization. OMAP's principal responsibility is to provide leadership for productivity and management improvements in the Department. To do so, the Office assists in the development of performance plans and measures as required by the Government Performance and Results Act. It conducts studies and collects documentation of best practices and communicates this information within the Department. OMAP monitors progress on performance goals and initiatives, intervenes as needed to assist managers to resolve problems, and reports on items tracked in the Annual Performance Plan. In addition, OMAP provides management services to the Department by assisting HUD managers with team building and decision support through management consulting and the use of the Collaborative Meeting Center.

- The Office of Physical Security is responsible for establishing and implementing Departmental policy and procedures for physical security and the protection of HUD personnel and property.

- The Office of Executive Scheduling consolidates Departmental executive scheduling, correspondence control and related activities under the Director of Executive Scheduling. The Office considers requests for meetings, appointments, and public appearances by the Secretary and senior Departmental officials, and prepares briefing papers for the Secretary, the Deputy Secretary, and other Principal Staff. The Office also provides related support for the Department's senior officials and acts as a liaison with key Departmental personnel, diverse external groups and officials, and national organizations requesting Secretarial appearances.

- The Executive Secretariat serves as the central coordinating office for all correspondence to the Secretary and the Deputy Secretary, and is responsible for providing the following services:

- reviewing and assigning of action all incoming official correspondence addressed to the Secretary and the Deputy Secretary, as well as all incoming correspondence from Members of Congress addressed to Department personnel, and reviewing all outgoing correspondence prepared for the signatures of the Secretary or Deputy Secretary for responsiveness and timeliness;

- maintaining current files on all matters involving the Secretary's and Deputy Secretary's mail, Freedom of Information Act (FOIA) records, White House mail, General Accounting Office (GAO) reports, Congressional reports, and Departmental policy;

- disseminating requests for information emanating personally from the Secretary and the Deputy Secretary to key personnel for action, and monitoring these assignments in order to meet established deadlines;

- providing assistance to program areas by: (1) developing responses of either a programmatic or policy nature in situations where large volumes of identical or similar correspondence is addressed to the Secretary and the Deputy Secretary; and (2) preparing the responses for the signature of the Secretary, Deputy Secretary, Assistant Secretary, or other members of the Department's staff as appropriate; and

- performing special projects as assigned by the Secretary.

- The Office of Special Actions is a small entrepreneurial staff, which acts as a catalyst for the development of public/private partnerships, which support economic development in communities across the United States. The Office functions as conveyer and expediter for new collaborations with foundations, educational institutions, corporations, non-profit groups, State and local governments, and other Federal agencies. This Office works with the Office of Congressional Relations to inform Members of Congress about HUD programs and initiatives. In addition, the Office of Special Actions maintains liaison with Historically Black Colleges and Universities to explore various partnership opportunities in the areas of community empowerment and economic development. Further, the Office handles special projects as designated by the Secretary to manage the Department's coordinated relief efforts for communities hit by Presidentially declared natural disasters. The Office of Special Actions coordinates HUD's response to national disasters involving both disaster preparedness and relief activities. Other principal initiatives coordinated by the Office include: church arson rebuilding project, veterans affairs, District of Columbia revitalization project, and the St. Petersburg, Florida, Federal task force.

TRAVEL

The table below identifies travel requirements unique to this activity.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel (HQ)	$464	$671	$671	....
Training	$2,585	$3,306	$3,306	....
Travel (Field)	$563	$795	$795	....
Total	$3,612	$4,772	$4,772	....

The requested travel funding principally reflects the Department's continued efforts to provide a cost-effective and coordinated strategy for the delivery of training, and employee development programs. It is integral to the success of HUD's Management Reform Initiatives, which requires that the occupational performance of all HUD employees be raised to a level of excellence.

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Administration and Staff Services

CONTRACTS

The table below identifies contract requirements unique to this activity.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Technical Services	$9,774	$8,437	$8,437	....
Data and Statistical Services	$20	$25	$25	....
General Support	$30,294	$19,596	$19,596	....
Training	$9,558	$10,927	$10,927	....
Total	$49,646	$38,985	$38,985	....

Technical Services. These funds are for specialized technical support, which are not identified in other categories, such as payroll processing services provided by the National Finance Center (NFC) of the U. S. Department of Agriculture. No change to the fiscal year 2002 level is proposed for fiscal year 2003.

Data and Statistical Services. These funds principally reflect HUD's share of the costs of preparing the Single Audit Clearinghouse Report, prepared by the Department of Commerce. No change to the fiscal year 2002 level is proposed for fiscal year 2003.

General Support Services. This category includes a variety of contractual services, which are not covered under the other major contract types. Some examples of these contractual services are: facilities management, space alterations, mail services, administrative hearing and court services, visual arts, and credit information services. These funds also cover the cost of cross-discipline activities such as conferences, meetings, regional summits, marketing and outreach activities, and workshops held for current and potential HUD customers, local officials, housing providers and organizations to develop and implement strategic plans related to accomplishing the Department's mission. These funds would also cover associated costs such as rental of video and audio equipment and exhibit space. No change to the fiscal year 2002 level is proposed for fiscal year 2003.

Detail of Administration and Staff Services Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment									
Immediate Office, AS Admin									
Policy Management and Oversight	NA		1	...	...	7.0	1	...	...	7.0
Subtotal						7.0				7.0
Office of Budget and Administrative Support										
Provide budget and financial management services to Office of Administration	NA			...	...	11.0		...	...	11.0
Provide administrative support to the Office of Administration	NA			...	...	11.0		...	...	11.0
Special Projects	NA		3	...	...	0.0	3	...	...	0.0
General Direction	NA			...	...	1.0		...	...	1.0
Contract Oversight			2	...	...	5.0	2			5.0
Subtotal						28.0				28.0
Office of Small and Disadvantaged Business Utilization										
Subtotal										
Office of Physcial Security			1	...	...	13.0	1			13.0
Subtotal						13.0				13.0
Executive Secretariat				...	...	19.0				19.0
Subtotal						19.0				19.0
Executive Scheduling				...	...	14.0				14.0
Subtotal						14.0				14.0
Special Action				...	...	6.0				6.0
Subtotal						6.0				6.0
Grants Management				...	...	7.0				7.0
Subtotal						7.0				7.0
OMAP										
Front Office				...	...	3.0				3.0
Management Division			7	...	...	2.0	7			2.0
Information & Management Services Division						0.0				0.0
Support Best Practices	NA			...	...			...	...	

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Manage reporting of the Departmental Business and Operating Plan (BOP)	NA		...	...	0.0		...	...	0.0
Provide Departmental management and program evaluation consulting services	Number of Quality Management Reviews completed		13	1,120.92	7.0		13	1,120.92	7.0
General Direction	NA		...	...			...	...	
Subtotal					**12.0**				**12.0**
Headquarters Employment (CPO)									
Immediate Office									
Perform Administrative and Human Resource Duties	# of Personnel Supported		128	32.62	2.0		128	32.62	2.0
Perform Advisory Duties	NA	3	...	...	3.0	3	...	...	3.0
Subtotal					**5.0**				**5.0**
Program Support Division									
Perform Contract Placement Services	# of Procurement Requests	65	188	113.28	6.7	65	188	113.28	6.7
Perform Contract Administration	# of Procurement Contracts Administered	32	109	216.46	8.0	32	109	216.46	8.0
Perform Procurement Management	# of Procurement Plans	40	261	60.00	6.4	40	261	60.00	6.4
Subtotal					**21.1**				**21.1**
Policy and Field Operations Division									
Perform Procurement Management	NA		...	...	4.2		...	...	4.2
Develop Program Policy/Procedures and Process Improvements	NA	2	...	...	3.4	2	...	...	3.4
Perform Risk Management Duties	# of Field Contracting Operations		3	69.60	0.1		3	69.60	0.1
Perform Systems Management Duties	# of Data Systems		3	3,027.60	4.4		3	3,027.60	4.4

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Administer Acquisition Career Management Program	# of GTR/CS Personnel		413	9.61	1.9		413	9.61	1.9
Subtotal					**14.0**				**14.0**
Administration Support Division									
Perform Contract Placement Services	# of Procurement Requests	67	200	127.37	8.1	67	200	127.37	8.1
Perform Contract Administration	# of Procurement Administered	40	167	152.50	9.3	40	167	152.50	9.3
Perform Procurement Management	# of Procurement Plans	30	171	93.77	8.3	30	171	93.77	8.3
Subtotal					**23.7**				**23.7**
Field Employment (CPO)									
Field Contract Operations (Denver)									
Perform Contract Placement Services	# of Procurement Requests		55	365.59	9.6		55	365.59	9.6
Perform Contract Administration	# of Contract Administered		687	127.50	42.0		687	127.50	42.0
Perform Procurement Management	NA		...	...	14.4		...	...	14.4
Subtotal					**66.0**				**66.0**
Headquarters Employment (DAS for Resource Management)									
DAS Immediate Office	NA	1	...	...	4.0	1			4.0
Subtotal					**4.0**				**4.0**
OAMS									
Immediate Office OAMS Dir	NA	1	...	...	3.0	1	...	...	3.0
Provide HQ facility management services	NA	1	...	...	19.0	1	...	...	19.0
Manage HQ Documents (Records and Mail)	NA	4	...	...	18.0	4	...	...	18.0
Design install and maintain telecommunications system	Number of telecommunications items managed		3,324	5.03	8.0		3,324	5.03	8.0
Property supply and management	Number of equipement items in inventory		74,000	0.40	14.0		74,000	0.40	14.2

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Space Design	Number of office layouts		3,840	3.26	6.0		3,840	3.26	6.0
Broadcasts	Number of Broadcasts		350	53.69	9.0		350	53.69	9.0
Printing/copying services	NA	1	...	...	20.0	1			20.0
Subtotal					**97.0**				**97.2**
OHR									
Immediate Office OHR Dir	NA	2	...	...	3.0	2			3.0
Executive Personnel Management and Staffing	Number of SES and non-SES positions supported		1,030	20.38	10.1		1,030	20.38	10.1
Non-executive Personnel Management	Number of employees supported		10,160	3.50	17.0		10,160	3.50	17.0
Non-executive Personnel Recruting and Staffing	Number of staffing/recruiting actions		3,918	16.54	31.0		3,918	16.54	31.0
Labor and Employee relations	Number of LR/ER consultations provided		7,280	4.60	16.0		7,280	4.60	16.0
Personal Monitoring and Compliance	NA	8	...	...	5.0	8	...	...	5.0
Employee Assistance Program	Number of EAP workshops/support groups		60	104.40	3.0		60	104.40	3.0
General Direction	NA		...	...	0.0		...	...	0.0
Subtotal					**85.1**				**85.1**
HTA									
Training Systems and Services	Number of courses supported		680	37.00	12.0		680	37.00	12.0
Program/Technical Training	Number of training sessions		627	26.97	8.1		627	26.97	8.1

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Professional Development Training	Number of training sessions		55	380.53	10.0		55	380.53	10.0
General Direction	NA		...	...	4.0		...	...	4.0
Subtotal					34.1				34.1
Field Employment (DAS for Resource Management)									
OHR									
Recruitment/staffing classification	NA		...	...	39.0		...	...	39.0
Academy Training Consultations	Number of nominations processed		805	26.00	10.0		805	26.00	10.0
Employee Service Center			9,732	5.37	25.0		9,732	5.37	25.0
General Direction	NA		...	...			...	...	
Subtotal					74.0				74.0
Headquarter Employment (DAS for Operation)									
General Direction	NA		...	...	0.0		...	...	0.0
Subtotal					0.0				0.0
Field Operations/technical support									
Not studied --- new organization									
DAS for Operations(front office)					0.0				0.0
Office of Field Operations & Technical Support					0.0				0.0
Subtotal					0.0				0.0
Field Employment (DAS for Operation)									
Administrative Service Centers									
Field Office facility support	Number of Field Offices supported		81	1,857.00	72.0		81	1,857.00	72.0
Field staff administrative support	Number of HUD staff serviced		7,779	28.20	105.1		7,779	28.20	105.1

		Fiscal Year 2002				Fiscal Year 2003			
Workload Guideline	Workload Indicator	Underfunded Workload/ Allocation	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE
General Direction	NA			...				...	
Subtotal					177.1				177.1

Detail of Administration and Staff Services Staff Requirements

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters Employment			
Immediate Office, AS Admin	7.0	7.0	0.0
Office of Budget and Administrative Support	28.0	28.0	0.0
OMAP	12.0	12.0	0.0
Office of Security	13.0	13.0	0.0
Executive Secretariat	19.0	19.0	0.0
Executive Scheduling	14.0	14.0	0.0
Special Action	6.0	6.0	0.0
HTA	34.1	34.1	0.0
Grants Management	7.0	7.0	
Subtotal	**140.1**	**140.1**	**0.0**
DAS for Resource Mangement			
Immediate Office	4.0	4.0	0.0
OAMS	97.0	97.2	0.2
OHR	85.1	85.1	0.0
Subtotal	**186.1**	**186.3**	**0.2**
DAS for Operation			
General Direction	0.0	0.0	0.0
Field Operations/technical support	0.0	0.0	0.0
Subtotal	**0.0**	**0.0**	**0.0**
CPO			
Immediate Office	5.0	5.0	0.0
Program Support Division	21.1	21.1	0.0
Policy and Field Operations Division	14.0	14.0	0.0
Administration Support Division	23.7	23.7	0.0
Subtotal	**63.8**	**63.8**	**0.0**
Total	**390.0**	**390.2**	**0.2**
Field Employment			
DAS for Resource Mangement			
OHR	74.0	74.0	0.0
DAS for Operation			
Operation	177.1	177.1	0.0
CPO			
Field Contract Operations (Denver)	66.0	66.0	0.0
Total	**317.1**	**317.1**	**0.0**

Detail of Administration and Staff Services Staff Requirements

	FTE			
	Actual 2001	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	425	390	390	0
Field	259	317	317	0
Total	684	707	707	0

Salaries and Expenses, Housing ad Urban Development
Budget Activity 11: Administration and Staff Services

Headquarters Employment - Chief Procurement Officer

The Office of the Chief Procurement Officer (OCPO) is responsible for all departmental procurement activities in support of HUD's operations and program requirements. This includes providing the necessary procurement support to achieve the Department's programmatic goals through the award and administration of contracts, purchase orders, and interagency agreements; This office is also responsible for the development and implementation of Departmental policies, standards, and procedures for an effective contracting program; and, to ensure that HUD receives good value for the funds expended.

The number of procurement requests, procurement contracts administered, and procurement plans that are normally processed will be drastically reduced, due to the decrease in FTEs. The staff will process a lower volume of the workload and, this will have an impact on our ability to timely process these requests and a backlog will develop. This will have an adverse effect on all of HUD's major programs.

The Department may experience a reduced staffing due to attrition and retirement with the aging workforce, including current staff. A decreased in the workforce and an increase in workload requires more work to be performed by contractors. This will require additional staffing levels in the CPO office to handle the significant increases in contract execution and contract management functions.

DAS for Resource Management

Headquarters Employment

Immediate Office

The overall oversight, management, and quality of delivery of all support services to internal HUD customers will suffer due to the unfounded workload/allocation. The immediate office suffers due to the lack of critical support staff. The office as a result, experienced a backlog of work. The existing staffs have been unable to timely process critical actions to improve customer service.

Office of Human Resources

This office develops, administers and evaluates the personnel management programs which include classification, staffing, employee and labor relations, performance management, benefits administration, and the Department's payroll function; This office also establishes, coordinates, and implements policies for these programs. It implements standards, programs, regulations, procedures and systems and evaluates the quality of personnel management. The office represents the Department with the Office of Personnel Management, the Merit Systems Protection Board, and various external agencies. A decrease in workload and FTE will have an impact not only internally but the external agencies will be affected without proper staff support.

Staffing and Classification Division

The Staffing and Classification Division is the nucleus of the staffing and recruitment function within the Department. This Division is responsible for servicing all of Headquarters and coordinating staffing and recruitment services provided by the Field, particularly for major recruitment initiatives. The Division is responsible for Departmental reporting to the Office of Personnel Management (OPM) for various Federal employment initiatives monitored by OPM. In addition to routine staffing, classification and position management, the Division has two other significant functions:

1. Responsible for the Senior Management Approval process which manages the Department's hiring control procedures and

2. Responsible for managing special employment programs (i.e. employment of Hispanics and persons with disabilities; minority recruitment; and student employment, particularly a formalized Intern Program).

This workload is already overwhelming for the current Division staff; four Specialists have left since August 2001, creating a significant service delivery problem. The majority of the remaining Specialists are in the developmental stage, below the GS-13 full performance level, and new to the Department. Only three Specialists are technically proficient in both staffing and position classification. Consequently, the Division is suffering a tremendous backlog in position classification. Virtually all program areas are affected by this backlog. Also, there is a serious lack of skill in the area of position management, which is directly linked to the position classification function.

The Division will be severely impacted by any additional staffing cuts. The Division must hire some skilled position classifiers and at least two additional hires are needed to manage the Headquarters servicing workload. The Special Employment Programs function requires a dedicated, full time coordinator and a Branch Chief to provide technical guidance and on-the-job training to assigned staff.

The following areas and initiatives discussed below will not receive adequate coverage by this office due to the staffing shortfalls:

OMB continues to place HUD's Human Capital Management as a High Risk activity and a material weakness.

To address the above issue, this office is tasked with accomplishing the following:

- Major Mandated Human Capital Management Initiatives are planned in 2002 and 2003 to make HUD more citizens centered with employee rewards and accountability tied to results. The following initiatives cannot be completed timely with the existing staff levels.
- Recruitment and Retention Initiatives.
- HUD Intern Program Strategy.
- Succession Planning.
- Five-Year strategic plan to reduce management and organizational layers.
- Compile, analyze and disseminate data on supervisory ratios and salary costs necessary to conduct Departmental review.
- Develop the plan to delayer organizations and decrease average salary costs.
- Analyze retirement and attrition projections in major career series, identify core competencies needed for each major career series, and adopt strategies to keep critical positions filled.
- Approximately 50 percent of the Department's employees will be eligible to retire in the next 3 to 5 years, therefore, it is essential that there be sufficient experience staff to process the increased workload.
- OPM has mandated that key positions at HUD including over 1000 positions in Series 200, 500, 2200, and 901 be re-classified. This workload cannot be completed timely with the current staffing level. The Department must have professional personnel staff to ensure that current and future positions are classified, prior to filling positions.
- HUD is in the process of completing a major redeployment of more than 500 employees to field organizations across the country to strengthened and improve front-line delivery of services to the public. This requires that we process more than 500 reassignment personnel actions in addition to the re-classification project. The current staff FTE is not sufficient to complete the required projects and workload The Department will be vulnerable in not adhering to regulations and critical positions may not be filled to meet HUD's field program delivery needs
- Conduct on-going Performance Management and Incentive Awards, provide advice and guidance.
- Human Resources Handbook revisions and new items required: (1) Classification Appeals (New); (2) Position Management (New) Time; and (3) Attendance (Updated).

Executive Personnel Management & Staffing

This division develops, implements and evaluates agency and OPM required programs for its service population. The division is responsible for providing the full range of personnel services to all employees in the Office of the Secretary (including competitive and noncompetitive), the Office of Administrative Law Judges, the HUD Board of Contact Appeals, Presidential appointees, Schedule C employees, non-career and career Senior Executive Services (SES) members, Experts and Consultants, and Senior Executives in the field. Providing personnel services to the SES executives not only includes staffing and classification services, but also includes implementing the Executives Performance Accountability and Communication Systems (including the most recent mandate of the OPM performance management regulation pertaining to balance measures), Presidential Rank Awards Program, the SES Re-certification Program, the SES Candidate Development Program, and providing support services to the Executive Resources Board and Performance Review Board.

The division must maintain full staff capacity level to continue to provide the high quality of service to its customer and accommodate the needs of the new Administration. The new Administration leadership team now in place, has increased the workload of the division as SES positions are being staffed and reassignments among SES members. Staff shortages drastically impact the division's efforts to provide comprehensive services in a timely manner. Additionally, a staff shortage will produce a serious deficiency in skill levels and depletion of specific OPM executive program knowledge.

Labor and Employee Relations

This division has Department-wide responsibility for providing statutory and regulatory guidance, policy development and interpretation, research, technical and operational assistance, program compliance and evaluation to all levels of management in three major functional areas: (1) labor relations, (2) employee relations, and (3) personnel security. The labor relation staff is also responsible for national level negotiations, representation before third parties, and for maintaining ongoing working relationships with two active and aggressive Union organizations in HUD at both the national and headquarters level.

With the increased Congressional interest in the security of information systems Government-wide, the Office of Inspector General is closely scrutinizing the functional operations and procedures employed by the personnel security staff to ensure that all HUD employees and contractor staff on sensitive/financial computer systems have appropriate background investigations. This initiative has resulted in a massive increase in workload for the personnel security staff, which is likely to grow in light of recent terrorist activities.

The work of employee relations, labor relations, and personnel security is knowledge-based and highly specialized. The staff must be professionally skilled and trained consultants in order to provide management adequate technical advice to avoid grievances, and suits by third parties due to inadequate technical advice and assistance. The result could be a grave financial and operational impact to the Department (e.g., back pay, compensatory damages, attorney fees, arbitrator fees, etc.).

It is imperative that this division increases its current FTE level in order to operate efficiently, ensure continuity in the technical advice and services, and to ensure that management actions are properly managed.

DAS for Operations - Administration

Field Employment

Administrative Service Centers

Field Office facility support

This office is comprised of three Service Centers in New York, Atlanta and Denver, and provides critical front-line support involving a wide range of coordinated services to HUD internal customers in all of the 80 HUD Field Offices. Currently, 336 employees in these Service Centers serve 6,565 HUD employees nationwide. These services include human resources support and liaison services for training and other services, such as document management, space management, facilities management and contracting. The physical asset inventory is approximately $300 million. The Service Centers manage over 2.9 million square feet of Federal leased office space with associated lease costs that are over $60 million.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 12: FIELD POLICY AND MANAGEMENT

SCOPE OF ACTIVITY

The Field Policy and Management (FPM) activity provides management oversight to Regional and Field Office Directors, communicates Secretarial priorities and policies to the field, ensures the effective pursuit of Secretarial Initiatives and special projects, and other management and administrative functions.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

WORKLOAD

The Assistant Deputy Secretary for Field Policy and Management manages the operations of FPM to advance the strategic goals of the Department. Through the Regional and Field Office Directors, the Assistant Deputy Secretary establishes management priorities for front office field operations and coordinates Secretarial initiatives to ensure effective use of resources for maximum positive impact. In addition, the Office is tasked with developing mechanisms which: ensure that critical field program delivery issues are addressed; assess program impacts and customer service at the local level; and provide operational feedback designed to constructively influence program design and Departmental policy making.

The Office of Field Policy and Management was reorganized early in fiscal year 2002 to include the former Office of Field Direction and Operational Support as the field component of FPM. The Assistant Deputy Secretary has direct supervision of the Regional Directors, formerly called Secretary Representatives. This change will clarify the authority of the Assistant Deputy Secretary for Field Policy and Management, improve oversight of the field, and simplify budget and administrative functions of the office. Based on the Department's new Resource Allocation Estimation Process (REAP), the Headquarters office requires a staffing allocation of 23 FTEs.

The Regional Directors and Field Office Directors are the "operational managers" in each of the field offices. Regional and Field Office Directors ensure that limited staff and other resources are used to maximum effect to accomplish Departmental priorities and that the component parts of each field office effectively function as a common enterprise in achieving Departmental goals, both to serve our customers well and use resources efficiently. The number of staff in each of the 10 regions (80 field offices) varies by location. Based on REAP, the total number of FTEs required in the field is 493 FTEs.

Travel

The table below identifies travel requirements unique to this activity.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel (HQ)	....	$200	$200	....
Travel (Field)	$1,474	$994	$994	....
Total	$1,474	$1,194	$1,194	....

The implementation of the Department's six strategic goals through Management Plans will require the Regional and Field Office Directors to travel to various locations to meet with the Department's customers, governmental entities, and civic organizations to advance activities and initiatives associated with the mission of the Department. No increase to the fiscal year 2002 level is being proposed for fiscal year 2003.

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Detail of Field Policy and Mangement Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters									
Headquarters Offices									
Perform FPM Management/Operations	NA		...	...	13.0		...	...	13.0
Perform Administrative Support to FPM/Field Offices	Number of Staff Supported		489	17.00	4.0		489	17.00	4.0
Provide Support and Guidance to Headquarters/Field	Number of Field Offices Supported		80	157.00	6.0		80	157.00	6.0
Subtotal					**23.0**				**23.0**
Field Employment									
Field Offices									
Perform Program Management/ Operations	N/A		...	...	90.0		...	...	90.0
Perform Administrative/Planning and Support/Special Initiatives	N/A				380.0				380.0
Perform Public Relations/Web Master Duties	N/A				23.0				23.0
Subtotal					**493.0**				**493.0**

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Detail of Field Policy and Mangement Staff Requirements

	Budget Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters Employment			
Headquarters Offices	23.0	23.0	0.0
Total	**23.0**	**23.0**	**0.0**
Field Employment			
FieldOffices - Community Builders	493.0	493.0	0.0
Total	**493.0**	**493.0**	**0.0**

Detail of Field Policy and Mangement Staff Requirements

	FTE			
	Actual 2001	Budget Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	0.0	23.0	23.0	0.0
Field	857.0	493.0	493.0	0.0
Total	857.0	516.0	516.0	0.0

Salaries And Expenses, Housing And Urban Development
Budget Activity 12: Field Policy and Management

HEADQUARTERS EMPLOYMENT

EXPLANATION OF CHANGES FROM 2002 BUDGET ESTIMATE TO 2003 ESTIMATE

Not applicable.

FIELD EMPLOYMENT

EXPLANATION OF CHANGES FROM 2002 BUDGET ESTIMATE TO 2003 ESTIMATE

No change from the fiscal year 2002 current estimate to the fiscal year 2003 estimate. However, the decrease of 350 FTE from the fiscal year 2001 FTE to the fiscal year 2002 estimate reflects the proposal to deploy 350 Community Builders to other program offices. The "Projected Accomplishment" amounts with a reduced staffing level for the "Workload Guidelines" are unknown at this time. Therefore, the fiscal years 2002 and 2003 estimates are reflected in total only.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HEALTHY HOMES AND LEAD HAZARD CONTROL

LEAD-BASED PAINT HAZARD REDUCTION PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Program Level:	$89,850	$196,224	$126,000	-$70,224
Budget Authority				
(Appropriations):				
Enacted or Proposed	$100,000	$109,758	$126,000	+$16,242
Rescission	-$220	NA	NA	NA
Subtotal	$99,780	$109,758	$126,000	+$16,242
Budget Outlays				
Budget Outlays	$85,194	$95,000	$101,000	+$6,000

NA = Not Applicable

SUMMARY OF BUDGET ESTIMATES

An appropriation of $126 million is requested for the Lead-Based Paint Hazard Control Program, which includes $10 million to continue Operation LEAP (Lead Elimination Action Program), a partnership initiative started in fiscal year 2002 with the private sector and non-profits to leverage the resources needed to eliminate childhood lead paint poisoning; $96 million for the on-going lead-based paint program of grants to cities, counties and States; $10 million for related technical assistance and technical studies; and $10 million for the continuation of the Healthy Homes Initiative.

This request is a critical part of the Federal strategy to virtually eradicate childhood lead-based paint poisoning in 10 years or less.

Expenditures by HUD lead paint grantees have accelerated in recent years as increased capacity to eliminate lead paint hazards in housing has been established in local jurisdictions across the country. Yet in the past several years, only one-in-three applicants were able to be funded by the Federal Government, even though most of the applications demonstrated both need and capacity. The total requested by applicants for each of the past several years has been approximately $200 million.

In December 2000, CDC reported that while average population blood lead levels have declined by 25 percent since the 1991-1994 time period, CDC's surveillance data showed that the prevalence rate in high risk neighborhoods is still very high at up to 27 percent (see Morbidity and Mortality Weekly Report Vol 49/No. 50 p. 1133-1137, U.S. Public Health Service, Atlanta, GA December, 22, 2000).

The Department believes that additional resources can best be obtained by leveraging private non-governmental funding through Operation LEAP. In fiscal year 2002, the Department competitively will award grants to organizations that demonstrated an ability to leverage even more private funding for existing local lead hazard control programs. For fiscal year 2003, the Department proposes to expand funding for the LEAP program by over 50 percent to continue to leverage private sector resources and activities.

Based on new data from the HUD Lead Paint Survey completed in 2000, there are currently 25 million units with lead paint hazards. However, that survey also showed that, on average, only 3 percent to 11 percent of interior components and 15 to 30 percent of exterior components were coated with lead paint. In short, most paint, even in older housing, is not lead-based paint.

Locating those relatively few surfaces with lead paint is essential to targeting work to those surfaces where precautions are most needed. It will also help families with children locate lead-safe units or keep their children away from surfaces that are known to contain lead paint. Finally, it will also enable property owners to focus lead-safe work practices on those surfaces that need them and not waste resources on most of the surfaces that do not in fact have lead-based paint.

Lead-Based Paint Hazard Reduction Program

The term "lead-based paint hazards" is defined in the Residential Lead-Based Paint Hazard Reduction Act of 1992. Based on scientific research conducted in the 1980's, Congress defined a lead-based paint hazard to include deteriorated lead-based paint and lead-contaminated dust and bare soil. Controlling these sources and pathways of exposure will eliminate childhood lead-based paint poisoning. Recent research and the new definition enable resources to be targeted efficiently to where the need and benefits are greatest. It should also be noted that many units with lead paint may not pose a threat to health in their current condition because the lead is contained and there is not a significant threat of exposure. These units can be maintained in this status with small efforts. The HUD grants and LEAP Initiative are targeted at a base of 1.8 million units where Federal assistance and leveraging of new private resources is crucial because of the economics associated with these units to eliminate lead as a childhood hazard (see Table 2).

Demolitions and major renovations will occur over the next 10 years and additional units will undergo hazard control as a result of HUD's regulation on lead-based paint hazard reduction in Federally assisted housing. Based on the Economic Analysis for the rule, HUD estimates that the regulation, which went into effect on September 15, 2000, will make 1.4 million lead-safe units lead safe during the coming decade. Considering the expected trends in demolition, housing rehabilitation, regulation in Federally assisted housing and using the current Census estimate of 16 percent of children in poverty to target resources to those families facing the most risk, HUD estimates that 1.8 million privately owned low-income units will need lead hazard control work completed if the nation is to eliminate childhood lead poisoning (Table 1).

Table 1
Number of Units With Lead-Based Paint Hazards in 2010 At Current Rates of Demolition and Major Renovation

Housing Stock	Number of Units (millions)
Units With Significant Lead Paint Hazards in 2000 (from HUD's Lead Paint Survey)	25.7
Reduction Due to Demolition Over 10 Years	-1.8
Reduction Due to Substantial Renovation Over 10 Years	-3.8
Subtotal Before Effect of HUD Rule	**20.1**
Number of units occupied by children in poverty (16% x 20.1=3.2 million units) (from U.S. Census)	3.2
Reduction Due to HUD Regulation of Federally Associated Housing	-1.4
Remaining low-income units with lead hazard control needs	**1.8**

HUD's public education activities are designed to integrate lead hazard control activities into housing finance, maintenance, and rehabilitation procedures and to ensure that parents and others have the information they need to prevent childhood lead poisoning. But for low-income children living in privately owned housing, direct Federal financial assistance and leveraged private-sector resources will continue to be needed because no other effective option exists. The HUD Lead Hazard Control Grant Program has shown that the programmatic expertise exists in local jurisdictions across the country to target Federal resources to housing occupied by at-risk, low-income families.

Thus, if lead-based paint hazards are controlled over a 10-year time period, an average of 180,000 units would need to be evaluated and any identified lead-based paint hazards controlled each year for 10 years.

Per unit cost estimates are based on the HUD Economic Analysis and the Evaluation of the HUD Lead Hazard Control Grant Program, which are currently the most complete sources of cost data for this field. These data show an average cost of $300 per unit for a lead-based paint risk assessment; and an average incremental lead hazard control cost of $2,500 per unit (to cover paint stabilization and window work, cleanup and clearance) when performed in conjunction with rehabilitation. Costs of lead hazard control performed as a stand-alone activity are generally higher. Hazard control costs are applied to an average of 27 percent of all units to be addressed, because that is the overall prevalence of lead-based paint hazards identified in the

new HUD lead paint national survey. Thus, the average cost per unit for all units is $300 + 27 percent X $2,500 = $975.

In addition to hazard control work costs, there are several associated non-construction program costs, which are discussed further in the Program Description and Activity section below. These activities, namely public education and job training, enforcement, temporary occupant relocation during lead hazard control work, and technical studies and assistance have been found to be necessary for hazard control grant programs to be effective. Technical studies are particularly crucial to reducing the costs of lead hazard abatement as well as advancing the scientific understanding and specific necessary means to effectively eliminating lead hazards.

The expansion of the grant program and expenditure of leveraged private-sector resources are now possible because a nationwide infrastructure has been developed over the past decade, resulting in thousands of trained or licensed abatement contractors, inspectors, trained rehabilitation specialists, maintenance workers and others. While capacity building will remain a key component of the program, the increased funding will be directed to existing grantees that possess a demonstrated track record.

Healthy Homes Initiative

Besides lead hazards, many other serious and deadly childhood diseases and injuries are known to be related to housing. The Department requests continued support for its Healthy Homes Initiative, which is targeted at these other housing-related childhood diseases and injuries. For example, asthma, mold-induced illnesses and other diseases related in part to housing conditions cause more than 4,500 deaths per year (Centers for Disease Control, Morbidity and Mortality Weekly Report) and cost the nation more than $6 billion annually (The President's Task Force on Environment Health Risks and Safety Risks to Children report, "Asthma and the Environment: A Strategy to Protect Children").

While more than seven million occupied housing units have physical problems that pose health and safety threats, there is currently no single approach that coordinates health and housing responses with disease and injury. It is clearly inefficient to conduct separate campaigns for each disease and each housing-related hazard. Instead, the Healthy Homes Initiative will expand the partnership HUD has developed with the Centers for Disease Control and Prevention (CDC), the Environmental Protection Agency (EPA) and other Federal, State and local agencies in childhood lead poisoning prevention to include other diseases and injuries. That partnership enables HUD to combine its existing expertise in urban planning, architecture, engineering, environmental science and overall housing issues with other agencies' expertise in the medical and public health areas.

EXPLANATION OF INCREASES AND DECREASES

The request for the lead hazard control grant program to cities, counties and States is increased from $80 million in fiscal year 2002 to $96 million in fiscal year 2003, a 20 percent increase. The amount for Operation LEAP (Lead Elimination Action Program), a new effort aimed at leveraging private-sector resources to eliminate lead-based paint hazards in low-income housing, is increased to $10 million from its fiscal year 2001 start-up level of $6.5 million ($10 million is the same as the Administration's request for fiscal year 2002); and the lead paint technical assistance and studies program is increased by $242 thousand from fiscal year 2002 to $10 million. The Budget request of $10 million for the Healthy Homes Initiative is the same as was enacted for fiscal year 2002. Outlays increase $6 million from 2002 to 2003 as the abatement program has matured and the Healthy Homes funds start outlaying.

The foundation for solving the childhood lead-based paint poisoning problem has been established over the past decade. Hazard control techniques have been implemented and shown to be effective in over 200 cities through HUD's grant program for privately owned low-income housing (see "Evaluation of the HUD Lead Hazard Control Grant Program," Env Research 86:149-156 June 2001). Technical guidelines have been published by HUD in 1995 and are now widely accepted. A standard of care has been established through HUD's new regulation covering all Federally assisted housing, which was published on September 15, 1999. Disclosure of known lead-based paint hazards at the time of sale or lease is now required for most pre-1978 residential properties where children may reside. Tools for conducting public education and targeted education of maintenance and rehabilitation workers now exist and are being widely disseminated through trade associations, training providers, public libraries, and hardware stores.

PROGRAM DESCRIPTION AND ACTIVITY

Legislative Authority. The 1992 Appropriations Act (P.L. 102-139) and the 1993 Appropriations Act (P.L. 102-389) provided the initial legislative authority for the Department's lead-hazard reduction activities for privately owned low-income housing. The Housing and Community Development Act of 1992 (P.L. 102-550) included substantive authorization, under Title X, for a "Lead-Based Paint Hazard Reduction" program. In the absence of new legislation, the existing Program has continued under its old authority.

Lead-Based Paint Hazard Reduction Program

The Housing and Urban Development Act of 1970 (12 U.S.C. 1701 z-1 et seq.) provides legislative authority for the Department's Healthy Homes Initiative.

Program Area Organization. Allocations from all sources for the Office of Healthy Homes and Lead-Hazard Control activities for 2001 through 2003 are shown in Table 2.

Table 2

	Category:	ACTUAL 2001	CURRENT ESTIMATE 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs. 2002
			(Dollars in Thousands)		
A.	Lead-Based Paint Grant Program	$59,000	$80,000	$96,000	+$16,000
B.	Operation LEAP	...	6,500	10,000	+$3,500
C.	Technical Assistance & Support	30,802	13,258	10,000	-3,258
D.	Healthy Homes	9,978	10,000	10,000	...
	Total	99,780	109,758	126,000	+16,242

A. Lead Hazard Control Grants to State and Local Governments. The Budget requests $96 million for grants to state and local governments with approved Consolidated Plans (States must also possess an EPA authorized lead training and certification plan) and to Native American Tribes. These grants are designed to perform lead hazard control in low-income, privately owned rental and owner-occupied housing and to build program capacity. As of December 2001, $610 million has been awarded to grantees serving over 200 jurisdictions in 35 states and the District of Columbia. In addition, 37 states have received EPA authorization for their training and certification programs, due in part to the capacity building resulting from these grants. The grant program is having a dramatic impact in selected target areas and has reduced both the average blood lead levels and incidence of poisoned children in those communities.

The lead hazard control grants program meets a critical need that would not otherwise be met--control of hazards in unassisted, low-value, privately owned units which house millions of low-income Americans. These units represent the most deteriorated units (and therefore the most serious threat to children) in the Nation. In addition, the grant program generates significant training and employment opportunities for low-income residents in the targeted areas, which often include welfare recipients.

The proposal targets funding to housing with low-income families with children, where lead hazards would not be eliminated without HUD's grant assistance. The Centers for Disease Control and Prevention (CDC) estimates that 890,000 children have elevated blood lead levels, down from 1.7 million in the late 1980's (data from the National Health and Nutrition Examination Survey (NHANES), Phase II, 1991-1994; the next NHANES is due in 2004 and will enable an accurate measurement of progress since the mid-1990's). Lead based paint in old housing is the major remaining cause of childhood lead poisoning now that lead has been removed from gasoline and food canning, and lead in drinking water and industrial emissions have been reduced. Despite this improvement, lead poisoning remains a major childhood environmental disease, especially among some populations:

- CDC estimates that 4.4 percent of all children ages 1- to 5 years have elevated blood lead levels;
- For children living in pre-1946 housing where lead paint is more common, the prevalence rate increases to 9 percent;
- For low-income children in older housing, it increases to 16 percent; and
- For low-income African-American children in older housing, the prevalence rate is 22 percent.

There are also good scientific data, recently published in the peer-reviewed scientific literature, showing that the modern hazard control techniques implemented by the grantees are successful in reducing both children's blood lead levels and contaminated housedust. All grantees have public education programs designed to ensure that new hazards do not reappear once they have been controlled.

Compliance Assistance and Enforcement

The lead-based paint disclosure regulation (covering virtually all pre-78 housing) and HUD's Lead-Safe Housing Regulation (for federally assisted housing) require both on-going compliance assistance and enforcement to ensure that the Department can carry out its statutory duties and to ensure that children are adequately protected from lead paint hazards. In addition, enforcement of these rules is necessary to realize the full benefits of these regulations. Compliance with lead-based paint regulations will ensure that parents receive the information they need to protect their children before they are obligated under a sales or lease contract or before renovation work that may disturb painted surfaces is begun in their residence.

Lead-Based Paint Hazard Reduction

A targeted approach has been implemented to focus enforcement efforts on housing with a history of lead-poisoned children, the presence of lead paint hazards, housing code violations, other physical, financial, or management problems that may indicate deferred maintenance and therefore the likely presence of lead paint hazards, and investigating tips and complaints received through a nationwide clearinghouse for lead paint.

Enforcement efforts have involved a collaboration of Federal, State, and local agencies, specifically HUD, the U.S. Department of Justice, the US Attorneys' Offices, the U.S. Environmental Protection Agency, as well as State Attorneys General.

Increased enforcement and compliance assistance will raise awareness of the precautions that can be taken to protect children from lead poisoning and the duties of the regulated community to comply with lead poisoning prevention laws at the national, State and local level.

Notable enforcement accomplishments to date include:

- In July 1999, HUD and DOJ resolved six cases in Washington, DC by global judicial/administrative consent decrees, resulting in $112,000 in civil money penalties, $181,000 directed to community-based projects to reduce lead poisoning, and the commitment of $1,725,000 to reduce or eliminate lead-based paint in 8,416 residential units.

- In May 2000, after an administrative hearing before a HUD administrative law judge, a management company was ordered to pay a civil money penalty of $34,800 and to spend $63,000 to abate lead-based paint.

- In June 2001, HUD entered into administrative settlement agreements with three landlords in New York City and Los Angeles that together own and manage over 5,000 units. These landlords agreed to pay $42,500 in penalties and to test for lead-based paint in their properties and abate any lead-based paint that is found.

- In July 2001, HUD enforcement efforts resulted in the first-ever criminal prosecution in the United States related to the Lead Disclosure Rule under the Lead Hazard Reduction Act of 1992. The landlord pled guilty to the criminal charges.

- In July 2001, HUD, EPA, and DOJ settled with three multi-family apartment owners and management companies who failed to warn their tenants about known and potential lead hazards in buildings for over $356,500 in civil penalties and agreements to test for and abate lead-based paint in nearly 18,000 units across the country at a cost of approximately $18 million.

B. Operation Lead Elimination Action Program (LEAP). This Budget requests $10 million for grants to private sector and non-profit organizations to raise additional funding for local lead hazard control programs; and to conduct lead paint testing in high-risk units. The leveraged funding raised must be spent exclusively on lead hazard control of housing units for which no other funding is available. Twenty percent of the raised funds may be used for lead hazard awareness and other public education initiatives and another ten percent may be used for administrative costs. All housing units treated under Operation LEAP must have all lead-based paint hazards removed and all units must be cleared to document that the work has been completed and that the units are safe for children. Funds will be awarded competitively through a Notice of Funding Availability and will be targeted to innovative initiatives that can be either local or national in scope. Examples of the types of leveraged private sector resources Operation LEAP can acquire include:

1. Groups of window, lumber, hardware, and other building component manufacturers or retail outlets could apply for Operation LEAP funds to coordinate their donation of materials and other supplies to landlords and owner-occupants to eliminate lead-based paint hazards in privately owned low-income dwellings.

2. Operation LEAP funds could be used to create a nationwide "lead-star" seal of approval program. Housing units that complete hazard control activities, or housing units that pass a lead paint risk assessment, would receive a lead-star certificate and be entered into the lead paint census database. Landlords could use this in advertising the safety of their units for families with young children, increasing the market appeal. This would create an incentive for private investment in houses to correct lead hazards. There is currently no vehicle to disclose safety of units, only the presence of hazards. This would enable HUD to count lead-safe units that are completed both inside and outside the grant program to cities, counties and states.

3. Operation LEAP funds could be used to form a partnership with banks or other mortgage institutions to provide no- or low-interest home improvement loans to finance lead hazard control. The Bank of America has expressed interest in working on lead hazard control in the past and Fleet Bank of Maine has such a program

already in place. HUD lead hazard control grantees have used grant funds in the past to set up revolving loan funds, such as Massachusetts, but they are restricted to low-income recipients only. Banks could use the Operation LEAP funds as a base, but add private loan funds to help other low- or moderate-income individuals who would not otherwise be served.

4. Operation LEAP funds could be used to coordinate the donation of temporary relocation facilities for families who need to move out of their dwellings while lead hazard control work is completed, thus substantially reducing the costs of lead hazard reduction. For example, hotels and colleges could be contacted to donate temporary housing for temporary relocation of families during lead hazard control activities. Relocation is currently a significant expense for HUD lead hazard control grantees.

5. Consortia or other groups of landlords and owner-occupants which enroll their eligible housing units in a local lead hazard control program would provide funds to pay for a portion of the work in their units. Some existing grantees, such as Milwaukee, have experimented with this already. There, the grant program funds window replacement (windows often have high levels of lead paint and dust), while landlords pay for the cost of paint repair. This option may have limited success in those markets where landlords are unable or unwilling to increase their investment in their units. Operation LEAP funds would be used as a special "challenge" grant to landlords to at least match the Federal investment in their properties.

C. Lead-Based Paint Public Education, Technical Assistance and Technical Studies The Department proposes $10 million for the Technical Assistance and Technical Studies program to continue to support the following activities: (1) technical assistance for State and local agencies, private property owners, HUD programs and field offices and professional organizations; (2) quality control to assure that the evaluation and control of lead-based paint hazards is done properly in HUD-assisted housing; (3) technical studies and evaluation to develop streamlined lower-cost methods of testing, hazard control and clean-up, and (4) public education and training.

The fiscal year 2003 Technical Assistance programs will enable HUD client groups (State and local agencies and property owners) to meet the requirements of the new HUD Lead Safe Housing Rule on Federally owned and assisted housing (implementing sections 1012 and 1013 of Title X of the Housing and Community Development Act of 1992). The Technical Assistance programs will also provide information, in both English and Spanish, to the broader housing industry on ways to promote lead-safe housing for all families. Included in this program is HUD's contribution to the support of the National Lead Information Center's hotline and information clearinghouse, which answered over 30,000 telephone calls and Internet queries from the public on HUD issues in fiscal year 2002, and provided, in response, 800,000 documents to the public. All technical assistance programs will be conducted in close cooperation with the housing industry, public interest groups, professional organizations, and other Federal, State and local agencies.

Successful technical activities are reflected in HUD's study documenting the effectiveness of the lead hazard control methods used by HUD's lead paint grantees (Galke et al, "Evaluation of the HUD Lead Hazard Control Grant Program," Env Res 86: 149-156, July 2001). That study showed that children who lived in the units for at least one year had blood lead levels that declined by 26 percent and that dust lead levels declined by 50-88 percent. HUD also published several other reports on how inexpensive chemical spot test kits can be used when determining whether lead-based paint is present, and how field-portable instruments can be used for rapid on-site determination that areas in which lead hazard control projects have been completed are safe for reoccupancy, and the extent to which lead can be released into rooms from air dusts and vacuum cleaners. HUD has also provided extensive technical assistance on its Lead-Safe Housing Rule for federally assisted housing.

D. Healthy Homes Initiative. The Budget requests $10 million for the Healthy Homes Initiative. This is the same amount Congress appropriated in fiscal year 2002. In fiscal year 2003, this amount will enable HUD to build on the models demonstrated to be effective with the first funding rounds and continue demonstration projects through competitive awards, support advances in home health and safety techniques and technology, and implement significant outreach to the public and to the building community. The Healthy Homes Initiative addresses multiple housing related health concerns, including asthma and allergies induced from mold, fungi and insect debris allergy-inducers (allergens), carbon monoxide poisoning from improper combustion exhaust, lung cancer from radon seeping through basements, and unintentional household injuries, among other problems.

The Initiative's activities are primarily carried out through competitively awarded grants or contracts. The Healthy Homes Initiative has awarded grants totaling $16 million to fifteen grantees selected from over 200 applicants and an additional $4 million in research contracts. The funded projects will target over 1500 units and reach an estimated 60,000 families. Major accomplishments include completion of the nation's first-ever assessment of the prevalence of allergens in the U.S. housing stock, publication of a report comparing the effectiveness of different allergen sampling methods, and publication of two peer-reviewed articles on the extent of asthma in housing, "Contribution of Residential Exposures to Asthma in

U.S. Children and Adolescents" and "Residential Exposures Associated with Asthma in U.S. Children," both published in "Pediatrics," a peer-reviewed scientific journal.

Healthy Homes grantee activities are as follows: Ten demonstration and education grantees' activities include community based hazard mitigation, national and local public education efforts, and training for health care professionals, day care personnel, environmental specialists, peer educators and hazard remediation workers. Three research projects are examining asthma interventions, injury prevention, and related disease issues. Two grants specifically target mold and moisture problems in inner city housing. The Department has also developed a website where the public can find tools and reports developed by the Healthy Homes Grantees. The number of grants is expected to double in the year 2003. Eligible grantees are units of local government, such as State, local or county health or housing departments, the private sector, non-profit groups, community-based organizations, landlord organizations, parent's organizations and environmental contractors.

Primary activities of the Initiative will include:

- demonstrating new housing maintenance techniques, and renovation and construction methods to reduce housing-related illness and injury risk factors;
- developing and demonstrating new strategies to identify and correct housing-related illness and injury risk factors, to incorporate new engineering and scientific knowledge;
- conducting research that evaluates the effectiveness of the housing interventions and public education campaigns;
- promoting use of the methods and techniques described above in other Federally assisted housing programs, and providing information to State, Tribal, and local government, and private sector building community organizations and individuals;
- working with housing and building code councils to develop means of incorporating new code provisions into model codes;
- implementing a public education campaign to prevent both emerging and well recognized housing-related diseases and injuries, and promote the use of identified solutions. These will be distributed through public service announcements, community-based organizations, and additional electronic and paper media; and continuing to co-chair, with CDC, the interagency task force on Healthy Homes to exchange information and ideas, and implement multi-agency program coordination.
- HUD's partners on the task force include the Environmental Protection Agency, Consumer Product Safety Commission, National Institute of Environmental Health Sciences and other agencies involved in addressing housing-related diseases and injuries. Additional partners, including the Centers for Disease Control and Prevention's National Center for Environmental Health and National Institute for Occupational Safety and Health, the National Institute for Standards and Technology's Building and Fire Research Laboratory, and the Department of Agriculture conduct Healthy Homes research and outreach projects, such as the USDA Healthy Homes Partnership that supplies local Extension Agents with resources to provide training and information to communities in 30 states.
- These partnerships enable HUD to use its existing expertise in urban planning, architecture, engineering and environmental science effectively.

STATUS OF FUNDS

Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year.

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
Unobligated balance, start of year	$72,111	$86,466	...
Appropriation	100,000	109,758	$126,000
Rescission	-220	...	...
Recovery of Prior Year Obligations	4,010	...	...
Total Available	175,901	196,224	126,000
Obligations	-89,850	-196,224	-126,000
Writeup of Unobligated Balances	415	...	...
Unobligated balance, end of year	86,466	...	...

b. Obligated Balances. The status of obligated balances follows:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Obligated balance, start of year.....	$196,093	$196,223	$297,447
Obligations incurred.....	89,850	196,224	126,000
Subtotal.....	285,943	392,447	423,447
Outlays.....	-85,194	-95,000	-101,000
Adjustments in Unexpired Accounts.....	-4,425	...	...
Adjustments in Expired Accounts.....	-101	...	...
Obligated balance, end of year.....	196,223	297,447	322,447

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED ($ AND FTE) AND RESULTS

The HUD Office of Healthy Homes and Lead Hazard Control funds programs that are essential to achieving HUD's Strategic objective 8.2, "Help communities more readily access revitalization resources to become more livable. This proposed Budget request is the centerpiece of an interagency effort to eradicate lead-based paint hazards to our children. We have the knowledge and the means to accomplish this goal. The appropriate time to act is now and the cost-benefit is both common sense and measurable. Implementing the lead hazard control plan will make all U.S. housing likely to be occupied by low-income children lead-safe within 10 years and virtually eliminate childhood lead-based paint poisoning.

The Healthy Homes Initiative also contributes to objective 8.2 by undertaking activities which identify and correct housing related illness and injury risk factors.

One indicator of the HUD Annual Performance Plan is the number of housing units that are made lead-safe with HUD grants as part of the 10-year plan to make housing safe for children by preventing lead paint poisoning. The actual cumulative number of units made lead-safe as of fiscal year 2002 was 42,234 and the target for fiscal year 2003 is 49,434. The number of units will increase significantly over time as the proposed 10-year program is implemented.

Another indicator of the HUD Annual Performance Plan is the reduction in the number of children under the age of 6 who have elevated blood lead levels exceeding 10 micrograms per deciliter from 890,000 in 1991-94 (as estimated by the Centers for Disease Control and Prevention, CDC) to less than 260,000 by 2004. Data on the blood-lead levels of children aged 1-5 years are being collected by the CDC through its National Health and Nutrition Examination Survey (NHANES); full results are scheduled for 2004. Major components of achieving the target are the full implementation of HUD's Lead Safe Housing Rule for federally assisted housing, improvements and cost reductions in technologies and methods for lead hazard evaluation and control, expansion of the Office's Lead Hazard Control Grant Program, leveraging private sector resources, such as through Operation LEAP, and surveying the number and severity of lead-based paint hazards in housing across the Nation.

Another Indicator tracks the issuance of grants and cooperative agreements and interagency agreements for the Healthy Homes Initiative. HUD is working closely with the Centers for Disease Control and Prevention, the Environmental Protection Agency, the National Institute for Occupational Safety and Health, the National Institute of Science and Technology, and the National Institute of Environmental Health Sciences to plan and develop the Healthy Homes Initiative. Under the initiative, OHHLHC is awarding grants to public and private organizations and making agreements with other Federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for childhood diseases and injuries. The purpose is to learn how best to prevent diseases related to toxic agents in housing and how to control the residential environment to prevent childhood health problems, such as asthma, mold-induced illness, unintentional injuries, and developmental problems. Principal outcomes of the projects in fiscal year 2002 included the first-ever national assessment of allergens in housing, public education, and demonstration of new technologies for evaluating and eliminating housing-based health and safety hazards. For example, a mold hazard assessment tool developed under the Healthy Homes program was recently used by the Centers for Disease Control and Prevention to address mold problems in Native American housing.

Lead-Based Paint Hazard Reduction

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 8: Support community and economic development efforts.			
Discretionary BA (Dollars in Thousands)	$99,780	$109,758	$126,000
FTE			
Headquarters	22	37	37
Field	...	...	...
Subtotal	22	37	37
Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.			
Indicator: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 7,200 units lead safe in fiscal year 2003.	8,212	7,200	7,200
Indicator: The number of children under the age of 6 who have elevated blood lead levels will be less than 260,000 by 2004, down from 890,000.	NA	NA	NA
Indicator: The first 26 procurement actions of the Healthy Homes Initiative become operational and an additional four are awarded.	20 operational/ 8 awarded	21 operational/ 4 awarded	26 operational/ 4 awarded
FTE Total	22	37	37

NA = Not Applicable

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 13: HEALTHY HOMES AND LEAD-HAZARD CONTROL

SCOPE OF ACTIVITY

The Office has primary responsibility for the lead-based paint activities of the Department and is directly responsible for the administration of the Lead-Based Paint Hazard Reduction program authorized by Title X of the Housing and Community Development Act of 1992. The Office develops lead-based paint regulations, guidelines, and policies applicable to HUD programs, designs lead-based paint training programs, administers lead-based paint hazard control grant programs, and helps shape the lead-based paint research program. Additionally, the Office undertakes an ongoing program of information dissemination on lead-based paint matters and serves as the Department's central information source for the Secretary, the Congress, and the public on this topic. Finally, the Office administers the Healthy Homes Initiative, which develops and implements a program of research and demonstration and public education projects that address multiple housing-related problems affecting the health of children.

The Office also has responsibility for providing technical support for staff in HUD State and area Offices who provide the public with lead-based paint technical and program information. The Office represents HUD on interagency lead-based paint committees and has responsibility for other aspects of interagency coordination on lead-based paint matters and children's health and safety involving the Department. Staff activities will be focused on the following:

- continuing demonstration projects and research to evaluate the effectiveness of housing intervention and public awareness campaigns under the Healthy Homes Initiative;
- continuing management of multi-year lead hazard control grants awarded to State and local governments since 1993;
- negotiating and managing new lead hazard control grants to be awarded in 2002;
- providing consumer information and education on the hazards of lead-based paint in the nation's housing;
- cooperating with other Federal agencies having a complementary role in lead-hazard reduction;
- coordinating all of the Department's activities in lead-hazard reduction;
- managing the research and evaluation activities of HUD that relate to lead hazards;
- managing technical assistance and technical studies;
- staffing the responses and briefing materials for all Congressional and other public inquiries relating to lead-based paint activities of the Department;
- assisting with cooperative studies with other Federal agencies;
- providing technical assistance to HUD program participants;
- continuing the management and operation of the *"The Lead Listing"* (available under The National Lead Service Providers' Listing System), service developed to help consumers locate qualified lead service providers (lead inspectors, risk assessors, and abatement contractors) and lead analysis laboratories via the Internet;
- implementing and enforcing the new lead paint disclosure law for sales and leasing transactions (with legal support from OGC);
- administering and enforcing new streamlined lead-based paint regulations for federally-assisted pre-1978 housing (with program offices and OGC); and
- training of HUD staff, grantees, housing authorities, participating jurisdictions and owners and managers of pre-1978 housing in the new regulations.

Between the Lead Hazard Control Grant Program and the Healthy Homes Initiative, staff will be responsible for monitoring a total of approximately 400 multi-year projects or grants, as well as reviewing and scoring approximately 200 grant applications annually. Coupled with the implementation of two major lead paint rules, workload will continually increase in the next few years. Implementation of these activities will be accompanied by a need for widespread technical assistance, interpretation, training and outreach. As a result there will be an essential need to acquire additional staff: (1) to manage the Healthy Homes Initiative; (2) to conduct housing-related public health research and demonstration project design and management, and public health education; (3) to conduct compliance assistance and enforcement of the Lead-Based Paint

Disclosure Rule and other lead-based paint program regulations, with OGC; and (4) to conduct oversight and management of the lead hazard control grants. A staffing level of 37 FTEs will be required in fiscal year 2003 in order for the Department to meet Congressionally mandated duties. This request is the same as the fiscal year 2002 approved FTE level of 37.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

TRAVEL

The table below identifies travel requirements unique to this activity. The Office currently has no field staff, making an increase in travel funds needed to manage the increased number of grants and enforcement operations.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel	$62	$96	$96	....
Total	$62	$96	$96	....

The fiscal year 2003 request of $96 thousand is the same as the fiscal year 2002 eacted estimate. Previous staffing levels have permitted the Department to conduct compliance inspections in only a few cities (Washington DC, Chicago, New York City, and Los Angeles). When we developed our enforcement protocol, we identified the 25 cities with the largest number of dilapidated pre-1940 rental housing stock where childhood lead poisoning rates are known to be highest using data from the Centers for Disease Control and the American Housing Survey. Compliance inspections are targeted to the largest housing developments with a history of lead poisoned children, the presence of lead-based paint hazards, or other reports of deferred maintenance or poor management (which are often indicators of lead hazards). Compliance inspections are also conducted in response to tips and complaints and are coordinated with local housing, health and law enforcement agencies, which is also staff-intensive but necessary. With the requested increase in staffing the Office of Healthy Homes and Lead-Hazard Control will be able to conduct more compliance inspections.

CONTRACTS

The table below identified contract requirements unique to this activity.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
General Support	$12	$25	$25	....
Total	$12	$25	$25	....

The fiscal year 2003 request of $25 thousand is the same as the fiscal year 2002 enacted estimate. These funds will be used to continue lead enforcement activities as a result of the Department's Disclosure Rule. This often includes paying for the taking of depositions, court costs, renting of reproduction equipment and copying of legal documents.

Detail of Office of Healthy Homes and Lead Hazard Control Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Headquarters Employment									
Office of the Director									
Provide Office Direction					4.0				4.0
Subtotal					**10.0**				**10.0**
Administrative and Information Services Division									
Manage Grant Obligations	Number of Active Grants		180	80.82	7.0		180	80.82	7.0
Subtotal					**7.0**				**7.0**
Program Management Division									
Manage Lead Hazard Control Program	Number of Active Grants		271	208.00	9.0	118	208	208.00	9.0
Subtotal					**9.0**				**9.0**
Planning and Standards Division									
Develop Program Policy for Healthy Homes and Lead Hazard Control	Level of Effort				5.4				5.3
Manage Grants/Coperative Agreement Program for Healthy Homes and Lead Hazard Research and Education	Number of Active Grants/Cooperative Agreements		39	421.33	5.6		28	421.33	5.7
Subtotal					**11.0**				**11.0**
Field Employment									

Detail of Office of Healthy Homes and Lead Hazard Control Staff Requirements

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarter Employment			
Office of the Director	10.0	10.0	0.0
Administrative and Information Services Division	7.0	7.0	0.0
Program Management Division	9.0	9.0	0.0
Planning and Standards Division	11.0	11.0	0.0
Total	**37.0**	**37.0**	**0.0**
Field Employment			
			0.0
			0.0
Total	**0.0**	**0.0**	**0.0**

Detail of Office of Healthy Homes and Lead Hazard Control Staff Requirements

	FTE			
	Actual 2001	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	22.0	37.0	37.0	0.0
Field	0.0	0.0	0.0	0.0
Total	22.0	37.0	37.0	0.0

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Office of Healthy Homes and Lead Hazard Control

HEADQUARTER EMPLOYMENT

EXPLANATION OF CHANGES FROM 2001 ESTIMATE TO 2002 ESTIMATE

The fiscal year 2002 current estimate requests a staffing level of 37 FTEs, an increase of 3 over the fiscal year 2001 REAP study recommended staffing level of 34. The REAP study did not capture the 4 FTEs located in the immediate Office of the Director, the enforcement activities or the new Operation LEAP Imitative making their recommendation of 34 FTEs inadequate to successfully manage the goals and programs of this office. Backing out the 4 FTEs that currently exist, but were not counted in REAP, in the Immediate Office of the Director the fiscal year 2002 request is for 3 additional FTES.

The Office of Healthy Homes and Lead Hazard Control, with the close assistance of the Office of General Counsel, has enforced the lead-based paint disclosure regulation, which took effect in 1996. This regulation covers virtually all housing built before 1978, when lead-based paint was banned for residential use. A separate regulation covers all federally assisted housing and took effect in September 2000.

To date, enforcement of the lead paint disclosure regulation has been carried out by FTE in the lead paint office and another FTE in OGC, with significant additional time investment from senior management in both offices.

With this staffing level, approximately 15 major cases covering about 27,000 units have been completed over the past year (completion means filing of a consent decree in a U.S district court, resolution or settlement of an administrative case, or ruling by an administrative law judge).

Current staffing levels have permitted the Department to conduct compliance inspections in only a handful of cities (Washington DC, Chicago, New York City, and Los Angeles). When we developed our enforcement protocol, we identified the 25 cities with the largest number of dilapidated pre-1940 rental housing stock where childhood lead poisoning rates are known to be highest using data from the Centers for Disease Control and the American Housing Survey. Compliance inspections are targeted to the largest housing developments with a history of lead poisoned children, the presence of lead-based paint hazards, or other reports of deferred maintenance or poor management (which are often indicators of lead hazards). Compliance inspections are also conducted in response to tips and complaints and are coordinated with local housing, health and law enforcement agencies, which is also staff-intensive but necessary.

No FTE's are currently assigned to conduct monitoring of consent decrees for compliance. As more cases are completed, monitoring a sample of consent decrees will become necessary.

Currently, there are 101 cases backlogged that require further investigation or development. Based on past experience, we estimate that on average 15 cases can be completed by one investigator FTE in the Lead Paint Office each year. The past year has resulted in 15 completed cases, plus 101 backlogged cases, which would require 7.7 FTE's to process (116/15=7.7). If one assumes a constant rate of growth, the coming year will yield another 115 cases. Reducing the backlog to permit a timely investigation of complaints received from the public, as well as conduct targeted inspections would therefore require an additional 15 FTEs (7.7 x 2 = 15), assuming no increases in efficiency (see below for recommended staffing level).

The number of cases processed per FTE can be expected to increase as the Department gains more experience and efficiency in enforcing its lead-based paint regulations. On the other hand, the need for FTE's to enforce the lead-based paint regulation in federally assisted housing can be expected to increase in the next 2 years. The Department has been engaged in a massive training effort and compliance assistance to enable jurisdictions to implement this regulation, but has not yet brought any enforcement cases for this regulation.

Expected workload increases for fiscal year 2003 associated with the regulation for Federally assisted housing taking effect through fiscal year 2002 are difficult to quantify at this time. Therefore, this request focuses on the immediate need to reduce the backlog of lead-based paint disclosure cases and to meet the near-term need brought by new disclosure cases, using validated workload estimates based on this past year's experience and expected increases in efficiency.

Analysis of these concerns supports an increase of about 10 FTE's for enforcement activities in the Office of Healthy Homes and Lead Hazard Control, with this increase in staffing, efficiencies in processing and investigating these cases will improve dramatically.

EXPLANATION OF CHANGES FROM 2002 CURRENT ESTIMATE TO 2003 ESTIMATE

The Department's strategy to make homes lead-safe should emphasize grants to local governments, leveraged private financing, public education, and integration of lead hazard control into normal housing finance, maintenance and rehabilitation operations to eliminate childhood lead poisoning. Part of the Department's lead poisoning prevention strategy should also include adequate staffing.

The Office of Healthy Homes and Lead Hazard Control is requesting a staffing level of 37 FTEs in fiscal year 2003 which is the same as the fiscal year 2002 allocation.

FIELD EMPLOYMENT

EXPLANATION OF CHANGES FROM 2002 BUDGET ESTIMATE TO 2003 ESTIMATE

The Office of Healthy Homes and Lead Hazard Control does not have a field component.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

This section provides a consolidated justification for all Salaries and Expenses funds of the Department. Pursuant to 12 U.S.C.701(c)(3), the Secretary is authorized to consolidate all operating expenses into a single account to simplify day-to-day financial operations and provide some measure of flexibility in the use of personnel to carry out the wide variety of Departmental programs. This also permits simplification of personnel, payroll, management, and accounting procedures.

APPROPRIATION HIGHLIGHTS

The following table summarizes the funding sources and staffing included in this request.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Budget Authority				
From Appropriation Bill:				
Salaries and Expenses, HUD	$542,072	$556,067	$509,529	-$46,538
Transfer from FHA Fund	$516,860	$530,457	$548,203	+$17,746
Transfer from GNMA	$9,362	$9,383	$10,343	+$960
Community Planning Development (Sec. 108)	$998	$1,000	$1,000	...
Title VI Indian Federal Guarantees Program Account	$150	$150	$150	...
Indian Housing Loan Guarantee Fund Program Account	$200	$200	$200	...
Native Hawaiian Housing Loan Guarantee Fund	...	$35	$35	...
Legislative Proposals	...	...	$50,642	+$50,642
GSA Reimbursable Services	...	...	$769	+$769
Subtotal	$1,069,642	$1,097,292	$1,120,871	+$23,579
Other Transfers:				
Transfer from Revolving Fund for Liquidating Programs	$1,000	$300	$100	-$200
Interstate Land Sales Registration Fees	$350	$350	$350	...
Manufactured Housing Fees	$839	$850	$850	...
Community Development Grants	$34	$34	$34	...
PIH Technical Assistance Travel	$2,500	$3,900	...	-$3,900
Non-expenditure Transfer to GSA	-$309	-$309	-$309	...
Subtotal	$4,414	$5,125	$1,025	-$4,100
Subtotal	$1,074,056	$1,102,417	$1,121,896	+$19,479
Outlays (net)	$553,000	$556,000	$544,000	-$12,000
FTE				
Headquarters	3,173	3,469	3,469	...
Field	5,753	5,631	5,631	...
Subtotal	8,926	9,100	9,100	...

a/ Non-expenditure transfer to GSA is HUD's share of funding to pay for Governmentwide council activities.

Salaries and Expenses, Housing and Urban Development

SUMMARY OF BUDGET REQUEST

For fiscal year 2003, the requested appropriation is $1,120,871 thousand, which consists of $536,893 thousand in budget authority (including $26,594 thousand for proposed legacy costs and $769 thousand for General Services Administration (GSA) reimbursable services), and transfers of $571,779 thousand from various FHA accounts (including $23,377 thousand for proposed legacy costs), $10,761 thousand from Ginnie Mae (including $418 thousand for proposed legacy costs), $1,040 thousand from Community Planning and Development in administrative funds (Section 108) (including $40 thousand for proposed legacy costs), $156 thousand from Title VI Indian Federal Guarantees Program Account (including $6 thousand for proposed legacy costs), $207 thousand from Indian Home Loan Guarantee Fund Program Account (including $7 thousand for proposed legacy costs), and $35 thousand from Public and Indian Housing's Native Hawaiian Loan Guarantee Program Account. Including reimbursements, fees and other sources, it is estimated that total obligations for "Salaries and Expenses" will be $1,121,896 thousand. These funds will support 9,100 full-time equivalent staff.

The President's 2003 Budget corrects a long-standing understatement of the true cost of the Civil Service Retirement System (CSRS) and the Federal Health Benefits Program (FEHB). For some time, the accruing charge of CSRS and all retiree health benefits has been charged to central accounts. Beginning in fiscal year 2003, the Department's request reflects the shifting of these costs from central accounts to Salaries and Expenses, HUD. These CSRS costs are for current CSRS employees and the FEHB costs are for all post-retirement employees. The Department's total fiscal year 2003 request for funds associated with legacy costs is $23,781 thousand for CSRS and $26,861 thousand for FEHB. For comparability purposes, estimates for fiscal years 2001 and 2002 for CSRS are $27,330 thousand and $25,663 thousand, respectively, and for FEHB, $23,458 thousand and $25,101 thousand, respectively. In addition to funding for baseline operational costs adjusted for inflation, this request includes funding for the proposed legislation, as well as $769 thousand for GSA reimbursable services.

The fiscal year 2003 Budget request of $1,120,871 thousand represents the Department's required funding level to more effectively promote homeownership for Americans free from discrimination, revitalize communities, strengthen economic opportunities and restore public trust throughout the United States. It also supports the President's Management Agenda in the areas of investment and strategic management of human capital, addressing material weaknesses, and increasing homeownership. This funding level will enable the Department to execute programs and services outlined in the Annual Performance Plan.

This request also includes the continuation of approximately $3 million in funding for the new Center for Faith-Based and Community Initiatives (CFBCI) which was established by Executive Order 13198 on January 29, 2001. The purpose of CFBCI is to coordinate the Department's efforts to eliminate regulatory, contracting, and other programmatic obstacles to the participation of faith-based and other community organizations in the provision of social services. Further, CFBCI will play a key role in facilitating intra-Departmental and inter-Agency cooperation concerning the needs of faith-based and community organizations.

The increase in this justification includes personal services funding for the anticipated January 2003 pay raise, time in grade with-in-grade increases, promotions, and increased benefits costs, which includes funding for the above-mentioned legacy costs. Additional funding is being requested for travel ($5.9 million) and other services ($2.7 million) associated with technical assistance, which in the past was funded in program accounts. An increase is also being requested for rent, communications and utilities based on inflationary adjustments. All other objects of expenses remain level with 2002 estimates.

Salaries and Expenses, Housing and Urban Development

ESTIMATED OBLIGATIONS

The table below displays total obligations by object class and is followed by discussions of the estimates.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Personal Services	$740,765	$798,727	$830,693	+$31,966
Legislative Proposals:				
Full Cost Active CSRS Emp.	$0	$0	$23,781	+$23,781
Full Cost Health Benefits	$0	$0	$26,861	+$26,861
Travel and Transportation Of Persons	$18,172	$19,608	$25,508	+$5,900
Transportation Of Things	$523	$370	$370	...
Rent, Communications, and Utilities	$120,469	$119,427	$125,529	+$6,102
Printing and Reproduction	$4,750	$4,644	$4,644	...
Other Services	$171,448	$148,838	$77,807	-$71,031
Supplies and Materials	$5,721	$4,932	$4,932	...
Furniture and Equipment	$5,994	$582	$582	...
Insurance Claims and Indemnities	$1,305	$164	$164	...
Total Obligations	$1,069,147	$1,097,292	$1,120,871	+$23,579

NOTE: Estimated obligations excludes "other transfers."

ANALYSIS OF INCREASES AND DECREASES:

	2001 VS 2002	2002 VS 2003
	(Dollars in Thousands)	
Prior year obligations	$1,069,147	$1,097,292
Increase to personal servicses	57,962	82,608
Legacy Costs	0	[50,642]
Increase to travel and transportation of persons	1,436	5,900
Decrease to rent, communications and utilities	-1,042	6,102
Decrease to other services	-22,610	-71,031
Decrease to furniture and equipment	-5,412	0
Decrease to claims and indemnities	-1,141	0
All other changes	-1,048	0
Total Obligations	$1,097,292	$1,120,871

EXPLANATION OF INCREASES AND DECREASES:

Personal services costs increased by $57,962 thousand in 2002 and by $82,608 thousand in 2003. The changes are due to the following:

-- changes to the average employment level result in an estimated increase of $14,181 thousand in 2002 and no anticipated increase to employment levels in 2003;

-- the 4.6 percent pay raise which became effective during January 2002 is estimated to require an increment of $25,587 thousand during 2002 and a further increase of $8,529 thousand during 2003;

-- the proposed pay raise of 2.6 percent which would become effective in January 2003 is expected to cost $15,261 thousand during 2003;

-- other changes in average FTE costs, such as within-grade increases and promotions, would result in an increase of $14,282 thousand in 2002 and a further increase of $8,176 thousand in 2003. The lower increase in 2003 reflects the Department's efforts to reduce the average cost per FTE. More specifically, hiring actions will be focused on bringing lower graded staff into the Department through intern programs and backfilling positions at lower grades.

-- increased costs for benefits such as transit subsidy, child subsidy and relocation costs are expected to increase by $3,912 thousand in 2002 and remain level in 2003; and

-- proposed legislative changes in 2003 to affected salary and expense accounts to reflect the full cost of accruing benefits for current employees under the Civil Service Retirement System is estimated to require an additional $23,781 thousand, and the accruing cost for post-retirement health care benefits for all employees is estimated to require an additional $26,861 thousand;

Support costs have net decreases of $29,817 thousand in 2002 and $59,029 thousand in 2003. The changes are due to the following:

-- travel requirements associated with a higher staff level in 2002, as well as increased monitoring and oversight of field activities and staff training, result in the need for a travel funding increase of $1,436 thousand in 2002, and the decision to request technical assistance travel in the salaries and expenses account rather than the program accounts results in a further increase of $5,900 thousand in 2003;

-- miscellaneous equipment rental costs are expected to decrease $1,042 thousand in 2002, and inflationary adjustments for postal services, other communication costs, and the payment to the General Services Administration (GSA) for space rental costs result in an increase $6,102 thousand in 2003;

-- a decrease of $22,610 thousand in 2002 is due principally to the reduced level required for ADP services as well as one-time contractual agreements entered into in 2001. The further decrease of $71,031 thousand in 2003 is the net result of the decision to request funding the Department's Working Capital Fund (WCF) in major part by direct appropriation, reducing the portion funded by the salaries and expenses account by $74,500 thousand, partially offset by the decision to request $2,700 thousand in technical assistance training dollars in the salaries and expenses account rather than the program accounts, and $769 thousand for GSA reimbursable services.

-- a decrease of $5,412 thousand in 2002 for furniture and equipment purchases reflects a reduced requirement due to purchases made in 2001. No change to the 2002 level is anticipated for 2003.

-- a decrease of $1,141 thousand in 2002 for insurance claims and indemnities reflects large payments in 2001 which are not anticipated for 2002 or 2003; and

-- a net decrease of $1,048 thousand in 2002 for all other items such as transportation of things, printing, supplies, and other requirements which are included in this account. No additional funding is being requested for these items for 2003.

EXPLANATION OF CHANGES IN 2003 VS. 2002

1. Personal Services. Personal services costs include all salaries and personnel benefits which are paid by the Department. These include health and life insurance, the Government's contribution to employee retirement plans, accrued leave, and reimbursement for costs incurred during transfers, as well as salary and overtime payments and payments made to the Employees' Compensation Fund (ECF) for the medical support of former employees who have job-related medical problems.

Personal services costs also include payments to or for former personnel, including payments to the Federal Employee Compensation Account (FECA), which is a vehicle for reimbursing the various States for unemployment compensation payments made to former HUD employees. The FECA program is administered by the Department of Labor. In addition, severance pay for employees who have been involuntarily separated is directly provided to eligible former employees.

The fiscal year 2003 estimate is $881,335 thousand and will fund approximately 9,100 FTE. This level of funding reflects an increase of $82,608 thousand and will cover an anticipated 2.6% pay raise in January 2003, the full-cost of accruing benefits for current employees under the Civil Service Retirement System, post-retirement costs for health care benefits for all employees, increases to the average cost per FTE, within-grade increases, benefits, terminal leave payments, transit subsidy, and relocation costs.

An increase of $23,781 thousand is due to the proposed legislation requiring each agency to pay the full-cost of retirement for their active Civil Service Retirement System (CSRS) employees. Basically, this reflects an increase from 7 percent to an average of 17.4 percent for the Department's share of the retirement benefit costs for active CSRS employees. In the last

quarter of fiscal year 2001, active CSRS employees made up 48.4 percent of the Department's permanent staff. It is anticipated that a minimal number of CSRS staff will be among the new external staff hired to reach the requested fiscal year 2003 staffing level of 9,100 FTE.

An increase of $26,861 thousand is due to the proposed legislation requiring each agency to pay the full-cost of post-retirement health benefits for all employees. The estimated additional cost was calculated using factors established by the Office of Management and Budget. The additional cost assumes an additional $3,434 for each of the 9,100 FTE requested for fiscal year 2003.

2. Travel and Transportation of Persons. This category represents the transportation of Government employees and/or other persons who travel under the auspices of the Federal Government, their per diem allowances when in authorized travel status, and other expenses incidental to travel which are paid by the Government directly or by reimbursing the traveler. It consists of travel both away from the official duty station and in and around the official station of an employee.

The fiscal year 2003 estimate is $25,508 thousand and reflects an increase of $5,900 thousand over the 2002 current estimate. The increase is due principally to the decision to fund technical assistance travel with S&E funds rather than program funds, which has been the case in the past. This additional funding will support increased travel due to the expected increase in the number of troubled public housing agencies, essential site visits to severely distressed public housing (HOPE VI), and travel associated with the Indian Housing Block Grants program. This request will also cover anticipated higher costs due to inflation. Travel supported by this request includes program and function activities, such as monitoring and inspecting, and training travel.

3. Transportation of Things. This classification consists of charges for the transportation of things and the care of such things while in the process of being transported. It includes rental trucks and other transportation equipment, and reimbursement to Government personnel for authorized movement of household effects or house trailers.

The fiscal year 2003 estimate is $370 thousand, which is level with the 2002 estimate.

4. Rent, Communications, and Utilities. The funds under this object classification provide for all rental costs—both space and equipment—communication services, and utilities. The major cost associated with this object class is real property rental. The General Services Administration (GSA) establishes rental rates and provides cost estimates for the space requirements identified by the Department.

The fiscal year 2003 estimate is $125,529 thousand, which is $6,102 thousand over the 2002 estimate, and principally reflects an increase in the rental payment to the GSA based on GSA adjusted rental rates and inflationary adjustments for postal services and other communications. This estimate includes anticipated savings in space allocation achieved through office consolidations.

5. Printing. The funds included under this object class represent the cost of contractual printing and reproduction services, and related composition and binding operations performed by or through the Government Printing Office (GPO).

The fiscal year 2003 estimate is $4,644 thousand, which is level with the fiscal year 2002 estimate.

6. Other Services. This object class encompasses a wide array of services that are not captured in the other object classes. The types of services included are training; storage of household goods; data processing services; contracts such as data and statistical collection and analysis, management studies, technical, and public information services; and other services such as health services, library services, stenographic services, visual art services, etc. This budget request proposes new and increased contractual activity in support of the President's Management Agenda as discussed below.

The fiscal year 2003 estimate of $77,807 thousand is a decrease of $71,031 thousand to the fiscal year 2002 estimate. This object class includes automated data processing (ADP) at $10,500 thousand and all other services, including contracts at $67,307 thousand.

A decrease of $74,500 thousand, from $85,000 thousand to $10,500 thousand, is being proposed for ADP Services and reflects the decision to request a direct appropriation for approximately three quarters of the total funding of the Department's Working Capital Fund, with the remaining requirement consisting of transfers from program accounts. The direct appropriation amount will cover normal operations such as infrastructure and maintenance costs for the Department, and the program specific funding will continue to be requested and justified by the various elements and be shown under their appropriations. Program transfers will be principally for new systems development. The Department will continue to actively invest in information technology and expand use of electronic communications with clients and business partners. The proposed decrease in 2003 is partially offset by an increase of $2,700 thousand for technical assistance training funds which were previously requested in the program accounts, and $769 thousand for GSA reimbursable services. Following are some examples of the type and purpose of work being proposed for outsourcing in 2003, which support the President's Management Agenda:

Community and Faith-Based Initiatives -- contractual support to expand outreach efforts conducted by the new Faith-Based and Community Initiatives Program established during fiscal year 2001. Plans are to annually conduct several inter-agency summits to increase diversity among faith-based and community groups;

Investment in Human Capital -- plans include increased training enrollments, an IAA with the Department of Transportation for HUD's new Virtual University, the determination of HUD's Core Competency Initiatives for development of a Workforce Planning Strategy, Quality Assurance Needs Assessment Studies, a Tuition Reimbursement program, as well as, maintain the Upward Mobility Program, supervisory/management development training, professional skills development and career counseling activities. Also, beginning in fiscal year 2003, the HUD Training Academy will train HUD staff on cultural awareness and government contracting pertaining to the Indian Housing Block Grants Program. In prior years, this type of training was paid with program technical assistance funds. In addition, the Department will continue to provide technologically advanced training through distance learning and video conferencing systems.

Strategic Management of Human Capital - management studies to support implementation of the Department's Resource Estimation and Allocation Process (REAP) and its associat : FTE verification component known as the Total Estimation Allocation Mechanism (TEAM), business process reengineering studies, and support to update policies and procedures;

Addressing Material Weaknesses - entering into an interagency agreement for preparing the Single Audit Clearinghouse Report and for Audit Services;

Increased Homeownership - provide technical assistance to HUD program recipients with disabilities through seminars, Internet, mailings, etc. and increase support for fair housing enforcement with regards to accessibility requirements, as well as public information services for further education and outreach to Limited English Proficiency (LEP) persons to increase awareness of federally conducted programs and provide Title VI policy guidance to LEP advocates and communities.

7. Supplies and Materials. This object class identifies charges for commodities, whether acquired by formal contract or other form of purchase, that are ordinarily consumed or expended within 1 year after they are put into use, converted in the process of construction or manufacture, or used to form a minor part of equipment or fixed property.

The fiscal year 2003 estimate of $4,932 thousand is level with the 2002 estimate.

8. Equipment. This object classification is used to support the purchase of various types of equipment. Equipment purchases may include, but are not limited to, office furniture and fixtures, office equipment, such as typewriters, quick copy machines and calculators; equipment to deliver in-house training and books.

The fiscal year 2003 estimate of $582 thousand level with the 2002 estimate. The reduction in 2002 reflects accomplishments realized in 2001 through installation of systems furniture throughout the Department.

9. Insurance Claims and Indemnities. This object provides for the Federal Government's self insurance costs including court ordered payments. Historically, it is difficult to project these types of claims. In recent years average claims have ranged between $100 thousand and $500 thousand. The fiscal year 2003 estimate is $164 thousand which is level with the 2002 estimate.

Salaries and Expenses, Housing and Urban Development

ESTIMATED OBLIGATIONS AND FULL-TIME EQUIVALENT SUMMARY

PERSONAL SERVICES AND FULL-TIME EQUIVALENTS (FTE)

ACTIVITY	Fiscal Year 2001		Fiscal Year 2002		Fiscal Year 2003	
	$ in 000's	FTE	$ in 000's	FTE	$ in 000's	FTE
Housing						
Headquarters	$63,653	711	$74,484	787	$83,092	787
Field	196,658	2,550	211,158	2,590	235,561	2,590
Subtotal	260,311	3,261	285,642	3,377	318,653	3,377
Government National Mortgage Assn.						
Headquarters	6,364	66	6,932	68	7,733	68
Public and Indian Housing						
Headquarters	68,446	761	77,968	820	86,979	820
Field	59,422	726	68,875	796	76,835	796
Subtotal	127,868	1,487	146,843	1,616	163,814	1,616
Community Planning and Development						
Headquarters	22,111	233	20,365	203	22,719	203
Field	44,020	551	50,843	602	56,719	602
Subtotal	66,131	784	71,208	805	79,438	805
Fair Housing and Equal Opportunity						
Headquarters	14,157	157	14,871	156	16,590	156
Field	37,419	478	40,302	487	44,960	487
Subtotal	51,576	635	55,173	643	61,550	643
Policy Development and Research						
Headquarters	11,156	112	12,109	115	13,508	115
Field	3,847	40	3,762	37	4,197	37
Subtotal	15,003	152	15,871	152	17,705	152
Departmental Management						
Headquarters	13,592	146	18,109	184	20,202	184
Healthy Homes & Lead Hazard Control						
Headquarters	2,168	22	3,855	37	4,301	37
Chief Financial Officer						
Headquarters	11,742	147	14,862	176	15,711	176
Field	4,624	62	4,652	59	5,190	59
Subtotal	16,366	209	19,514	235	20,901	235
General Counsel						
Headquarters	36,911	392	43,002	432	47,972	432
Field	21,458	230	24,657	250	27,507	250
Subtotal	58,369	622	67,659	682	75,479	682

Salaries and Expenses, Housing and Urban Development

PERSONAL SERVICES AND FULL-TIME EQUIVALENTS (FTE)

(Dollars in Thousands)

	Fiscal Year 2001		Fiscal Year 2002		Fiscal Year 2003	
		FTE		FTE		FTE
Administration						
Headquarters	32,361	425	31,371	390	32,878	390
Field	18,450	259	23,872	317	26,631	317
Subtotal	50,811	684	55,243	707	59,509	707
Field Policy and Management						
Headquarters	0	0	2,512	23	2,802	23
Field	72,110	857	43,334	493	48,342	493
Subtotal	72,110	857	45,846	516	50,509	516
Faith Based & Community Development Initiatives						
Headquarters	96	1	812	8	906	8
Intern Programs	0	0	6,020	70	6,879	70
Summary						
Headquarters	282,757	3,173	327,272	3,469	355,393	3,469
Field	458,008	5,753	471,455	5,631	525,942	5,631
Total	740,765	8,926	798,727	9,100	881,335	9,100

NOTE: In the above table, personal services for each program includes a prorated share of centrally funded costs such as the Federal Employee Compensation Act payment (Workers' Compensation), Change of Station, Transit Subsidy, Unemployment, and in 2003, legacy costs for active Civil Service Retirement System employees and post-retirement health care benefits for all employees.

CHANGES 2001 TO 2002

Changes from the 2001 actual to the 2002 enacted reflects an increase of $57,962 thousand and 174 FTE. The additional funding is required as follows:

$14,181 thousand for additional FTE;
25,587 thousand for the January 2002 pay raise;
14,282 thousand for changes to average FTE costs due principally to within-grade increases, promotions and increased health benefit costs; and
3,912 thousand for benefits such as transit subsidy, child subsidy, and change of station costs.

The additional 174 FTE will be distributed throughout the Department in accordance with the newly implemented Resource Estimated Allocation Process (REAP) discussed in more detail elsewhere in these justifications.

CHANGES 2002 to 2003

Changes from the 2002 enacted level to the 2003 request reflects an increase of $82,608 thousand. The additional funding is required as follows:

8,529 thousand for the January 2002 pay raise;
15,261 thousand for the January 2003 pay raise;
8,176 thousand for changes to average FTE costs due principally to within-grade increases and promotions;
23,781 thousand for the full cost of accruing benefits for current employees under the Civil Service Retirement System; and
26,861 thousand for the accruing cost for post-retirement health care benefits for all employees.

Salaries and Expenses, Housing and Urban Development

DISTRIBUTION OF STAFF BY GRADE LEVEL

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 VS 2002
Executive Level I	1	1	1	0
Executive Level II	2	2	2	0
Executive Level III	0	0	0	0
Executive Level IV	6	11	11	0
Executive Level I	0	0	0	0
Subtotal	9	14	14	0
ES-6	10	10	10	0
ES-5	14	17	17	0
ES-4	17	15	15	0
ES-3	7	8	8	0
ES-2	14	16	16	0
ES-1	18	37	37	0
Subtotal	80	103	103	0
GS/GM-15	838	848	831	-17
GS/GM-14	1,200	1,213	1,189	-24
GS/GM-13	2,218	2,207	2,185	-22
GS-12	2,386	2,387	2,402	15
GS-11	473	489	505	16
GS-10	57	66	66	0
GS-9	401	461	477	16
GS-8	89	86	86	0
GS-7	829	867	883	16
GS-6	101	105	105	0
GS-5	100	116	116	0
GS-4	172	174	174	0
GS-3	21	19	19	0
GS-2	34	28	28	0
GS-1	5	2	2	0
Subtotal	8,924	9,068	9,068	0
Total	9,011	9,185	9,185	0
Average GS/GM Grade	11	11	11	0

Salaries and Expenses, Housing and Urban Development

ANNUAL PERFORMANCE PLAN FTE SUMMARY

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 1: Make the home-buying process less complicated, the paperwork less demanding and the mortgage process less expensive.			
FTE			
Headquarters	13	23	23
Field	50	50	50
Subtotal	63	73	73
Strategic Goal 2: Help families move from rental housing to homeownership.			
FTE			
Headquarters	272	321	321
Field	1,386	1,496	1,496
Subtotal	1,658	1,817	1,817
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
FTE			
Headquarters	953	987	979
Field	1,390	1,418	1,412
Subtotal	2,343	2,405	2,391
Strategic Goal 4: Strengthen and expand faith-based and community partnerships that enhance communities.			
FTE			
Headquarters	6	14	20
Field	55	56	56
Subtotal	61	70	76
Strategic Goal 5: Effectively address the challenge of homelessness.			
FTE			
Headquarters	39	36	36
Field	115	122	122
Subtotal	154	158	158
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
FTE			
Headquarters	1,568	1,762	1,761
Field	1,753	1,456	1,457
Subtotal	3,321	3,218	3,218
Strategic Objective 6.1: Improve HUD's management and internal controls, including FHA's financial management and resolve audit issues.			
The Resource Estimation and Allocation Process wil be fully implemented and will establish a baseline for managing resource requirements and	Achieved	Implemented	Implemented

Salaries and Expenses, Housing and Urban Development

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
prioritizing staffing allocations by program and office.			
HUD will continue implementing its five-year plan to reduce the numbers of managers and supervisors and organizational layers in the Department.	NA	To be Determined	To be Determined
HUD will pursue training and development and recruitment strategies designed to ensure that critical positions are filled.	NA	To be Determined	To be Determined
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			
Indicator: HUD employees become more satisfied with the Department's performance and work environment.	NA	To be Determined	To be Determined
Strategic Goal 7: Ensure equal opportunity and access to housing.			
FTE			
Headquarters	188	192	194
Field	660	671	677
Subtotal	848	863	871
Strategic Goal 8: Support community and economic development efforts.			
FTE			
Headquarters	134	134	135
Field	344	362	361
Subtotal	478	496	496
Total FTE, S&E			
Headquarters	3,173	3,469	3,469
Field	5,753	5,631	5,631
FTE Total	8,926	9,100	9,100

NA = Not Applicable

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WORKING CAPITAL FUND

For additional capital, the Working Capital Fund (42 U.S.C) was established pursuant to section 7 for the development of, modifications to, and infrastructure for Departmentwide information technology systems, and for the continuing operation of both Departmentwide and program-specific information systems.

Appropriation Highlights

The following table summarizes the funding sources for the proposed new account structure.

	ACTUAL 2001 a/	ENACTED 2002 a/	ESTIMATE 2003	INCREASE + DECREASE - 2002 VS 2003
		(Dollars in Thousands)		
Budget Authority				
From Appropriation Bill				
Direct Appropriation	. . .	. . .	$276,300	$276,300
Leg. Proposal (CSRS/FEHB)	. . .	. . .	2,437	2,437
Subtotal	. . .	. . .	278,737	278,737
Reimbursable Authority				
Transfer from Housing Certificate Fund	. . .	$13,400	$3,000	-$10,400
Transfer from Public Housing Capital Fund	. . .	52,700	18,600	-34,100
Transfer from Native American Housing Block Grants	. . .	3,000	600	-2,400
Transfer from Community Development Fund	. . .	13,800	3,400	-10,400
Transfer from HOME Investment Partnership Program	. . .	17,000	1,100	-15,900
Transfer from Homeless Assistance Grants	. . .	5,600	1,500	-4,100
Transfer from Housing for Special Populations	. . .	1,200	500	-700
Transfer from FHA MMI	. . .	118,400	21,360	-97,040
Transfer from FHA GI/SRI	. . .	41,000	14,240	-26,760
Transfer from Salaries and Expenses	. . .	85,000	10,500	-74,500
Transfer from the Office of Inspector General	. . .	. . .	300	300
Interagency Agreements	. . .	306	306	. . .
Subtotal Transfers	. . .	351,406	75,406	-276,000
Total	. . .	351,406	354,143	2,737

a/ Please reference the budget table on page two for fiscal year 2001. Fiscal year 2002 is shown for comparison purposes.

Working Capital Fund

CURRENT ACCOUNT STRUCTURE

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003 a/	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Reimbursement Authority				
Departmental Accounts				
Salaries and Expenses	$102,937	$85,000	...	-$85,000
Inspector General	$932	...	...	...
Subtotal	$103,869	$85,000	...	-$85,000
Program Accounts				
FHA Fund	$129,714	$159,400	...	...
Comm. Planning & Develop.	$39,554	$36,400	...	-$36,400
Public and Indian Housing	$50,725	$55,700	...	-$55,700
Other Program Accounts	...	...	...	...
Interagency Services	$306	$306	...	-$306
Section 8 Program	$10,976	$13,400	...	-$13,400
Section 202/811 Program	$998	$1,200	...	-$1,200
Transfer to CIO Council	-$191	...	...	...
Subtotal	$335,951	$351,406	...	-$192,006
Unobligated Balances (rounded)				
Unobligated Balance: SOY	$24,803	$23,772	...	-$23,772
New Budget Authority	$336,142	$351,406	...	-$351,406
Recovery: Prior Year Obl	$2,488	$2,000	...	-$2,000
New Obligations	-$339,661	-$376,200	...	+$376,200
Subtotal	$23,772	$978	...	-$978

a/ The table on page one reflects the new account structure for fiscal year 2003.

OBLIGATIONS BY OBJECT CLASS

The following table shows estimated obligations for fiscal years 2001 through 2003 for the Working Capital Fund by object class:

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Personal Services	$30,826	$36,000	$40,437	+$4,437
Travel and Transportation Of Persons	$441	$1,500	$1,500	...
Transportation Of Things	$150	$0	$0	...
Rent, Communications, and Utilities	$35,455	$40,000	$40,000	...
Printing and Reproduction	$17	$0	$0	...
Other Services	$223,309	$262,900	$236,366	-$26,534
Supplies and Materials	$469	$800	$840	+$40
Furniture and Equipment	$48,994	$35,000	$35,000	...
Total Obligations	$339,661	$376,200	$354,143	-$22,057

Working Capital Fund

STAFFING

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
Full-Time Equivalents.....	354	380	380	. . .

SUMMARY OF BUDGET REQUEST

The fiscal year 2003 Working Capital Fund (WCF) request for the Department of Housing and Urban Development (HUD) is approximately $354,000,000; comprised of $279 million in new budget authority and $75 million in reimbursable authority transfers from HUD program areas. This is no increase over the fiscal year 2002 WCF funding level, after removal of prior-year carryover funds.

HUD continues to create innovative partnerships and focus on value-added, integrated solutions. As the expectations of business partners and citizens who look to HUD for vital services rise, HUD is aligning itself to meet and exceed their needs. To this end, HUD has positioned itself on the forefront of e-Government, becoming a knowledge-driven leader. HUD is also providing support, training, and adaptive computer equipment as necessary to ensure access to HUD's systems by the disabled.

HUD also continues to stress the importance of enterprise initiatives that eliminate duplication, assist in streamlining, and reduce paperwork. Enterprise initiatives also assist the Department in complying with the Clinger-Cohen Act. At the same time, HUD continues to aggressively control spending on the maintenance of systems and infrastructure, curtailing additional investments in obsolete or redundant systems and making strategic investments in new technology. It is the continuation of this leadership upon which HUD's fiscal year 2003 Information Technology (IT) goals and objectives are based. Accomplishing this, however, requires extensive planning, a strong IT portfolio investment and control process that emphasizes performance measurement, an enterprise architecture (EA) to provide strategic direction, and adequate funding.

HUD has a firmly established IT investment management (ITIM) process that continues to evolve, adapt, and mature based on emergent requirements and lessons learned. HUD has implemented quarterly portfolio control reviews that focus on cost, schedule, and performance. In fiscal year 2003, HUD will conduct numerous post implementation evaluation reviews for IT investments in accordance with the ITIM process. HUD also continues to improve the dynamic tool developed for the storage and analysis of enterprise architecture information and will soon establish a complete target architecture that will require continued governance and maintenance. The continuation of these efforts is crucial for ensuring that funding is leveraged to produce IT projects on time, on cost, and at the expected technical performance level. The EA will be used to identify opportunities, uncover gaps, and ensure that investment decisions are aligned to properly support business needs.

HUD is continuing strategic investment in the modernization of its information technology infrastructure and systems. At the same time, until new development is complete and modern systems are operational, there is a continuing demand to maintain certain legacy systems.

The process for transitioning the IT policy and planning functions at HUD to align with the Department's IT applications, systems, and infrastructure resources is nearly complete. The new Office of Chief Information Officer (OCIO) organization at HUD better reflects the needs for greater accountability, a more accessible organization, and a smarter, more efficient operation. HUD is focusing on its core businesses, and utilizing and aligning IT to meet business needs.

IT INVESTMENTS

A. Infrastructure

HUD continues to upgrade its IT infrastructure by investing in modern high technology equipment. Such investments include enterprise servers, network servers, routers, frame-relays, proxy servers, file servers, printers, notebooks, and workstations. These infrastructure investments are critical for the modernization and enhancement of HUD operations and IT offerings. Although HUD continues to explore opportunities to reduce operations and maintenance costs and make prudent investments based on business need, the HUD IT infrastructure is the backbone of the organization and the foundation for efforts to advance e-Government, as well as improving and supporting the internal operations of the Department.

The desktop platform enables HUD staff to communicate with vendors, customers and receive information from electronic mail and the Internet. The desktop platform also serves as an interface for HUD's applications and for software and tools that provide standard office functionality and enables HUD to use commercial-off-the-shelf rather than customized solutions consistent with the Clinger-Cohen Act. In fiscal year 2003, HUD will be upgrading from Windows

95 to Windows 2000 Professional because it provides a stable and supported platform. Windows 2000 also solves disk-space issues and ongoing file compatibility problems, enhances productivity of existing applications, and provides additional tools to HUD staff. This upgrade will be a monumental undertaking that requires testing all applications, modifying applications, integrating the operating system with the network, determining proper configurations, and testing reliability.

HUD's core computing environment for information technology (IT) services is currently developed and maintained through the HUD Integrated Information Processing Service (HIIPS) contract. The current HIIPS contract was awarded in 1990 to a single vendor. Prior to the HIIPS investment, the Department's information systems and telecommunications services were provided through 60 separate contracts. The HIIPS contract will expire in May 2003.

HUD is in the process of finalizing a procurement strategy that will satisfy its programmatic and operational needs for IT services. In the near future, the Department will be conducting a recompetition to provide a full range of integrated IT services for its nationwide operations. This project is designated as the HUD Information Technology Service (HITS). Services include data processing and management, data recovery, printing and distribution, LAN communications, LAN and PC maintenance, wide area network services, TV and video conferencing, web site administration, and additional related services. A performance-based contract will allow the contractor(s) to serve as a partner in achieving the Department's goals and objectives.

B. IT Strategy and Policy Development

IT Strategy and Policy Development investments provide the "blueprint" necessary to develop and maintain the IT portfolio. HUD is a recognized government leader in the planning, development, and implementation of IT Capital Planning and Investment Control policies and procedures. The Department is at the forefront of governmental efforts to develop and implement an EA and use it as a strategic tool to guide decision making. Not only has the Department developed an EA, it has invested in an interactive, Internet-based EA management system that will ensure the EA is current and allow for analysis and planning.

HUD is committed to remaining a leader in the strategy and policy development area. These activities will allow the Department to leverage its IT investments to further business goals and strategies. HUD is also committed to ensuring that its project managers and business area sponsors are adequately trained in basic and advanced techniques. HUD IT Investment and Project Management Training program uses industry and government best practices, cases studies, and adult learning theory to ensure that its personnel are provided with the knowledge, tools, and techniques to develop and implement successful IT initiatives.

HUD continues to improve its policies, processes, and procedures. HUD contracts for an independent assessment of its ITIM process (based on a GAO framework) annually and then develops an action plan to increase the maturity level of its processes by one stage per year. It is expected that HUD will reach stage three maturity by the close of Calendar Year (CY) 2003.

HUD's e-Government planning is guiding efforts to transform the Department toward a customer- and business-partner centric organization. E-Gov enables our staff to process less paper and move into more customer-facing roles that provide increased levels of service to our citizens and business partners. HUD's February 2001, e-Gov Strategic Plan builds on the fundamental elements of HUD's mission, vision, and strategic goals. The plan also outlines short-term initiatives that are targeted for implementation between fiscal years 2001 through 2003, and long-term opportunities that are targeted for implementation between fiscal years 2004 through 2005. Satisfying Government Paperwork Elimination Act (GPEA) requirements are integrated into information technology budgeting and strategic planning processes throughout HUD.

HUD has also made great strides in security policy, data management policy, privacy policy, and knowledge management policy, among others. HUD is also increasing resources for business process improvement - a critical component for the automation of process and a key area in the development of e-Gov solutions.

C. Maintenance

HUD's portfolio of IT systems requires ongoing corrective/adaptive maintenance for all operational systems. Maintenance activities are often required to satisfy audit findings, support legislative mandates, and comply with standards and best practices. System maintenance costs are incurred until a system is retired or replaced. Maintenance includes systems operations and corrective/adaptive maintenance activities, such as on-going user training, minor coding changes, and user support.

HUD is making major investments to modernize its financial systems, consolidate its grants management systems, integrate its human resource systems, and combine certain help desk support operations. The development work on these investments is progressing. As these and similar investments become operational, a number of older systems will be retired and the high maintenance costs associated with these systems will be eliminated.

D. Systems Development

There are two main sub-categories of systems development; ongoing systems development/enhancement and new systems development. Enhancing existing systems and building new functionality is executed, when possible, in modular fashion, with useful segments completed within 18 months from inception. The decision to invest in new technologies follows a careful and rigorous process that ensures that HUD invests only in those initiatives that provide the highest return and are closely linked with the Annual Performance Plan. The ITIM process governs systems development at HUD and requires any funding proposals to be fully documented, have benefits that exceed costs, and be driven by business needs.

HUD has focused on enterprisewide solutions and these efforts will increase as the Department moves from stovepipe systems toward integrated, business-oriented outcomes. HUD is committed to utilizing state-of-the-art applications that are implemented utilizing the best project management practices available. Systems development funding is in line with industry and government benchmarks.

HUD's fiscal year 2003 WCF request for systems development represents a continuing commitment to bring development expenditures in line with government and industry best practices. Planned development activities will allow HUD to adapt to changing business and user requirements, address GAO and IG deficiencies, and comply with legislative requirements like the Government Paperwork Elimination Act (GPEA), the Government Performance and Results Act (GPRA), the Section 504 and 508 accessibility requirements, Federal Financial Management Improvement Act (FFMIA), and the Government Information Security Reform Act (GISRA).

In fiscal year 2003, HUD will continue to develop the HUD Integrated Human Resources and Training System (HIHRTS), which will combine all HR information on a single platform facilitating strategic planning and resource management. HUD will improve its financial management systems by continuing the phased implementations of the FHA Subsidiary Ledger and Departmental General Ledger. In addition, HUD will continue to invest resources in the existing tenant eligibility systems in order to decrease the amount of excess subsidies paid out by the Department. HUD will also continue to invest in systems that assist the Department in assessing the performance of lenders, public housing authorities, and multifamily housing property owners.

ANNUAL PERFORMANCE PLAN SUMMARY

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
FTE	354	380	380
Outcome Indicator 5.1.10. HUD will advance the goals of the E-government initiative to be reflected in more efficient, useful and transparent grant and other program processes.	NA	TBD	TBD

PERFORMANCE MEASURE

Strategic Goal 6: Embrace high standards of ethics, management and accountability.

Strategic Objective 6.1: Improve HUD's management and internal controls, including FHA's financial management, and resolve audit issues.

Indicator 6.1.9: The number of non-compliant financial management systems is reduced from 11 to 8.

Indicator 6.1.11: During fiscal year 2003, eight additional mission-critical data systems will be certified, increasing the total number of certified systems to fifteen.

Indicator 6.1.12 The percentage of existing automated data systems and system development projects that achieve their performance goals increases by 5 percent from the fiscal year 2002 baseline.

Indicator 6.1.13 During fiscal year 2003 HUD will complete five milestones in support of its Computer Security Program.

Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.

Indicator 6.2.10 HUD will advance the goals of the E-Government initiative to be reflected in more efficient, useful and transparent grant and other program processes.

Detail of Working Capital Fund Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Field Employment (Administration)									
Operation									
DAS Office		2			3.0	2			3.0
Field Ops. & Technical Support		11			24.0	11			24.0
Provide IT Support	Number of HUD staff supported		7,416	12.67	45.0		7,416	12.67	45.0
Support IT infrastructure	Number of PCs, servers, printers, and laptops supported		11,320	11.62	63.0		11,320	11.62	63.0
Subtotal					**135.0**				**135.0**
Headquarters Employment (Chief Information Officer)									
Office of the Chief Information Officer									
Provide Program and Policy Support	NA		...	...			...	...	5.0
Subtotal					**5.0**				**5.0**
Administrative Services Staff									
Perform Personnel Management	# of CIO Personnel		360	127.50	22.0		360	127.50	22.0
Perform General Direction	# of CIO Personnel		360	36.54	6.3		360	36.54	6.3
Subtotal					**28.3**				**28.3**
Office of Central Information Management									
Develop and Manage the Enterprise Program Information Center (EPIC)	NA	1	...	...	7.0	1	...	...	7.0
Subtotal					**7.0**				**7.0**
Contract Oversight/monitoring									
Project management	# of projects managed		568	36.65	10.0		568	36.65	10.0
Subtotal					**10.0**				**10.0**
Office of IT Reform									
Capital Planning and Investment Control Division									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Support, Develop and Report on the IT Portfolios Within HUD	# of Projects Over $5 Million Per Fiscal Year		40	520.00	10.0		40	520.00	10.0
Subtotal					**10.0**				**10.0**
Enterprise Architecture and Solutions Division									
Develop, Support and Maintain HUD's Enterprose Architecture (EA)	NA	2	...	...	8.0	2	...	...	8.0
Subtotal					**8.0**	**5**			**8.0**
Office of Investment Strategies Policy and Management									
Establish and Implement an IT/IRM Policy and Governance Department wide to Ensure Legislative Compliance	NA	9	...	..	14.0	9	..	...	14.0
Subtotal					**14.0**	**5**			**14.0**
Office of Systems Integration and Efficiency									
Develop and Manage Critical Infrastructure Protection Assurance	# of IT Systems		192	27.08	2.5		240	22.00	2.5
Develop and Manage Business Process Reengineering and Systems Integration	# of Reviews Conducted		4	1,300.00	2.5		7	735.00	2.5
Develop and Manage Configuration Management	# of Components Requiring Configuration Management		252	20.97	2.5		350	15.00	2.5
Develop and Manage Departmental Grants Management Systems (DGMS)	NA		...	...	6.5		...	...	6.5
Coordinate the development and maintenance of systems	# of systems maintained and supported		242	440.11	51.0		232	459.11	51.0
Subtotal					**65.0**	**15**			**65.0**
Office of Security									
Office of Information Technology									
Immediate Office									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Provide General Direction	NA		...	. .	2.0		...	...	2.0
Subtotal					**2.0**				**2.0**
Computer Services, Operations, and Maintenance Group									
Provide General Direction	NA		...	...	3.0		.	...	3.0
Subtotal					**3.0**				**3.0**
Customer Services Division									
Manage Customer IT Support Services	# of Customers Supported		14,000	1.20	8.0		14,000	1.20	8.0
Provide ADPE and Audiovisual Conferencing Equipment Installation Services	# of Individual Desk Top Users Supported		14,000	0.74	5.0		14,000	0.74	5.0
Provide Customer Helpdesk Service and Training Support	# of Customers Supported		14,000	1.04	7.0		14,000	1.04	7.0
Provide Audio Visual Conferencing Equipment Acquisitions and Inventory Management Services	# of Individual Desk Top Users Supported		14,000	1.64	11.0		14,000	1.64	11.0
Subtotal					**31.0**				**31.0**
Telecom Processing Division									
Manage LAN, WAN, Internet, and Intranet services	# of Servers		521	19.96	5.0		521	19.96	5.0
Manage Technical Support and Network Infrastructure for Group Video Conferencing	# of Group Video Conferencing Units		87	11.95	0.5		87	11.95	0.5
Manage Technical Support and Network Infrastructure for FTS2001 (Federal Telecommunications System Contract)	# of Circuits		234	13.33	1.5		234	13.33	1.5
Subtotal					**7.0**				**7.0**
Departmental Platform and Processing Division									
Manage Client Servers and Lotus Notes Applications Environment	# of Lotus Note Accounts Supported		14,000	0.59	4.0		14,000	0.59	4.0

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Manage Production Systems Environment	# of Application Systems Supported		220	121.00	12.7		234	113.00	12.7
Subtotal					**16.7**				**16.7**
Systems Engineering, Oversight and Performance Management Division									
Provide Systems Development Standards, Guidance and Technical Assistance to the Development Community	# of Systems Supported		236	61.69	7.0		236	61.69	7.0
Subtotal					**7.0**				**7.0**
Systems Integrity and Quality Assurance Division									
Provide a Sterile, Independent Environment Where Products are Integrated, Tested and Certified Against HUD-Approved Standard IT Resources	# of Applications, Plus COTS, That Go Through the Test Center		552	49.35	13.0		552	49.35	13.0
Provide Day-to-Day Security Operations and Consultant Services in Compliance with Federal and Regulatory Security Policy	# of Customer Service Account Transactions Processed Per Year		26,000	0.40	5.0		26,000	0.40	5.0
Provide an Automated, End-to-End Change Control Process in Support of the Systems Development Life-Cycle, Using Certified Configuration Management Technology	# of Applications, Plus COTS, That Go Through the Test Center		550	11.35	3.0		550	11.35	3.0
Subtotal					**21.0**				**21.0**
Chief Information Officer Total					**235.0**				**235.0**
Office of Chief Financial Officer									

Workload Guideline	Workload Indicator	Fiscal Year 2002 Underfunded Workload/ Allocation	Fiscal Year 2002 Projected Accomplish-ment	Fiscal Year 2002 Projected Unit Cost (Hrs)	Fiscal Year 2002 FTE	Fiscal Year 2003 Underfunded Workload/ Allocation	Fiscal Year 2003 Projected Accomplish-ment	Fiscal Year 2003 Projected Unit Cost (Hrs)	Fiscal Year 2003 FTE
Manage Working Capital Fund	# of Contract Action (HPS) processed		879	23.75	10.0		879	23.75	10.0
Subtotal					**10.0**				**10.0**

Detail of Working Capital Fund Staff Requirements

	Budget Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters Employment			
Chief Information Officer			
Office of the Chief Information Officer	5.0	5.0	0.0
Administrative Services Staff	28.3	28.3	0.0
Office of Central Information Management	7.0	7.0	0.0
Contract Oversight/monitoring	10.0	10.0	0.0
Office of IT Reform			
Capital Planning and Investment Control Division	10.0	10.0	0.0
Enterprise Architecture and Solutions Division	8.0	8.0	0.0
Subtotal	**18.0**	**18.0**	**0.0**
Office of Investment Strategies Policy and Management	14.0	14.0	0.0
Office of Systems Integration and Efficiency	65.0	65.0	0.0
Office of Information Technology			
Immediate Office	2.0	2.0	0.0
Computer Services, Operations, and Maintenance Group	3.0	3.0	0.0
Customer Services Division	31.0	31.0	0.0
Telecom Processing Division	7.0	7.0	0.0
Departmental Platform and Processing Division	16.7	16.7	0.0
Systems Engineering, Oversight and Performance Management Division	7.0	7.0	0.0
Systems Integrity and Quality Assurance Division	21.0	21.0	0.0
Subtotal	**87.7**	**87.7**	**0.0**
Office of Chief Financial Officer	10.0	10.0	0.0
Total	**245.0**	**245.0**	**0.0**
Field Employment			
Administration			
Operation	135.0	135.0	0.0
Subtotal	**135.0**	**135.0**	0.0
Total	**380.0**	**380.0**	**0.0**

Detail of Working Capital Fund Staff Requirements

	FTE			
	Actual 2001	Budget Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
Headquarters	0.0	245.0	245.0	0.0
Field	0.0	135.0	135.0	0.0
Total	**0.0**	**380.0**	**380.0**	**0.0**

Working Capital Fund

HEADQUARTERS EMPLOYMENT

The fiscal year 2003 Working Capital Fund staffing levels are unchanged from the fiscal year 2002 levels. However, there are serious shortfalls --

SECURITY

HUD has a mission that is critical to the well being of the US economy and its citizens. Operating HUD business has made it necessary and practical to establish computerized links with both HUD employees and HUD business partners. This has resulted in a very large computer infrastructure with an immense array of systems and procedures that have arisen independently and without integrated security controls. The open, interoperable nature of the modernized HUD technology environment enhances risk by bringing an increased number of individuals and organizations able to exploit its physical and information system vulnerabilities. The risks to HUD critical assets introduced with the integrated, open systems must be accounted and planned for by HUD to ensure secure enterprise operations.

IT Security Policy Compliance and Operations Initiative is mandated by Presidential Decision Directive 63 (PDD-63) to secure agencies critical assets and interconnected infrastructures. Additionally, the project continues to support the Computer Security Act of 1987 and the Office of Management and Budget (OMB) Circular A-130, Appendix III which mandate that U.S. Government Agencies protect automated information and the resources used to process it (hardware, firmware, and software).

IT Skills

Due to rapidly increasing reliance on IT and with a huge array of often enormous and complex IT systems to maintain, HUD is finding that maintaining a skilled IT workforce is the backbone to accomplishing its missions. Because HUD's use of IT impacts the lives of every citizen, from processing billions of dollars in grants, to expeditiously handling single family mortgages, it has the responsibility and duty to provide the very best workforce to manage and implement IT equipment. As of the end of fiscal year 2000, OPM data show that there were a total of 59,577 IT professionals in the federal government. In the next 10 years, the Bureau of Labor Statistics predicts, the federal government will need an additional 16,000 IT workers.

Against this backdrop, there is a crisis looming that if unresolved will imperil the ability of HUD to carry out its mission. Within the decade, HUD is in danger of having a significant shortfall in its workforce of IT professionals who can develop, implement, and manage IT systems and provide expert policy and procurement guidance. The problem is the result of a number of converging factors facing federal IT programs:

- a need to increase the IT workforce by 20 percent over the next 7 years
- an aging workforce, of which 50 percent is eligible to retire by 2006
- an IT labor force that will have its choice of more than two positions per qualified candidate
- a significant shortage of qualified IT professionals

In 2001, approximately 70 percent of the dollars spent on information technology will be paid to contractors. Given the shortage of skilled IT workers and the rapidly changing demand for premium skills, this trend is expected, at a minimum to continue, and possibly accelerate. HUD is outsourcing development and maintenance of IT infrastructure, the design of IT systems, and IT support provided to non-IT staff members. With the growth in outsourcing, there is, and will continue to be, a growing demand for IT professionals who can develop IT strategic plans, assure the adequacy of IT systems security, or manage IT projects that are being performed by contractors.

Working Capital Fund

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Working Capital Fund

DAS for Operations - Working Capital Fund

Headquarters Employment

Immediate Office

HUD's management office suffers as a result of not having a management analyst and two required support staff. The overall oversight, management, and quality of delivery of all support services to internal HUD customers will not be timely and comprehensive. As a result, there has been a backlog of work. The required staff would allow timely processing of critical actions to improve customer service.

Field Operations and Technical Support and Field IT Support

This office is responsible for 31 management information technology projects with a total portfolio cost of $34.5 million. This portfolio supports HUD management and support offices, including the Secretary and Program office field operations nationwide. There is a critical need for additional project managers, Government Technical Monitors and Representatives that perform contract monitoring and oversight functions and significant coordination with customers and contractors. If these needs are not met, critical support functions that provide service delivery management information and tools in the areas of IT systems development and maintenance and Human Resources support will suffer. Additional staff resources are being used to address information technology security requirements to ensure access to facilities and systems are adequately controlled to prevent unauthorized individuals from damaging or destroying network equipment and data. The quality and extent of services provided for all of the above activities will be significantly lower and less timely as a result of the reduced staffing levels. Further attrition expected over the next three years will further compound this effect.

There are many large HUD offices that do not have computer specialists. Therefore, these offices must rely on contractors for support since we are unable to hire staff. Additional staff are required to provide required support services, such as providing offices with IT technology tools for better program delivery and providing training to field staff. The lack of staff will result in the suffering of the overall quality of services provided to field staff, and the staff will not receive timely customer support. This will directly affect the quality of program delivery to HUD participants nationwide, and it will severely hinder monitoring program compliance efforts that ensure proper use of Federal funds.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF INSPECTOR GENERAL

SALARIES AND EXPENSES

The following material discusses the functions, workloads, and proposed staffing levels for the Office of Inspector General for 2003.

APPROPRIATION HIGHLIGHTS (S&E)

The following table summarizes the funding sources and staffing levels.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Obligations				
Funds Available:				
Budget Authority	$52,541	$66,555	$74,804	+$8,249
FHA Fund	$22,294	$22,343	$22,880	+$537
PIH Fund	$9,978	$5,000	...	-$5,000
Unobligated Balance	...	...	...	...
Carryover from prior year	$6,000	...	...	...
Legislative Proposals	...	...	$3,911	+$3,911
Emergency Relief Fund	...	$1,000	...	-$1,000
Subtotal	$90,813	$94,898	$101,595	+$6,697
Other Transfers:				
Consolidated Fee Account	$537	$537	...	-$537
Subtotal	$91,350	$95,435	$101,595	+$6,160
Outlays (net)	$57,000	$60,000	$64,000	+$4,000
Full-Time Permanent				
Appointments (EOY)	676	675	675	...
Full-Time Equivalents	684	675	675	...

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 estimate of $101,595 thousand represents an overall increase of $6,160 thousand over fiscal year 2002. Most of this increase is reflected in personal services for the 2003 pay raise and for legislative proposals. In addition, our estimate includes a modest increase for ADP services and the estimated increase in rent costs related to the New York disaster.

STAFFING

The OIG staffing level for fiscal year 2003 remains at 675. In fiscal year 2002, the OIG is refocusing efforts from violent crime activities to investigations involving property flipping schemes and predatory lending practices. Accordingly, all FTEs previously devoted to violent crime will be used to investigate and assist in prosecuting individuals and companies engaging in these illegal activities. We are proposing to fund these FTEs from our general budget authority as opposed to requesting a transfer.

FUNDING BY OBJECT CLASS

The following table summarizes this request by object class.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Personal Services	$64,461	$66,825	$69,431	+$2,606
Legislative Proposals: ..				
Full Cost Active CSRS Emp. ...	$0	$0	$1,902	+$1,902
Full Cost Health Benefits	$0	$0	$2,009	+$2,009
Emergency Relief Fund		$1,000	$0	-$1,000
Travel and Transportation Of Persons	$5,800	$5,603	$5,603	...
Transportation Of Things	$21	$52	$52	...
Rent, Communications, and Utilities	$8,448	$8,812	$9,002	+$190
Printing and Reproduction	$135	$65	$65	...
Other Services	$11,478	$12,071	$12,524	+$453
Supplies and Materials	$433	$433	$433	...
Furniture and Equipment	$545	$545	$545	...
Insurance Claims and Indemnities	$29	$29	$29	...
Total Obligations	$91,350	$95,435	$101,595	+$6,160

CHANGES FROM FISCAL YEAR 2002 TO FISCAL YEAR 2003

A description of the various object classifications that are used by the Office of Inspector General is provided below:

Personal Services

The fiscal year 2003 estimate of $69,431 thousand is an increase of $2,606 thousand from the 2002 enacted estimate for the 2003 pay-raise. This estimate does not include the legislative proposal estimate below.

Legislative Proposals

The full-cost estimate of active CSRS employees is $1,902 thousand and the full-cost of health benefits for all OIG employees is $2,009 thousand.

Travel

OIG staff travels extensively to carry out their audit and investigative responsibilities. The Audit staff travels to program participants and contractor offices to perform project audits, contract audits, evaluations of pricing proposals, and financial audits. Investigation staff requires extensive travel to interview witnesses and subjects of investigations and to examine records.

This object class covers training and conference travel, program execution travel and miscellaneous travel related to audit and investigative activities. The fiscal year 2003 estimate of $5,603 thousand represents no change from the fiscal year 2002 enacted estimate.

Transportation of Things

This classification of expense includes the cost of reimbursement to OIG personnel who are authorized to move household effects or house trailers when transferred from one permanent duty station to another. The fiscal year 2003 estimate of $52 thousand remains unchanged from the fiscal year 2002 enacted estimate.

Rent, Communications and Utilities

Funds under this object classification provide for all rental costs, including space and equipment, as well as, communication and utility services. The fiscal year 2003 estimate of $9,002 thousand is an increase of $190 thousand for rent. This increase is related to the impact of the New York disaster, (terrorist bombing of the World Trade Center, September 11, 2001). Rent includes occupied space, security space, parking, and utilities.

Printing and Reproductions

Funds included in this object class are for the cost of printing and reproduction services, and related composition and binding operations performed by or through the Government Printing Office (GPO). The Inspector General's Semiannual Report to Congress is also covered under this object classification. The fiscal year 2003 estimate of $65 thousand equals our fiscal year 2002 enacted estimate.

Other Services

A multitude of activities is funded under this object of expense. The most significant activities supported by these funds include professional training and development of OIG staff personnel, audit services, general support activities, and ADP maintenance and services. Audit services primarily include the cost of contracting for the audits of FHA and Ginnie Mae financial statements. The fiscal year 2003 estimate of $12,524 thousand is an increase of $453 thousand above the fiscal year 2002 enacted estimate of $12,071 thousand. This request reflects an increase of $453 thousand for ADP services.

The OIG has an Interagency Agreement with the Department of Justice for access to the National Crime Information Center (NCIC) for data related to HUD audit and investigative activities. In addition, the OIG has an Interagency Agreement with the Bureau of Public Debt for personnel, contracting/procurement services, and background checks/investigations on OIG staff. We also have an agreement with the National Finance Center for payroll processing and with HUD for continued support of the HUD ADP Systems.

These funds are also used for the purchase of goods and services where source identity or investigative techniques require confidentiality and normal procurement procedures might expose that confidentiality, such as during an undercover investigation.

In fiscal year 1999, we contracted with a firm to provide services under a new concept called Seat Management and have made great strides in implementing this system. Seat Management provides OIG with its own secure Local Area Network. Seat Management also provides a platform on which we are operating automated workflow applications. The system provides for sensitive communications and adds an encrypted data communications security to a full range of interoperable products. This ensures the confidentiality, integrity, and availability of OIG information resulting in more efficient and effective business processes. This contract also includes the procurement of all of OIG's hardware and software requirements.

Other funds in this object class include amounts for the professional training of OIG personnel, furniture and equipment maintenance, visual arts services, and other miscellaneous contractual requirements.

Supplies and Materials

Funds budgeted under this category of expense cover costs associated with the purchase of office supplies; training supplies; computer and associated supplies; subscriptions to professional magazines, publications and research materials; and other items that are consumed or expended generally within 1 year after purchase. The fiscal year 2003 estimate of $433 thousand remains unchanged from the fiscal year 2002 enacted estimate.

Furniture and Equipment

The fiscal year 2003 estimate of $545 thousand represents no change from the fiscal year 2002 enacted estimate. This object class includes purchase of furniture and fixtures, general office equipment, and special equipment/weapons for investigative activities.

Insurance and Indemnities

This category provides for payments made for or related to the repair or replacement of property (including loss by theft) or for personal injury deemed by law or regulation to be the responsibility of the OIG. This would normally include loss or damage of personal property being used for the benefit of the government. The fiscal year 2003 estimate remains at $29 thousand.

SCOPE OF ACTIVITY

The Office of Inspector General is the Department's focal point for independent review of the integrity of Departmental operations and, therefore, is the central authority concerned with the quality, coverage, and coordination of the audit and investigation services of the Department. In directing these review activities, the Inspector General emphasizes both the

detection and prevention aspects of these services within a comprehensive Departmental effort to attain improved management effectiveness. The Office of Inspector General has authority to inquire into all program and administrative activities of the Department and the related activities of all parties performing under contracts, grants, or other agreements with the Department. These inquiries may be in the nature of audits, investigations, or such other reviews as may be appropriate.

WORKLOAD

The principal workload of the Office of Inspector General consists of audits and investigations. The Inspector General Act of 1978 and Amendments of 1988 require the Inspector General to conduct, supervise, coordinate, and provide policy direction for audits and investigations relating to Departmental programs and operations; and to promote economy and efficiency in the administration of HUD programs and operations and to prevent and detect fraud and abuse.

The 1998 House Appropriations Bill called for the OIG to undertake a Housing Fraud Initiative. By agreement with the Congress, in September 1998, the OIG implemented this Initiative during fiscal year 1999.

At the close of December 2001, the Office of Investigation had 417 open single-family mortgage insurance cases, consisting of property flipping, and other loan origination frauds, with the average being 37 cases for each of our eleven respective districts. OIG analyzed HUD databases and isolated the locations where flipping appears to be the greatest. OIG is organizing its assets to deploy them in those areas where flipping is prevalent.

Currently, the OIG has two cases involving mortgage fraud and major fraud against the Government National Mortgage Association (GNMA), including predatory lending practices. Although there is an overlap with the Office of Fair Housing and Equal Opportunity relative to predatory lending cases, the OIG has mad such cases, as they relate to criminal conspiracies and false loan originations, a priority during this fiscal year.

OIG strives to eliminate material weaknesses in HUD programs. For example, the Office of Investigations prepares Systemic Implications Reports (SIRs) that identify weaknesses in HUD programs and sends the SIRs to the appropriate HUD Program Division. These weaknesses surface during the course of criminal, civil, or administrative investigations. SIRs serve the purpose of providing program officials with information sufficient to make a determination of whether to make changes in HUD program rules or regulations.

OIG's efforts are aimed at assisting HUD in making sure management reforms are effective and address Congressional and taxpayer concerns about program delivery and financial integrity. Detecting and preventing fraud, waste and abuse are integral components of this work. The scope of our efforts will expand on recent OIG evaluations of HUD's management/organizational reforms, audits of HUD program delivery, financial and management systems audits, and also reflect the President's Management Agenda.

The Office of Audit efforts will focus on five major Management Challenges facing the Department. These issues are systemic and many have been examined in previous OIG evaluations and audits. The challenges reflect the current Administration's strong emphasis on effective delivery of government services and high standards of employee integrity and performance. They include:

- Completing management reforms.
- Improving financial management systems.
- Assuring adequate and sufficiently trained HUD staff.
- Strengthening FHA single-family loan origination and oversight of HUD-owned properties.
- Improving the effectiveness and efficiency of public and assisted housing program administration.

The OIG's overall objectives in these five areas are to aid HUD in making sure management reforms are effective and address Congressional and taxpayer concerns about program delivery and financial integrity. Detecting and preventing fraud, waste and abuse are integral components of this work.

The Office of Investigation and the Office of Audit meet monthly with HUD Program officials to discuss issues of concern, including those areas where OIG believes weaknesses exist. These OIG offices also met with the newly created HUD Regional Directors to address areas of mutual concern. OIG provided a two-hour block of OIG familiarization to the HUD Regional Directors as part of their orientation course. Emphasis was placed upon communication and cooperation in working together to address weaknesses in HUD programs, including employee misconduct investigations.

Office of Inspector General

1. IMMEDIATE OFFICE OF THE INSPECTOR GENERAL

The Inspector General reports directly to the Secretary and has authority to inquire into all program and administrative activities of the Department. The inquiries are designed to provide constructive advice for Departmental management, to promote economy and efficiency in the administration of HUD programs, and to prevent and detect fraud and abuse in HUD programs and operations.

2. OFFICE OF COUNSEL

In fiscal year 1994, the Inspector General established the OIG Office of Counsel, which is responsible for independently providing the full range of professional legal services and advice with respect to the formulation, coordination, revision, and execution of the entire OIG program.

3. OFFICE OF AUDIT

a. Employment and Responsibilities

The Office of Audit plans and conducts reviews of Departmental activities and operations that include: (a) HUD Headquarters and field offices, (b) programs and initiatives, and (c) contractors and other program participants doing business with the Department. The Department's programs and activities are large and varied and entail over $550 billion in mortgage insurance, over $600 billion in mortgage-backed securities and over $30 billion in annual program expenditures. There are some 45,000 organizations delivering HUD programs nationwide. The Department also incurs operating expenses for nearly 9,400 employees. The Office of Audit's workload can be divided into three primary categories.

1. **Performance Audits** are reviews of selected HUD management and program operations to evaluate efficiency and effectiveness of program results. They are often directed at determining whether management controls are sufficient to minimize program risks. Performance audits review the records and performance of organizations receiving financial assistance or benefits from the Department, such as various State and local government grant recipients, insured multifamily housing project owners and management agents, mortgage lenders and borrowers, contractors, public housing authorities, and nonprofit sponsors. The audits are a means of ascertaining the degree of compliance with applicable statutes, regulations, and agreements under which Federal funds and other benefits are made available; the appropriateness of the disposition of funds granted, loaned, or claimed; and/or the adequacy of participant performance and results.

2. **Financial Audits** include financial statement and financial related audits. They provide reasonable assurances about whether the financial statements of an audited entity are free of material misstatements and are presented in accordance with generally accepted accounting principles. Financial related audits include determining whether financial information is presented in accordance with established or stated criteria, and whether the entity has adhered to specific financial reporting.

3. **Advisory and Assistance Services** encompass our: (1) input to the legislative and regulatory processes; (2) technical advice and assistance to HUD management on programs and systems; (3) program research; (4) quality control reviews of non-Federal audits of HUD program activities; (5) audit finding resolution; (6) assistance to U.S. Attorneys in developing criminal and civil cases for prosecution; (7) reviews of Hotline and other types of complaints; (8) joint efforts with the Office of Investigation or program officials in detecting or preventing fraud; and (9) responses to requests for information or assistance from audit clients in the Department, the Office of Management and Budget (OMB), the Congress, or the public.

b. Workload

Overview. Our Semiannual Reports to the Congress continue to show significant audit results.

The Office of Audit's long-range strategy is to assist the Department in addressing management challenges that have been identified by our Office and the General Accounting Office. HUD is faced with persistent resource management and data system problems, a variety of material weaknesses, and a difficult time overseeing critical functions performed by outside entities.

To provide the best possible services to HUD management and the Congress, we will: (1) emphasize the review and oversight of legislative, regulatory and policy changes resulting from an ever changing HUD and program environment; (2) pursue improvement in existing methods or development of new ways to conduct HUD's business; and (3) focus greater attention on those major audit areas that will improve HUD's stewardship of Federal financial resources. Key efforts will include financial audits, information systems and performance reviews, and the continued emphasis on combating fraud, waste and mismanagement in HUD programs.

Review and Oversight. Major legislative and organizational changes have been made in the Department. These changes are fundamentally affecting the way HUD does business and will significantly increase the workload in the Office of Audit. For example, the Quality Housing and

Work Responsibilities Act of 1998 substantially changed the public housing program and required new implementing regulations and policies. As they are developed, each will require our review and input to assure that proper safeguards and internal controls are in place to reduce the likelihood of program fraud and abuse. Our review and programs are consistent with HUD's goals to increase home ownership, help homeless families and individuals achieve housing stability, improve safety and quality of public housing, and make affordable rental housing available for low-income households. With the reductions in HUD program staff due to downsizing, our reviews of regulatory and policy changes take on greater importance.

Major changes are being made in the manner in which the Federal Housing Administration (FHA) conducts business. The Department has obtained authority to substantially increase FHA insurance limits and is continuing to privatize its real estate-owned activities. Organizationally, with the reductions in the level of program staff, greater reliance is being placed on our audit work to assure that lenders, grantees, contractors, and other program participants are spending funds efficiently, effectively and in accordance with program requirements.

In Multifamily Housing, major program changes are underway or anticipated. Through a process of portfolio reengineering, the Department would bring higher-than market rents on subsidized and insured multifamily projects down to a level where they are competitive in the marketplace. We are routinely involved in evaluating these types of efforts and the development and implementation of legislation.

Audit Emphasis. Our audit work has shown that some of the most vulnerable program and operational areas in the Department include: the development and implementation of ADP systems; Single Family loan origination and property disposition; overpayments in HUD's rental assistance programs; PHA management and revitalization; enforcement of program rules and regulations, including an increased emphasis on violations of housing quality standards; contract and grant administration; and the use of HUD's staff resources.

The following are some of our traditional workload measurements for the 6-month period ending March 31, 2001.

- Audit Memoranda Issued 21
- Internal Audit Reports Issued..... 9
- External Audit Reports Issued 23
- Collections from Audits Activities.....$14.1 million
- Management Decisions on Audits with Questioned Costs .....$13.5 million
- Equity Skimming - Out of Court Settlements, Court Ordered Fines, Penalties and Restitution .....$0.4 million
- Subpoenas Issued 17

The Office of Audit's strategy is to: (1) continue assessing the Department's efforts to address its major management challenges with emphasis on the adequacy and reliability of financial and information systems used by the Department, evaluating the effectiveness of newly established organizational units; (2) evaluate if staffing levels are adequate; (3) continue assessing the Department's implementation of the Results Act; (4) assess how the Department is implementing the Quality Housing and Work Responsibilities Act of 1998; (5) assess the Department's efforts to eliminate mortgage fraud; and (6) continue the demonstrated success we have had in our equity skimming efforts and conducting HUD's Annual Financial Statement Audit.

We need to maintain our current staffing levels and undertake a variety of major program effectiveness audits in order to become more proactive. While we regularly review HUD funding requirements, we've lacked resources to perform sufficient audit work at the recipient level to determine if the funding is getting desired results. Most new programs or significantly revised programs have not been audited. We need to look closer at many of our troubled Public Housing Authorities (PHAs) to make informed recommendations to the Department and Congress. There are numerous areas that deserve greater audit exposure. In accordance with the Government Paperwork Elimination Act, we are moving to a paperless audit system and electronically distributing our final products to the maximum extent possible.

We are taking an active and aggressive role in ascertaining how the Department can better define its mission and carry out its Congressional mandates. The Inspector General continues to routinely testify before Congressional committees on HUD's mission, management and performance; high-risk problems; perspectives on reinvention; and problems in the Single Family Housing Programs. Preparation for each hearing typically requires the completion of detailed audit work as a basis for testimony.

Our audit plan targets the following major areas of emphasis where we believe our work can be of greatest value to the Department and Congress:

- **Information System Audits.** The work of the Information Systems (IS) Audit Division has become increasingly important as the Department expands the use of information technology for program delivery with a reduced staff. Much of the work is devoted to supporting the mandated Financial Statement Audits by reviewing the general and application controls of automated financial systems. These controls affect programs and supporting applications for all system efforts. IS audit work also involves assisting the Department in establishing controls and standards for error prevention; efficient and effective operations; and deterrents to fraud or abuse during system development. A new IS audit priority involves assessing HUD's entity wide information security policies and plans, including security management structure and the roles and responsibilities of security personnel. Another area of audit work is providing technical support to other OIG auditors and investigators. This work includes retrieving and analyzing data from HUD systems, advising field auditors on automated tools for use in their work, and obtaining computer-based evidence for investigative purposes.

- **Performance Audits.** A major part of our staff time is spent conducting audits of high-risk programs and program participants. Some of the more critical areas include:

  - Insured Multifamily Operations;
  - Native American Housing and Assistance and Self-Determination Act;
  - PHA Operations and Modernization;
  - Troubled Agency Recovery Centers;
  - Real Estate Assessment Center;
  - Grants Management Center;
  - Section 8 Administration;
  - Single Family Origination, Servicing and Disposition;
  - Contracting Activities;
  - CDBG Grantees and Sub-grantees;
  - Homeless Program Providers; and
  - Technical Assistance.

- **Financial Audits.** For fiscal year 2003, we will continue to complete the consolidated financial audit of the Department using our own staff resources. This audit has better enabled the OIG to grasp the major problems facing the Department and thereby target our audit resources in areas of greatest concern. Another benefit of the financial audit is that it enables us to evaluate internal controls as a measure of HUD's progress in identifying and solving its management challenges. The Financial Audit Division conducts this audit with assistance from staff from all of our District Offices and the IS Audit Division. Additionally, we contract with independent public accountants to perform audits of the financial statements of both FHA and the Government National Mortgage Association (Ginnie Mae), which are included in the consolidated audit. It is a major commitment of staff, training, contracting, and travel resources.

- These financial statement audits are required by the Chief Financial Officers Act of 1990. We devote over 20 staff years to perform the consolidated financial audit and administer the contracted audits of FHA and Ginnie Mae.

Equity Skimming Efforts. The identification and pursuit of fraud in insured multifamily housing programs is a principal focus of audits and investigations. Our strategy is to obtain successful criminal and civil prosecution, sending a message to owners that defrauding the government will not be tolerated. We have focused on affirmative civil enforcement opportunities with direct referral of cases to the U.S. Attorneys. The burden of proof is less on these civil cases and provides for more immediate impact. We have reached settlement and judgment on 131 cases totaling $105 million and had court convictions on another 32 cases totaling $5.8 million. We must increase our aggressive pursuit of fraud cases.

4. OFFICE OF INVESTIGATIONS

a. Employment and Responsibilities

The Office of Investigation is responsible for the development and implementation of investigative activities focusing on fraud and abuse in connection with HUD programs and activities. Special agents assigned to Headquarters and to eleven district offices are responsible for conducting investigations. The Office of Investigation initiates investigations of possible violations of laws related to the administration of HUD programs and activities or serious misconduct on the part of HUD employees. These initiatives include investigations of possible criminal violations for criminal and/or civil prosecution and investigations of program irregularities for civil and/or administrative actions by HUD. In carrying out these responsibilities, the Office of Investigation works closely with other Federal law enforcement agencies, as well as with State and local law enforcement. Numerous successful investigations have occurred because of the combined efforts of more than one investigative agency. These

efforts not only intensify the investigation, but also can broaden the scope of the inquiry and jurisdictional range of potential violations.

Headquarters, Office of Investigation directs the activities of the eleven districts and performs an investigative support function. In addition, the Office of Investigations has a Special Investigations Division that conducts sensitive, highly complex and/or nationwide fraud investigations. A Special Agent in Charge who is responsible for overseeing investigations within their respective geographic areas of responsibility supervises each district Office.

b. Workload

Our Semiannual Report to the Congress continues to show significant results from our investigative efforts. The following is a summary of our investigative results for the 6-month period October 1, 2000 through March 31, 2001.

WHITE-COLLAR INVESTIGATIVE RESULTS

WHITE-COLLAR FEDERAL ARRESTS	WHITE-COLLAR STATE ARRESTS	WHITE-COLLAR INDICTMENTS	WHITE-COLLAR CONVICTIONS	WHITE-COLLAR INVESTIGATIVE RECOVERIES	WHITE-COLLAR SUSPENSIONS /DEBARMENTS OF PERSONS/ FIRMS DOING BUSINESS WITH HUD	WHITE-COLLAR SEARCH WARRANTS
82	60	146	125	$31,143,725	98	35

Significant progress was made during fiscal year 2001 to update the case management and information systems of the Office of Investigation. A new computerized case management system (Auto-Investigation) was implemented to replace two database systems from 1979 that no longer meet the demanding requirements of the Office of Investigation. The new system provides headquarters staff with the capability of immediate review of the progress of ongoing investigations and substantially reduces the number of hard copy reports required from the field offices. During fiscal years 2002 and 2003, the Office of Investigations will expand the capabilities of Auto-Investigation to include an improved Investigation report module, an array of management reports, an inventory module and a training tracking module.

During fiscal year 2003, the Office of Investigation will continue working to maintain a balance between two major areas of investigative concern. First, resources will be focused on white-collar fraud investigations in those programmatic areas that hold the greatest potential for return. Second, resources will be focused on investigations that target property flipping schemes and predatory lending practices.

Maintaining and enhancing an aggressive, prioritized program of white-collar fraud investigations is one key performance goal of the Office of Investigation. These investigations, which are routinely supported by other law enforcement agencies (primarily the Federal Bureau of Investigations (FBI)) and the Office of Audit, are for the purpose of punishing abusers of HUD programs, recovering Federal funds, deterring others from committing illegal acts, and restoring public confidence in the integrity of HUD programs.

Our white-collar crime investigations will continue to yield significant prosecutive results such as loan origination fraud and property flipping schemes in the single family mortgage insurance program, equity skimming, embezzlement, and false claims violations in the multifamily insured and assisted housing programs, and embezzlement and false claims cases in public housing and community development grant programs. An increasing number of these investigations in these areas involve highly sophisticated fraudulent schemes perpetrated in an automated environment by multiple individuals and business entities operating in many jurisdictions. In order to adequately address this area in fiscal year 2003, the Office of Investigation is proposing to establish a specialized Electronic Crime Team consisting of two special agents to provide technology assistance and computer forensic support to other agents in conducting complex fraud investigations that frequently require the seizure and evaluation of digital evidence.

5. HOUSING FRAUD INITIATIVE (HFI)

In fiscal year 1998, Congress authorized an initiative to investigate, in conjunction with the FBI, possible fraud in all HUD programs. In consultation with the FBI, we established Housing Fraud Initiative task forces in various locations. These task forces undertake comprehensive assessments of HUD program vulnerabilities with the goal of maximizing fraud prosecutions.

In the last semi-annual report, those HFI task forces were responsible for 24 Federal arrests, 17 State arrests, 11 search warrants, 35 administrative sanctions, 41 indictments, 50

convictions, with individuals sentenced to a total of more than 47 years, court ordered recoveries of $923,671, and collections of $13,791,567. Those results are included in the workload "white-collar" crime investigative results table.

6. OFFICE OF MANAGEMENT AND POLICY (OMAP)

a. Employment and Responsibilities

The Office of Management and Policy provides OIG-wide administrative support such as budget and financial management, personnel management, employee training, internal policy development, ADP and automated office support services, reports preparation, and records management. It also maintains a Fraud Awareness and Program Integrity office, conducts internal management assessment reviews, and oversees the work of the Directorate of Internal Affairs.

b. Workload

OMAP continues to be the OIG focal point for streamlining support operations and developing OIG policies and procedures, particularly those related to administrative and human resources. OMAP is also responsible for the OIG quality assurance program that assesses OIGwide compliance with professional audit and investigative standards, and administrative policies. The program involves a comprehensive evaluation of one district each quarter for four evaluations per year so that each district is evaluated at least once every 3 years.

As part of an overall effort to improve mission performance, the OMAP information systems staff has taken the lead in reengineering the flow of information throughout the organization by automating the OIG workflow processes to the maximum extent possible. The OIG has outsourced automation support and established a secure virtual private network under the Seat Management program. Users now have greater access to information within each component office, and the sharing of information across the organization has been enhanced. We have also purchased commercial off-the-shelf (COTS) software packages that automate the work of auditors and special agents. Our strategy to implement an independent secure network from the ground up has been a huge undertaking and required extensive coordination among participating agencies and the contractor.

The OIG has also contracted with the Bureau of Public Debt (BPD) to provide personnel and procurement services. Outsourcing these functions has enhanced OIG mission performance while allowing it to remain semi-autonomous from the Department. Outsourcing has enabled us to provide essential mission support activities without having to compete with other offices for the limited Departmental resources in these areas. Thus, we are able to devote our limited support resources to priority issues and needs immediately. The OIG must maintain a limited core staff with personnel and procurement expertise to provide interface, develop policy and provide contract oversight of BPD's performance.

The OIG's extensive budget and administrative services, reports preparation, and records management activities are conducted in-house with a relatively small staff that oversees OIG operations in the Headquarters as well as eleven districts and associated outlying offices across the United States and Puerto Rico. The semi-autonomous nature of the OIG stemming from the IG Act of 1978 poses significant challenges in ensuring the OIG has sufficient resources and support facilities to fulfill its mission.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

Administrative Provision

In order to treat the Office of Federal Housing Enterprise Oversight (OFHEO) similarly to other financial regulators, the Budget proposes legislation that would provide direct funding to OFHEO. This provision puts OFHEO on par with other safety and soundness regulators such as the Office of Comptroller of the Currency, the Office of Thrift Supervision, the Federal Housing Finance Board, the Federal Reserve Board and the National Credit Union Administration. This provision provides the Office with the flexibility to set resources in response to any rapid changes in the financial condition of Fannie Mae and Freddie Mac (the Enterprises) or in the markets in which they operate and serve. The provision is also consistent with the fact that OFHEO is not funded by taxpayer dollars. Rather, like other safety and soundness regulators, OFHEO is funded through annual assessments on the institutions that it regulates.

The following document summarizes OFHEO's budgetary requirements for fiscal year 2003 and details the workload goals the Office plans to achieve during this timeframe.

Salaries and Expenses

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, [P. L. 102-550, Section 1313(a)], Title XIII of the Housing and Community Development Act of 1992 (1992 Act), established OFHEO as an independent office in the Department of Housing and Urban Development (HUD) to supervise the two largest government-sponsored enterprises (Enterprises) - Fannie Mae and Freddie Mac. The Act mandates annual examinations of Fannie Mae and Freddie Mac by OFHEO to determine the condition of each Enterprise for the purpose of ensuring financial safety and soundness. The statute also requires OFHEO to develop and administer capital requirements for the Enterprises and to conduct other research and financial analysis necessary for effective regulatory oversight.

OFHEO's Mission Statement

OFHEO promotes housing and a strong economy by ensuring the safety and soundness of Fannie Mae and Freddie Mac and fostering the strength and vitality of the nation's housing finance system.

OFHEO's proposed fiscal year 2003 Budget is essential for the Office to meet the congressionally mandated mission of ensuring the financial safety and soundness of Fannie Mae and Freddie Mac. The size, scope, and complexity of the Enterprises' activities continue to expand dramatically, as has the range of risks embedded in those activities. In addition, the Enterprises are utilizing technology as a strategic resource by developing and applying sophisticated risk management techniques, automated underwriting and cost control tools for seller/servicers, and communication and product delivery channels, with emphasis on the Internet. These business initiatives require a commensurate increase in staffing and in the application of technology by OFHEO to ensure effective and efficient supervision of the Enterprises.

Since the creation of OFHEO in 1993, the Enterprises have more than doubled in size and have fundamentally shifted their business mix from guarantors of mortgage-backed securities to asset managers, and have correspondingly developed innovative mortgage, debt, and derivative products.

As of year-end 1992, Fannie Mae and Freddie Mac held in portfolio or guaranteed $1 trillion of mortgages representing 30 percent of the $3.3 trillion in U.S. residential mortgage debt outstanding. In September 2001, the Enterprises had increased their combined portfolio holdings and guarantees to $2.6 trillion, representing 43 percent of the $6.1 trillion in mortgage debt outstanding.

The Enterprises have also realigned their business to emphasize asset management rather than credit guarantee. At year-end 1992, Fannie Mae and Freddie Mac held 19 percent of their book of business in portfolio and guaranteed 81 percent in the form of mortgage-backed securities. By September 2001, the proportion of the book of business held in portfolio had increased to 44 percent, with a corresponding decline in the guarantee business to 56 percent of the total book of business. This realignment in business strategy significantly alters the risk profile of the Enterprises, shifting risk management from credit guarantee to both credit risk and interest rate risk management.

In response to more ambitious affordable housing goals and the shift in business strategy, the Enterprises have expanded business products, with increasing sophistication and complexity. Fannie Mae and Freddie Mac structured programs to purchase high loan-to-value mortgages to support the drive to higher rates of homeownership, promoted the expansion of reverse mortgages for elderly homeowners, and developed the means to reach less credit worthy borrowers. The Enterprises funded their expanded portfolios with innovative debt products, including instruments

denominated in foreign currencies and a program of regular issuances that frequently serves as an alternative to U.S. Treasury securities. Furthermore, to manage these assets and liabilities, the Enterprises have increased their use of derivative instruments from a notional amount of $72 billion at year-end 1993 to $1.6 trillion on September 2001, representing a more than twenty-fold increase. Each of these initiatives represents a heightening of the sophistication and complexity embedded in the risk profiles of Fannie Mae and Freddie Mac.

Dramatic advances in technology represent the foundation for these business initiatives. The Enterprises employ cutting-edge risk management techniques, built on quantitative models, to manage the many alterations of their risk profiles. Automated underwriting and related technology innovations by Fannie Mae and Freddie Mac have revolutionized the mortgage finance process and have led to significant shifts in the structure of the mortgage finance industry. Communication technologies and E-Commerce represent further expansion opportunities for the Enterprises to streamline their businesses. These technologies carry with them operational challenges that not only permit Fannie Mae and Freddie Mac to leverage their resources but also heighten their operational risks.

These developments and trends have challenged the resources of OFHEO to keep pace with the Enterprises. An increase in staffing is imperative to ensure that OFHEO has the capability to assess the consequences of further growth and innovation by Fannie Mae and Freddie Mac. OFHEO also must share with the Enterprises a commitment to technology that will permit the Office to leverage the expertise and skills of its staff. These needs form the basis for OFHEO's fiscal year 2003 resource requirements.

BUDGET HIGHLIGHTS

The following table summarizes the funding and staffing levels in OFHEO's fiscal year 2001, fiscal year 2002 and the proposed fiscal year 2003 Budgets.

		ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
			(Dollars in Thousands)		
From Appropriation:					
Budget Authority (Assessed to GSE's)		$22,000	$27,000	$30,843	+$3,843
Prior Year Recovery	a/	$605	$100	...	-$100
Subtotal		$22,605	$27,100	$30,843	+$3,743
Total Obligations		$22,598	$27,100	$30,843	+$3,743
Unobligated Balance EOY		...	...	...	...
Outlays (net)		$23,267	$26,000	$29,843	+$3,843
Full-Time Equivalents		105	118	142	+24

a/ The Office of Management and Budget (OMB) approved OFHEO's request to recover prior year obligations for re-obligation during fiscal year 2001. OMB reapportioned $605,000 to OFHEO as an increase in budgetary resources available to OFHEO during fiscal year 2001. OFHEO has estimated that about $100,000 in prior year obligations will be recovered during fiscal year 2002 and reapportioned by OMB to OFHEO for re-obligation in fiscal year 2002.

SUMMARY OF PROPOSED 2003 BUDGET

The proposed fiscal year 2003 Budget of $30,843,000 (includes $843,000 for the Administration's proposal to fully fund retirement costs) represents a 14.2 percent increase from the fiscal year 2002 Budget Request of $27,000,000. The proposed fiscal year 2003 Budget funds OFHEO's existing oversight activities and two initiatives. The first initiative is to strengthen OFHEO's safety and soundness programs. This will be done by bolstering OFHEO's capacity to oversee Enterprise risk management activities, by improving OFHEO's capacity to analyze stress test outputs, and by improving OFHEO's capacity to analyze developments in the mortgage and securities markets. In addition, OFHEO will expand its data warehouse and improve the efficiency of using this data to improve the productivity of regulatory staff.

The second initiative is to strengthen OFHEO's infrastructure. This will be done primarily by creating an integrated administrative and financial management system that is Joint Financial Management Improvement Program compliant and provides useful information for management decision-making.

Initiative One: Strengthen Safety and Soundness Programs

OFHEO is requesting 21 new positions and $1.5 million to purchase data and computer software and hardware to strengthen its core safety and soundness programs.

Office of Federal Housing Enterprise Oversight

A. Examination Program

OFHEO is seeking ten new examiners to enhance its Examination and Oversight Program. The ten new examiners would accomplish the first phase of a 3-year plan to expand OFHEO's examination staff to 66 examiners. OFHEO has determined that a larger examination staff is needed to fully cover the range of risk activities at both Enterprises. A larger examination staff would also be more consistent with the amount of resources Federal bank regulators devote to examining large money center banks, which are comparable in size and sophistication to the Enterprises.

The ten new examiners will be used to provide needed depth in the examination of the Enterprises' core credit, market, and interest rate risk areas to keep pace with continued rapid growth of the two companies. The new examiners will also provide capacity to expand the scope and depth of the program to include new and emerging risk areas including E-Commerce, communication networks, internal financial models, and risk-based capital compliance. Finally, this increased capacity will bolster the program's infrastructure to ensure that industry "best practices" are used as evaluation criteria for all risk areas. In addition, OFHEO will augment its expertise in evaluating accounting practices at the Enterprises.

In addition to the new examiners, OFHEO is requesting $400,000 to conduct a requirements analysis and to build a prototype of an automated examination tool that OFHEO calls the Examiner Workstation. The Examiner Workstation will allow examiners to create, store and retrieve electronically their examination work papers and risk assessments, and to have access to Enterprise data and risk measurement analytics and reports. The Examiner Workstation will increase productivity by providing examiners with a comprehensive tool that will enable them to access information necessary to assess risk from a single software application on their computer, both onsite and off-site (at the Enterprises). The Examiner Workstation is similar in concept to initiatives being developed at the Federal Reserve and the Comptroller of the Currency.

B. Capital Adequacy

Three positions are requested to strengthen OFHEO's ability to assess the Enterprises' capital adequacy and continue to ensure that the risk-based capital stress test is effectively capturing risk. These positions will give OFHEO needed capacity to analyze and evaluate stress test outputs and conditions in order to inform the Director on the drivers of changes in risk-based capital requirements. In addition, OFHEO is requesting $500,000 to purchase financial software to analyze Enterprise asset/liability positions and to value securities with option features. These tools will be used to strengthen OFHEO's analytic capacity by leveraging current staff resources to measure and analyze Enterprise risk. Also OFHEO is requesting $165,000 to purchase historical sub-prime mortgage performance data from a private vendor. This data will be used to estimate the risk to the Enterprises and the associated required capital from purchasing higher risk sub-prime mortgages.

C. Market and Industry Analysis

Three positions are requested to strengthen OFHEO's capacity to stay current with and analyze the implications of the rapid changes occurring in the primary and secondary mortgage markets and securities markets. These positions will be used to analyze Enterprise disclosure issues, technological changes, house prices, and securities and derivatives used by the Enterprises.

D. Information Technology Supporting Safety and Soundness Programs

Five positions are requested to add required expertise to maintain and expand OFHEO's data warehouse and Surveillance and Monitoring System (SAMS). These positions would be used to integrate and maintain additional FHA and sub-prime mortgage performance data into OFHEO's existing data warehouse and to sort the data into data sets and reports that OFHEO examiners, researchers and modelers can productively use.

OFHEO is also requesting $450,000 for a disk array that compliments the large-scale computer and tape back-up facility approved for fiscal year 2002. This disk array will allow large data sets to be processed more quickly, which will improve the productivity of OFHEO's researchers and modelers.

Initiative Two: Strengthening OFHEO's Infrastructure

OFHEO is also requesting funding for three new positions to strengthen administrative programs and overall program management. These positions would strengthen performance planning, reporting, and ongoing management to achieve OFHEO's performance goals, improve human resources support services, and support financial accounting to ensure smooth integration of administrative and financial systems.

In addition, OFHEO is requesting $1.2 million to develop and implement an integrated administrative and financial system compliant with Joint Financial Management Improvement Program standards and create a management information system directly linked to the financial system. Currently OFHEO is supported by several other agencies and the disparate administrative systems

are not integrated making tracking and control time-consuming and labor intensive. This configuration does not comply with new Federal standards and does not meet OFHEO's requirements for efficient operations and readily usable information to support program and management decisions. OFHEO would seek integrated financial and administrative services from a single federal provider or implement a system that has been tested and certified by Joint Financial Management Improvement Program meeting requirements to be placed on the Government Services Schedule for procurement by Federal agencies.

The request also includes a Reception and Representation Fund of $500. The fund would enable the Director to host meetings with industry and other external stakeholders to disseminate information and exchange ideas.

Funding

The following table summarizes obligations for OFHEO by object class.

	ACTUAL 2001 a/	ENACTED 2002 b/	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Personal Services	$14,023	$16,755	$20,741	+$3,986
Travel and Transportation Of Persons	$117	$302	$417	+$115
Transportation Of Things	$6	$10	$10	...
Rent, Communications, and Utilities	$2,780	$2,537	$3,100	+$563
Printing and Reproduction	$115	$232	$158	-$74
Other Services	$3,256	$2,094	$4,884	+$2,790
Supplies and Materials	$157	$328	$346	+$18
Furniture and Equipment	$1,064	$4,392	$1,187	-$3,205
Land & Structure	$1,080	$450	$0	-$450
Total Obligations	$22,598	$27,100	$30,843	+$3,743

a/ Actual obligations include a recovery of $605,000 of prior year obligations.

b/ Includes $100,000 anticipated recovery of prior year obligations in fiscal year 2002.

1. CHANGES FROM ESTIMATES INCLUDED IN 2002 BUDGET

OFHEO received its full fiscal year 2002 budget request of $27,000,000. The proposed fiscal year 2003 Budget seeks to strengthen safety and soundness activities through increased examination staffing, additional risk and market analysis staffing, additional information analysis staffing, and enhanced automated tools.

The Enacted Budget for fiscal year 2001 was $3.8 million less than our request of $25.8 million. OFHEO reallocated resources internally to address priorities and focus on the risk-based capital rule. This required delaying the development of a prototype of the proposed Examiner Workstation; decreasing the resources devoted to the Surveillance and Monitoring System (SAMS) development; and eliminating funding for the integrated administrative and financial system to bring OFHEO into compliance with the Federal Financial Management Improvement Act and Joint Financial Management Improvement Program standards. Each of the initiatives curtailed or eliminated are re-requested in the fiscal year 2003 Budget.

Office of Federal Housing Enterprise Oversight

ANALYSIS OF INCREASES AND DECREASES

	CURRENT ESTIMATE 2002	ESTIMATE 2003
	(Dollars in thousands)	
Prior-year obligations	$22,598	$27,100
Estimates for personal services	+2,732	+3,986
Change to travel costs	+185	+115
Change to transportation of things	+4	+0
Change to rent, communications and utilities	-243	+563
Change to printing and reproduction	+117	-74
Change to other services	-1,162	+2,790
Change to supplies and materials	+171	+18
Change to furniture and equipment	+3,328	-3,205
Change to land and structure	-630	-450
Total Obligations	$27,100	$30,843

EXPLANATION BY OBJECT CLASS

Personal Services. OFHEO's fiscal year 2002 budget contains funding for 118 FTE, essentially flat with the positions on the fiscal year 2001 staffing plan. The fiscal year 2003 budget supports an increase in FTE of 24, bringing the total to 142. This is the bare minimum staff required in fiscal year 2003 to ensure that OFHEO has staffing at an adequate level to fulfill its safety and soundness mission in the oversight of Fannie Mae and Freddie Mac. The Enterprises continue to grow and to develop increasingly complex business practices, which OFHEO must be able to evaluate in order to fully assess their safety and soundness. The risk-based capital stress test is a sophisticated tool to measure specific risks mandated by Congress and OFHEO must ensure that the tool is kept up-to-date by effectively capturing changing risks, and compliment the results of that tool with qualitative analysis to make more complete safety and soundness determinations. Nearly 90 percent of the new positions contribute directly to strengthening the oversight capacity of the Office. The balance of the new positions would enhance existing performance planning and reporting, human resources and financial management activities. The fiscal year 2003 budget also includes full funding for retirement costs of $843,000, compared to past years when these costs were reported in a government-wide centralized program and not reflected in individual programs.

Travel. OFHEO is requesting a 38 percent increase in travel to support the additional staff, provide sufficient resources for examiner related travel and outreach activities, and fund standard increases in travel costs.

Transportation of Things. OFHEO does not anticipate paying relocation expenses for new staff. This budget includes shipping costs for OFHEO's supplies and equipment.

Rent, Communications and Utilities. The proposed fiscal year 2003 budget reflects base rent increases for existing space.

Printing and Reproduction. OFHEO is projecting that printing costs will decrease in fiscal year 2003. This is largely attributable to the completion of the regulatory infrastructure and the risk-based capital regulation.

Other Services. The proposed fiscal year 2003 budget reflects an increase of $2.8 million in other services. Of the $2.8 million, $1.2 million is requested for the procurement and implementation of an integrated administrative and financial system. This would include a requirements analysis, system procurement, data conversion and implementation as well as the creation of a management information system directly linked to the integrated system. OFHEO is also seeking $500,000 to purchase software to analyze Enterprise asset/liability positions and value securities with option features. In addition, OFHEO is requesting $165,000 to secure mortgage information from a commercial source to strengthen OFHEO's oversight program and policy analysis capability. OFHEO also needs $400,000 to develop a prototype of an automated Examiner Workstation that will dramatically increase the analytic capability and efficiency of examiners onsite at the Enterprises and in the OFHEO office. The budget continues to fund contract services for information systems and specialist support services and training for OFHEO employees.

Supplies and Materials. The small increase of 5 percent in supplies and materials represents increases to support new staff and professional publications to support policy analysis.

Furniture and Equipment. The 73 percent decrease in the proposed fiscal year 2003 Budget from the fiscal year 2002 Budget Request primarily represents the $4 million capital acquisition of a large computer system planned for fiscal year 2002. The proposed fiscal year 2003 budget includes $450,000 for the disk array, an incremental cost associated with the fiscal year 2002 capital acquisition. In addition, it supports replacement of broken and obsolete equipment, and continues existing software licenses and maintenance agreements.

Land and Structure. The $1,080,000 in this category for fiscal year 2001 is primarily the phased replacement of outdated cabling with fiber optic cable. It also includes the construction of a new computer room to house OFHEO's computer infrastructure and the construction of office space into work areas for use by examination staff. In fiscal year 2002, OFHEO plans to make improvements to existing space to upgrade lighting and office fixtures to improve the work environment. OFHEO does not anticipate any additional land and structure expenses for fiscal year 2003.

PROGRAM DESCRIPTION

1. SCOPE OF ACTIVITY

OFHEO functions as an independent office within HUD, responsible for regulation of Fannie Mae and Freddie Mac in matters of capital adequacy and financial safety and soundness. The Office is headed by the Director who is appointed by the President for a 5-year term and is responsible for the overall operation of OFHEO.

The Act requires OFHEO to develop and maintain a stress test to determine risk-based capital requirements and to conduct other research and financial analysis necessary for effective regulatory oversight of the GSEs. OFHEO is also required by statute to conduct annual examinations of Fannie Mae and Freddie Mac to determine the condition of each Enterprise for the purpose of ensuring their financial safety and soundness. The examinations are designed to identify the overall risks in the business activities of the Enterprises, and to determine if those risks are being prudently managed, controlled, and monitored. Additional special examinations may be conducted as necessary, as determined by the Director.

2. WORKLOAD

A. **2001 Accomplishments**

Following are specific accomplishments during 2001:

RULEMAKING

- published final risk-based capital regulation;
- published proposed and final regulation on executive compensation;
- published proposed regulation clarifying minimum standards affecting corporate governance and internal controls of the Enterprises;
- published proposed regulation to implement the prompt corrective action provisions of the 1992 Act and to provide for early supervisory intervention;
- published proposed flood insurance regulations;
- published proposed and final regulations to clarify policies and procedures for calculating and collecting annual assessment from Enterprises;
- published proposed and adopted amendments to Rules of Practice and Procedure regarding enforcement proceedings;
- published final regulation making inflation adjustment for civil money penalty provisions of Rules of Practice and Procedure regulation;
- published final regulation reorganizing and renumbering OFHEO regulations to accommodate anticipated expansions of regulatory infrastructure;
- drafted proposed regulations implementing the Rehabilitation Act and submitted to DOJ for review;
- adopted OFHEO policy statement on minimum safety and soundness standards for the Enterprises;
- adopted OFHEO policy statement on Non-Mortgage Liquidity Investments; and
- adopted OFHEO policy statement to provide for periodic review of regulations.

EXAMINATION AND OVERSIGHT

- completed the CY 2000 and initiated the CY 2001 annual continuous risk-based examinations of the Enterprises to ensure a comprehensive, ongoing assessment of safety and soundness;
- communicated the results and conclusions of the CY 2000 examinations to the Boards of Directors of the Enterprises and to the Congress;
- maintained the surveillance and monitoring programs to ensure a comprehensive and timely assessment of the safety and soundness of the Enterprises;
- hosted and participated in joint meetings of the GSE Examination Council to foster communications among federal agencies that supervise government sponsored enterprises; and
- participated in professional development and joint training projects with other federal financial regulatory agencies to maintain and enhance examiners' expertise and to stay abreast of best practices in examination.

RESEARCH AND POLICY ANALYSIS

- classified each of the Enterprises as "adequately capitalized" each quarter applying regulatory minimum capital standards;
- continued quarterly publication of OFHEO's House Price Index, documenting changes in home prices for the nation, each state, the nine census regions, and metropolitan areas;
- made a full and complete Report to Congress on OFHEO's activities and the condition of the Enterprises on June 15, 2001;
- completed independent validation and verification of aspects of the Financial Simulation Model;
- completed the RBC Report specifications for the Enterprises' data submission for the risk-based capital calculations;
- developed the RBC stress test model;
- provided the Enterprises and the public with the source code to run the stress test;
- began development of an analytical framework for analysis of Financial Simulation Model results to inform the Director of risks, trends and emerging issues related to the financial condition of the Enterprises;
- began research and analysis of evolving risk factors for eventual incorporation in the stress test, including credit scoring and subprime lending;
- solicited and received public comment on research questions for a study of systemic risks related to the Enterprises and conducted research for the study;
- published a study of mortgage markets and the Enterprises in 2000, including historical Enterprise data;
- conducted research in areas of house prices, housing finance, safety and soundness regulation, financial services industry consolidation, and Enterprises financial performance. Published five papers in professional journals and books; and
- continued to monitor changes to the comparability of executive compensation and reviewed four termination packages at the Enterprises.

OFHEO INFRASTRUCTURE

- received an unqualified (clean) audit opinion on OFHEO's Year 2000 financial report;
- initiated independent review of OFHEO's information security program, as mandated by the Government Information Security Reform Act;
- completed draft of OFHEO's 5-year Information Technology Plan;

- installed hardware and software upgrades to the OFHEO information technology infrastructure to support migration to a high-speed network; and
- established facility for secure electronic transmission of GSE data.

B. 2002 Plan

OFHEO has identified the following objectives for completion in 2002:

EXAMINATION AND OVERSIGHT

- complete the CY 2001 and initiate the CY 2002 annual continuous risk-based examinations of the Enterprises to ensure a comprehensive, ongoing assessment of safety and soundness;
- communicate the results and conclusions of the CY 2001 examinations to the Boards of Directors of the Enterprises and to the Congress;
- maintain the surveillance and monitoring programs to ensure a comprehensive and timely assessment of the safety and soundness of the Enterprises;
- host and participate in joint meetings of the GSE Examination Council to foster communications among federal agencies that supervise government sponsored enterprises; and
- participate in professional development and joint training projects with other federal financial regulatory agencies to maintain and enhance examiners' expertise and to stay abreast of best practices in examination.

RESEARCH AND POLICY ANALYSIS

- continue quarterly classification of the capital adequacy of the Enterprises, applying minimum capital standards;
- calculate capital levels quarterly with the risk-based capital stress test and analyze the results to facilitate the Enterprises' transition to the risk-based capital regulatory regime;
- continue quarterly publication of OFHEO's House Price Index, documenting changes in home prices for the nation, each State, the nine census regions, and metropolitan areas;
- publish a median house price index for use by OFHEO and to support HUD and Treasury programs;
- make a full and complete Report to Congress on OFHEO's activities and the condition of the Enterprises by June 15, 2002;
- evaluate new programs proposed by either Enterprise to determine if they could risk significant deterioration of the financial condition of that Enterprise;
- develop and incorporate into the Financial Simulation Model appropriate stress test treatments for new Enterprise activities;
- improve the Financial Simulation Model based on OFHEO's research results and emerging developments affecting the Enterprises;
- continue development of an analytical framework for analysis of Financial Simulation Model results to inform the Director of risks, trends and emerging issues related to the financial condition of the Enterprises;
- research and analyze new risk-measurement technologies for future incorporation in the stress test;
- publish a study of systemic risk related to the Enterprises;
- publish a review of mortgage markets and the Enterprises in 2001, including historical Enterprise data;
- continue research in the areas of mortgage, housing and securities markets to better understand evolving and potential future changes in Enterprise risks; and
- conduct a study of the comparability of the executive compensation at the Enterprises with compensation at peer organizations and review termination packages at the Enterprises.

RULEMAKING

- publish final prompt corrective action and supervisory response regulation;
- publish final corporate governance regulation;
- publish proposed and final amendments to the risk-based capital regulation;
- publish proposed and final amendments to minimum capital regulation to accommodate changes in Generally Accepted Accounting Principles and to clarify reporting requirements and procedures;
- publish proposed amendment to minimum capital regulation to make supervisory monitoring of minimum capital more transparent;
- publish final flood insurance regulation;
- publish proposed regulations related to information systems and technology practices of the Enterprises;
- publish proposed regulation codifying policies on minimum safety and soundness standards;
- publish proposed and final regulations implementing the Rehabilitation Act;
- ascertain need for financial disclosure regulations and publish advance notice of proposed rule making (ANPR) or proposed regulation if determined appropriate; and
- ascertain need for corporate structure regulation and publish ANPR or proposed regulation if determined appropriate.

OFHEO INFRASTRUCTURE

- purchase and install large-scale server to ensure that OFHEO can produce the quarterly risk-based capital calculations, quarterly House Price Index, and examination and research projects timely;
- purchase and install tape back-up solution to archive stress test runs involving large amount of data and calculations;
- continue to develop, implement and improve administrative and information systems and policies to support OFHEO's activities using the principles of the Government Performance and Results Act, the Government Management Reform Act, the Information Technology Management Reform Act and the Government Information Security Reform Act;
- continue to seek independent audit of OFHEO's financial statement and implement applicable audit recommendations from the prior year;
- establish a direct connection to the National Finance Center (NFC) to improve the efficiency of processing personnel actions;
- complete OFHEO's 5-year Information Technology Plan;
- continue to seek independent review of OFHEO's information security program, as mandated by the Government Information Security Reform Act, and implement applicable recommendations from the prior year; and
- continue to improve the reliability and availability of the computer resources that support the regulatory infrastructure.

B. 2003 Goals

OFHEO has identified the following objectives for completion in 2003:

EXAMINATION AND OVERSIGHT

- restructure the examination activities to better align examination resources to existing and emerging risks at the Enterprises;
- complete the CY 2002 and initiate the CY 2003 annual continuous risk-based examinations of the Enterprises to ensure a comprehensive, ongoing assessment of safety and soundness. For those examinations, review and evaluate each of the following program areas:
  - Credit Risk Program - assesses the risk that borrowers and counterparties will fail to meet their contractual or other obligations to the Enterprises;
  - Interest Risk Program - assesses the risk associated with movements in interest rates, including changes in: the level of interest rates; the shape of the yield curve; the level of volatility; and the relationships or spreads among various yield curves or indices;
  - Liquidity Management Program - assesses the Enterprises' ability to meet its obligations as they come due and to transact the next incremental dollar of business cost effectively;
  - Information Technology Program - assess the infrastructure, or the general controls, needed to safeguard data, protect computer application programs, prevent system software from unauthorized access, and ensure continued computer operations in case of unexpected interruptions;
  - Business Process Controls Program - assess the process employed to ensure business initiatives and endeavors are considered and evaluated within a complete business context with particular attention directed to risk assessment and risk management framework;
  - Internal Controls Program - Assess the plan of organization, methods and procedures adopted by management to ensure that: goals and objectives are met; resources use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss and misuse; and reliable data are obtained, maintained and fairly disclosed in reports;
  - Board Governance Program - assess the manner in which the Boards discharge their duties and responsibilities in governing the Enterprises;
  - Management Process Program - assess the processes used to drive behaviors to support the Enterprises' defined corporate goals, standards and risk tolerances;
  - Audit Program - assess the appropriateness of the Enterprises' Board and management reliance on internal and external audits;
  - Management Information Program - assess the effectiveness, accuracy and completeness of information and reports; and
  - Model Exposure Program - evaluate the use and operation of internal models to determine that poor business decisions do not result from a model that is flawed in its logical operations, incorrectly operated or inappropriately applied.
- communicate the results and conclusions of the fiscal year 2002 examinations to the Boards of Directors of the Enterprises and to the Congress;
- enhance the examination program with additional depth in existing program areas, expanded coverage of emerging Enterprise business initiatives, and dedicated infrastructure positions to ensure the development and implementation of a "best practices" program;
- develop a prototype for an Examiner Workstation, a technology initiative to combine the risk assessment process of the examination and oversight functions through the use of integrated software;
- maintain the surveillance and monitoring programs to ensure a comprehensive and timely assessment of the safety and soundness of the Enterprises;
- host and participate in joint meetings of the GSE Examination Council to foster communications among federal agencies that supervise government sponsored enterprises; and

- participate in professional development and joint training projects with other federal financial regulatory agencies to maintain and enhance examiners' expertise and to stay abreast of best practices in examination.

RESEARCH AND POLICY ANALYSIS

- continue quarterly classification of the capital adequacy of the Enterprises, applying regulatory minimum capital standards;
- a year after the risk-based capital rule has been published in final, begin quarterly classification of capital adequacy using the risk-based capital standard;
- continue quarterly publication of OFHEO's House Price Index, documenting changes in home prices for the nation, each State, the nine census regions, and metropolitan areas;
- update the median house price index developed in fiscal year 2002;
- develop an additional house price index incorporating data on FHA-insured loans;
- make a full and complete Report to Congress on OFHEO's activities and the condition of the Enterprises by June 15, 2002;
- develop and incorporate into the Financial Simulation Model appropriate stress test treatments for new Enterprise activities;
- improve the Financial Simulation Model based on OFHEO's research results and emerging developments affecting the Enterprises;
- continue to analyze the risks of the Enterprises and improve analytic capacity using the Financial Simulation Model and other analytical tools;
- purchase and begin using new risk-measurement technologies to assess Enterprise risks that may not be captured in the stress test;
- publish a review of mortgage markets and the Enterprises in 2002, including historical Enterprise data;
- analyze the characteristics and performance of sub-prime markets;
- continue and expand research in the areas of mortgage, housing and securities markets to better understand evolving and potential future changes in Enterprise risks; and
- monitor changes to the comparability of the executive compensation and review termination packages at the Enterprises.

RULEMAKING

- publish final amendments to minimum capital regulation to make supervisory monitoring of minimum capital more transparent;
- publish final regulation affecting financial disclosures and reporting requirements for Enterprises, if determined to be appropriate;
- publish final regulation setting minimum standards for information systems and technology policies and practices of the Enterprises;
- publish proposed regulation to codify regulatory safety and soundness policy guidance affecting permissible activities and investments of Enterprises;
- track issues arising in the implementation of risk-based capital regulation to assess the need for changes to the regulation; and
- revise risk-based capital regulation, if needed, to incorporate new products and improvements in risk measurement and any alterations of legal standards or regulations.

OFHEO INFRASTRUCTURE

- purchase and install a disk array to accommodate the growth in on-line data that will be necessary to ensure that OFHEO can produce the quarterly risk-based capital calculations, quarterly House Price Index, and examination and research projects timely;

- continue to maintain and expand OFHEO's data warehouse to support OFHEO's risk assessment of the Enterprises. With this time series data, OFHEO's Surveillance and Monitoring program can provide a more robust analysis to update the risk profiles of the Enterprises;
- improve the quality and efficiency of OFHEO's current financial and human resources management systems by migrating these separate systems into an integrated system compliant with JFMIP standards, and link to an executive information system to support the effective management of OFHEO resources;
- continue to develop, implement and improve administrative and information systems and policies to support OFHEO's activities using the principles of the Government Performance and Results Act, the Government Management Reform Act, and the Information Technology Management Reform Act;
- continue to seek independent audit of OFHEO's financial statement and implement applicable audit recommendations from the prior year;
- continue to seek an independent review of OFHEO's information security program, evaluate the results and strengthen controls as necessary;
- continue to improve the reliability and availability of the computer resources that support the regulatory infrastructure; and
- develop internal procedures manual describing procedures for such matters as developing and processing regulations, holding a hearing, taking an enforcement action, and filing reports.

3. SUMMARY OF STAFFING REQUIREMENTS

All personnel in this office are assigned to Headquarters. OFHEO has no field offices. The FTE is as follows:

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2002 vs. 2003
Full-time Equivalent	105	118	142	24

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES

CONSOLIDATED FEE ACCOUNT

APPROPRIATION HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Budget Authority				
Unobligated Balance: EOY	$16,266	...	...	...
Unobligated Balance: SOY	...	$15,729	$8,492	-$7,237
Rescission of Budget Authority	...	-$6,700	-$8,492	-$1,792
New Obligations	-$537	-$537	...	...
Subtotal	$15,729	$8,492	...	-$9,029

SUMMARY OF BUDGET REQUEST

Under Section 7(j) of the Department of Housing and Urban Development Act of 1970, the Secretary was authorized to establish fees and charges, chargeable against program beneficiaries and project participants, adequate to cover over the long run, the costs of inspection, project review and financing service, audit by Federal or Federally authorized auditors, and other beneficial rights, privileges, licenses, and services. Such fees and charges collected are considered non-administrative and remain available for operating expenses of the Department in providing similar services on a consolidated basis.

The Consolidated Fee Account in effect, combined eight separate fee accounts for the following programs: Low-Rent Public Housing, Urban Renewal (Title I), Comprehensive Planning Grants, College Housing Grants and Loans, Basis Water and Sewer Facilities Grants, Neighborhood Facilities Grants, Open Space Land Program, and Public Facility Loans. For several years, these fees were mis-classified as deposit funds, (Unearned Fees and Charges), which is a holding for refunds to private entities. Because these are Federal funds, they are now re-classified as such and displayed in the Budget. No additional fees have been deposited in this account for several years. The existing funds are now surplus. In 2003, a rescission is requested, this will rescind the remaining balance for this account.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CIVIL SERVICE RETIREMENT SYSTEM (CSRS) and
FEDERAL EMPLOYEE HEALTH BENEFITS PROGRAM (FEHB)

LEGACY COSTS

	Estimate 2001 a/	Estimate 2002 a/	Estimate 2003
Salaries and Expenses (S&E)			
Full-Cost for Active CSRS Employees	$27,330	$25,663	$23,781
Full-Cost of Post-Retirement FEHB Program	23,458	25,101	26,861
Subtotal, S&E	50,788	50,764	50,642
Working Capital Fund (WCF)			
Full-Cost for Active CSRS Employees	1,257	1,135	1,084
Full-Cost of Post-Retirement FEHB Program	818	1,200	1,353
Subtotal, WCF	2,075	2,335	2,437
Office of Inspector General (OIG)			
Full-Cost for Active CSRS Employees	2,554	2,048	1,902
Full-Cost of Post-Retirement FEHB Program	1,754	1,877	2,009
Subtotal, OIG	4,308	3,925	3,911
Office of Federal Housing Enterprise Oversight			
Full-Cost for Active CSRS Employees	NA	NA	355
Full-Cost of Post-Retirement FEHB Program	NA	NA	488
Subtotal, OFHEO	NA	NA	843

a/ For comparison purposes only.

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