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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR 1981

DOCUMENTS

HEARINGS

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BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON HUD—INDEPENDENT AGENCIES

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PART 8

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Printed for the use of the Committee on Appropriations

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*Deceased.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1981

WEDNESDAY, APRIL 23, 1980.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESSES

HON. MOON LANDRIEU, SECRETARY
VICTOR MARRERO, UNDER SECRETARY
JANE L. McGREW, GENERAL COUNSEL
LAWRENCE B. SIMONS, ASSISTANT SECRETARY FOR HOUSING, FEDERAL HOUSING COMMISSIONER
RONALD P. LAURENT, PRESIDENT, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
ROBERT C. EMBRY, JR., ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT
RICHARD C. D. FLEMING, GENERAL DEPUTY ASSISTANT SECRETARY FOR NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION
DONNA E. SHALALA, ASSISTANT SECRETARY FOR POLICY DEVELOPMENT AND RESEARCH
STERLING TUCKER, ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY
F. DICKEN CHERRY, ASSISTANT SECRETARY FOR LEGISLATION AND INTERGOVERNMENTAL RELATIONS
WILLIAM A. MEDINA, ASSISTANT SECRETARY FOR ADMINISTRATION
CHARLES L. DEMPSEY, INSPECTOR GENERAL
A. RUSSELL MARANE, DEPUTY GENERAL MANAGER, NEW COMMUNITY DEVELOPMENT CORPORATION
EUGENE RUSSELL, ASSISTANT TO THE SECRETARY FOR PUBLIC AFFAIRS
ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

	Budget authority	Outlays	Permanent full-time positions
1979 actual	$31,134,569,000	$9,212,982,000	16,067
1980 estimate	35,509,530,000	11,993,798,000	15,956
1981 request	40,324,141,000	11,774,070,000	15,986
Difference	+4,814,611,000	−219,728,000	+30

Mr. BOLAND. The Committee will come to order.

Mr. Secretary, I want to apologize for starting this 15 minutes late, but we were bound to have this roll call on a resolution on a matter of great importance to the Nation. We had to stay to watch that roll call.

We are delighted to have you here today. You are not a stranger to this Committee. You have been here before in your capacity with the U.S. Conference of Mayors. This is old hat to you because you know this program better than anybody else.

I have read your 52-page statement. Let me say that anybody who attempts to read a 52-page statement gets no money. I know you are going to highlight it. I think your knowledge of the problems which affect our urban communities, particularly the larger cities, will be invaluable to the Department.

For eight years you served as Mayor of the City of New Orleans—and we have one Member of the Committee who says you did an outstanding job. Everyone says she is prejudiced, though.

I note in your statement, you pay particular compliments to the staff of the Department. I think it can be said and I bespeak the opinions of those who serve on this Subcommittee, that the Department has developed an excellent staff. We deal with some 21 agencies in this Subcommittee and we have oblique contacts with most of the departments. Let me say your staff is a knowledgeable one; they know what they are doing; they are considerate; and know their programs quite well. I think that applies across the board. So, we want to compliment you on praising them, they are entitled to it.

There has been a bit of a change in the guard here. I notice seven new persons: Marrero, McGrew, Laurent, Fleming, Marane, Dicken Cherry—where did you get that name?

Mr. CHERRY. It was my mother's maiden name.

Mr. BOLAND. Well, she could have named you "Pickin' Cherry."

We also have Gene Russell—you are all brand new. We welcome you here. You will find coming before this Subcommittee is not so much a challenge as it is a pleasure.

Donna Shalala is here again. When are you leaving us?

Ms. SHALALA. The end of summer, sir.

Mr. BOLAND. That college is lucky to get you.

Mr. Secretary, you have nine children. Just think of it. I do not know whether the people in this room know it, but let me read the names of the children. I have never seen a better display of alliteration: Mary, Mark, Melanie, Michelle, Mitchell, Madeleine, Martin, Melinda, and Maurice.

I would be delighted to recognize the distinguished Member from the great city of New Orleans.

Mrs. BOGGS. Thank you, Mr. Chairman. Of course I am pleased and honored that the Secretary is here and in the spot he is in. I think it is a splendid thing for the Nation that he is here. I would just like to tell you, that Mary, the one you mentioned first has just been elected to the State legislature and is doing an absolutely remarkable job. She is a 23-year-old woman legislator, which is unique.

Mr. BOLAND. Beat her dad by how many years?

I want to commend Al Kliman for this budget. It is put together exceptionally well. It is not easy when you put a budget together

the first of the year and then get a revision. But you have done an excellent job. You have been doing it longer than I have been Chairman of this Subcommittee. I want to thank you for a splendid job.

Today we will get into general questions. Secretary Simons will not be here on Friday and I would not want him to miss that cold weather up there in, is it Alaska or Florida? So, we will have general questions today and tomorrow morning, we will get into the budget.

Mr. Secretary, with that, thank you for coming. We are delighted to have you.

GENERAL STATEMENT

Secretary LANDRIEU. Thank you, Mr. Chairman, for your generous introduction and for the privilege of appearing before you.

I will submit my statement for the record and make as painless as possible my opening remarks.

I first would like to say it is not my first appearance before this Committee, but never have I appeared before it in such an intimidating atmosphere as the defender of the Federal budget. I do come from a background associated with urban problems. I wish I could say I come from a background that has urban solutions, also. But, having spent eight years as a mayor, I know something of the problems.

I am appreciative of Mrs. Boggs being here. She has always been so supportive of the days when we were seeking assistance from the Congress. She has never failed us in the past, and it is always a great privilege to work with her.

I have with me Victor Marrero, Under Secretary. He has been with the Department for about four months and is doing an excellent job. Also, our friend whom I call the master of numerical illusion, Al Kliman. I hope they will be able to answer any specific questions you might have.

BUDGET REDUCTION AND BUDGET TOTALS

The budget we are submitting contains the President's reductions. The cuts we suggested are painful to the Department. They nonetheless permit us to fulfill our essential missions. I think perhaps as we gain more experience in the field in which we are working—this Agency really is only fifteen years old—we will be able to deliver to the Federal clients a bigger bang for the buck. We think we can do this by working more actively with local governments, by simplifying our procedures and by making, as the President has directed, the private sector a full partner in the urban policy of this Administration.

I would like very briefly, Mr. Chairman, just to run over some of the numbers. Our total budget authority request for 1981 is $40.3 billion, which is an increase of $4.8 billion over the $35.5 billion figure for 1980.

This reflects the decreases which we have submitted at the request of the President. These reductions represent $192 million in 1980 and $83.8 million for 1981.

With respect to outlays our estimate is $11.77 billion for 1981 as against $11.99 billion for 1980. Our employment request is fairly steady, we are asking for 30 additional people bringing our total complement up to 15,986 in 1981.

FEDERAL CREDIT LIMITATIONS

We are requesting limitations be placed on our credit programs. These include all of the credit programs which the Department has heretofore been left without restriction. What we are doing this year is placing some credit restrictions on those programs or at least suggesting to Congress that they do so, so Congress and the Administration will have some control over the ultimate growth of those programs.

There are three major program areas which our budget supports—subsidized housing programs, community development, and our fair housing program. I would like to discuss each of these briefly with you.

ASSISTED HOUSING PROGRAMS

For the largest single item in our budget, our assisted housing program, we are requesting some $33 billion for support of 300,000 units of housing. We think that represents a reasonable mark for us to shoot at. It does not begin to satisfy the total need or total demand, but understanding the restraints with which we have to deal, we believe the 300,000 unit mark is a respectable figure in terms of our housing goals.

In terms of modernization of assisted housing, we are recommending, beginning this year, that local housing authorities be permitted to use up to 50 percent of their development money for the purposes of comprehensive modernization. It has been my observation, both in the city that I represented and in many of the others that I visited, that much of our public housing stock has deteriorated disgracefully and if we continue at the pace at which we have been working, it will be a long time before we bring those units up to what I consider to be a livable standard.

We are suggesting that we give local housing authorities the option to either use their development money for new units or for the purpose of comprehensive modernization. Of course they would have to submit a plan to us; it would have to be approved. This suggestion has met with very wide acceptance among those in the housing field.

COMMUNITY DEVELOPMENT PROGRAMS

We are asking for a three-year extension on the authorization for Community Development Block Grants and for a $150 million increase, bringing the total in 1981 to $3.95 billion. It is a modest increase and does not keep up with inflation. We certainly do not want to be adding to the inflationary impact, but we also have to recognize that there should be some limited growth in that program to offset at least a percentage of the cut that inflation automatically assigns.

UDAG is one of our most successful programs. As a matter of fact, many think it is the most successful. It is currently at the $675 million level and we ask that it remain at that level. There was a substantial add-on to the $400 million figure just a year ago, and we feel that is an appropriate level at this time.

In terms of our 312 rehabilitation program, we are asking for $176 million. This represents a reduction from our January estimate, and in submitting our recommended reductions, it was one area where—because of the immediate impact of a change in budget authority on outlays—we could produce the desired results.

EQUAL OPPORTUNITY

In fiscal year 1981, Mr. Chairman, we are going to engage in a much more vigorous enforcement effort of fair housing and efforts against discrimination. It means a substantial increase in personnel within the Office of Fair Housing and Equal Opportunity. We feel that it is an area, while not having been neglected, that has proved to be very resistant to the will of Congress. So, we are asking for increased staffing, principally for that function.

ADMINISTRATIVE EXPENSES

We understand, Mr. Chairman, I think, as well as any other Department, the need for fiscal responsibility—the need for fiscal restraint at this time. I will say that in terms of our administrative budget, we, like every other Department, have a function and responsibility that we can only fulfill if we have the manpower and resources to do that function. To the extent that the Committee is willing to recommend to the Congress ample administrative expenses for us, we would appreciate it and will do the best job we can.

Mr. Chairman, it is not a very electrifying opening statement, but it was mercifully brief and we are more than anxious to answer any questions you have.

[The general statement follows:]

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am happy to be here before this Committee. As you know I have appeared before committees of the Congress many times in my capacity as Mayor of the City of New Orleans and as President of the U.S. Conference of Mayors. Today I am here for the first time as Secretary of HUD, and I am pleased to be able to discuss with you the directions this Administration is taking as they are reflected in our 1981 Budget request.

As you know, I have come into the Department with about 20 years of involvement in urban affairs on both a local and national level. I have worked with the Department as a Mayor and as a representative of a major public interest group, so that I believe I have come into HUD with a new perspective on how it should operate. Let me say at the outset that during my brief tenure as Secretary, I have found HUD in robust good health. Its staff is competent and hard-working and, most importantly, its programs are being delivered on the local level to the satisfaction of the people we serve. On a number of occasions I have reminded the staff in HUD that, having seen other agencies in operation, I believe that the Department's employees are doing a better job than they may think. We can continue to do better, of course, but I do believe that the people in HUD are trying very hard to do the job well, and for the most part they are succeeding.

The Budget we are discussing here has incorporated its share of the President's reductions which were announced recently. The reductions that are reflected in HUD's Budget, though painful, have not crippled our programs, and our basic strategy remains intact. It continues to reflect certain principles which underlie this Administration's urban policy. That policy is one in which we are looking into a better utilization of Federal programs for achieving orderly growth, preservation of our neighborhoods and economic development.

One of the principles is that a healthy private sector is the key to an effective urban policy. The Federal Government did not build the cities and towns in this country. They were built by the private sector, often in partnership with local governments, with the buildings themselves -- the homes, stores and factories -- coming from the private sector. The local governments provided the roads, sewers and water systems that were needed to make the communities work.

As we move to rebuild our cities during the 1980's, it will be the private sector that will do the rebuilding. I believe our role at the Federal level is to help create an atmosphere in which the private sector can function, and we provide the tools that bring about effective public-private

partnerships. Two programs that are reflected in the 1980 Budget -- Section 8 and Urban Development Action Grants -- are built on this concept of partnerships, and I urge the Congress to support the full funding of these programs.

Another principle is that we give local communities the widest possible latitude in shaping programs that meet their own locally identified needs. Federal programs must be clear about the goals they expect to achieve, but communities must determine for themselves how best they can meet these goals. The organization of this Department and the structure of its programs are intended to assist communities, but my emphasis continues to be on helping to identify what their problems and needs are and how our programs may help them.

Third, I am stressing the need in our Department to streamline and simplify our policies and procedures so they can be implemented effectively at the local level. We must keep trying to free our programs from unnecessary restrictions. We must communicate our policies clearly in simple direct sentences, using words everyone can understand. When we have a system that works well, we should not change that system. That is why our Budget does not reflect major program changes for fiscal year 1981. The Budget reflects my desire to achieve greater continuity of effort and better use of our resources. We can make the best use of our well-motivated staff if we help them with clear signals and guidelines as to what is expected of them and of our clients. I am very much encouraged at the response I have received thus far.

At this point, Mr. Chairman, I would like to highlight the elements of our Budget request.

1981 BUDGET REQUEST

Our total budget authority request for 1981 is $40.3 billion which is an increase of $4.8 billion over the $35.5 billion estimated for 1980.

In accordance with the President's Budget reductions announced on March 14, 1980, our original 1981 proposals have been amended to reflect deferrals, rescissions, and other revisions. Every item of change is clearly highlighted in the Revised Budget Justification pages. In terms of budget authority, the decreases amount to $192 million in 1980 and $83.8 million in 1981. In addition, estimates also have been revised to reflect changes in economic assumptions and more recent data.

Outlay estimates also have been adjusted to reflect program reductions and reestimates to levels of $11.99 billion in 1980 and $11.77 billion in 1981. The new estimates represent a net increase of $357.6 million in outlays in 1980 and virtually no change in 1981. Substantial outlay decreases resulting from program reductions have been more than offset by increases in Community Development Block Grant outlays. The latter program outlays were increased since recent experience points to a more accelerated rate of disbursement under these programs than had been anticipated in January.

In terms of employment, our request involves virtually no change in total staff, increasing by only 30 positions from 15,956 to 15,986. There are, of course, substantial shifts between program areas within the total to reflect changing workload.

CHANGES IN BUDGET PRESENTATION

A most significant change for this year's budget is the implementation of credit controls. The new control system applies to direct loans, loan guarantees, and insurance programs and is intended to provide a mechanism for the review of those programs during the annual budget process. The system will help coordinate credit policy with fiscal policy and synchronize Federal credit activity with budget allocations. The major items the Department has under this new system are FHA insurance and the GNMA Mortgage-Backed Securities programs. There are a number of other changes related to the proposal, of course, which are fully described in the justification material.

The 1981 Budget also reflects an effort to refine the calculations of budget authority for HUD programs so as to improve consistency and conformance with concepts contained in the Congressional Budget and Impoundment Control Act of 1974. The programs most impacted by the revised definitions are the GNMA Tandem programs, Section 202, and the Low-Rent Public Housing Loan Fund. Essentially the changes do not affect the program levels but do have a significant effect on the scorekeeping of budget authority.

HIGHLIGHTS OF BUDGET REQUEST

The Budget proposes contract and budget authority to assist 300,000 units of Section 8 and Public Housing -- including 4,000 units of Indian Housing. I am aware, of course, that higher inflation than estimated at the time the Budget was prepared could reduce the 300,000 unit figure. This underscores the need for you to provide full funding for this program.

Starts under the subsidized programs are estimated at 187,000 units for 1981. The vast majority of these -- 176,000 units -- represent construction starts under the Section 8 (121,000) and Public Housing (55,000) programs.

We are again proposing assistance under GNMA's Section 8 Tandem and Targeted Tandem programs. For 1981, the level of mortgage purchase assistance contemplated is $1.8 billion -- $1.5 billion of commitments under Section 8 Tandem and $300 million under Targeted Tandem. While there appears to be a reduction from the $2 billion levels of prior years, we are proposing that the difference be handled under a new experimental program -- Mortgage Purchase Assistance Grant -- which will offer an alternative to the current Tandem programs by providing for the appropriation of the discount rather than release of the purchase authority. The Budget, therefore, includes a $30 million request for loan subsidies to subsidize an estimated $200 million of mortgages during 1981.

Community Development Block Grant funding of $3.95 billion is proposed for the Basic Grant program, an increase of $150 million over 1980. This level of funding will provide assistance to some 662 entitlement cities and counties with approximately 4,600 additional communities participating in the program, either through direct grants or through cooperative agreements with urban counties. No appropriation is requested in 1981 for the Financial Settlement Fund.

For the Urban Development Action Grants program, $675 million is requested -- the same level as 1980. Beginning with the 1980 program year, communities with "pockets of poverty" will also be eligible for UDAG funding. This expanded eligibility will bring cities into the program which were previously ineligible due to their relatively healthy economic condition even though they contained pockets of severe distress.

An appropriation of $124 million is requested for the Section 312 Rehabilitation Loan program. This combined with repayments will support a net program level of $176 million enabling the rehabilitation of 14,185 single family and multi-family housing units.

We are also proposing $5.7 million for the Fair Housing Assistance program which includes assistance to State and local agencies in the handling of fair housing complaints. Also included is $2 million for payments to Community Housing Resource Boards to assist the Department in carrying out the Title VIII voluntary compliance program.

ASSISTED HOUSING PROGRAMS

The largest single share of the Department's 1981 Budget proposal, in terms of both budget authority and expected outlays, relates to the subsidized housing programs. In 1981, the $33.2 billion in new budget authority requested for the subsidized housing programs represents 80 percent of a total Department request of $40.4 billion.

Few multifamily rental units are being produced in the private sector and conversion to condominium units is further eroding the base of available rentals. It is obvious that the housing situation is not getting better -- especially for low and moderate income renters -- and we must increase our efforts to both produce housing and preserve what housing already exists. The Budget contains an estimate of 300,000 additional unit reservations in 1981 -- of which 258,000 units are included under the Section 8 program and 42,000 units under the Public Housing program including 4,000 units for Indian Housing. Of these, 180,000 units represent new construction or substantial rehabilitation -- an increase in excess of 26,600 units over our 1980 estimates. As in the past, this distribution of the "mix" of assisted housing units is subject to change based upon the demands of the locally prepared Housing Assistance Plans.

Much has been said about the cost of Section 8 and public housing. The Department has continued to examine this vital area and with our emphasis on cost containment we feel the costs estimated are realistic. The 1981 Budget provides for up to 9.9 percent in terms of higher housing costs for Section 8. We have also included an adequate level of additional authority to support the amendment needs on contract obligations made in prior years. In addition, the costs for public housing have been "trended" by allowing for the 1980 and 1981 reservation amounts to reflect the estimated cost of units two years before the actual development for those projects is expected to begin. We believe this approach should virtually eliminate the need for public housing amendments in future years -- except, possibly, for interest rate adjustments. While it is true that allowances are being made for a reasonable level of cost increase, every effort will be made to ensure that greater efficiencies are implemented so that the cost of subsidized housing is consistent with the Administration's overall strategy to control inflation.

COMPREHENSIVE MODERNIZATION

The Budget request for additional assisted housing incorporates a number of new initiatives including the "comprehensive modernization" program. Under this new proposal, localities will be given the option of allocating up to fifty percent of the contract authority made

available to them for public housing development for use instead in the modernization and rehabilitation of existing public housing projects. This "comprehensive modernization" option will complement the $50 million in contract authority and $1 billion in budget authority requested specifically for modernization activities.

In discussions with local officials throughout the country, I have become convinced that correcting the serious deficiencies in our existing public housing stock should be a high priority. To this end, we are proposing supplemental appropriation language to remove the restriction in the 1980 Appropriation Act on the amount of authority which may be made available for modernization. Removal of this restriction would allow the Department to offer localities the "comprehensive modernization" alternative, beginning in 1980.

FINANCING OF PUBLIC HOUSING

The 1981 Budget includes a proposal to return to permanent financing for public housing projects. Since 1974, program financing has relied exclusively on the use of short-term tax-exempt notes sold on the private market. Exclusive reliance on short-term notes subjects the program to sudden and potentially massive fluctuations in costs due to shifting interest requirements and also requires staff resources that could be used for more productive purposes. The inventory of these short-term notes also has grown to an unacceptably high level and threatens the Department's capacity to manage and finance the program.

In order to reduce this uncertainty and to allow the Public Housing program to continue, the Department is proposing to convert these short-term notes to long-term obligations sold by Public Housing Authorities to the Federal Financing Bank (FFB). The FFB purchases are financed by borrowing from the Treasury at an interest rate which reflects the borrowing cost of the Treasury -- a taxable rate. Since Public Housing notes are sold at the lower tax-exempt rate, the FFB will require compensation for the difference between their taxable borrowing cost and the yield from the currently sold tax-exempt notes. In order to reimburse the FFB for this added cost, the Budget includes a 1980 supplemental to permit the transfer and use of approximately $2 billion in available budget authority under the Annual Contributions program to finance the sale of Public Housing permanent financing instruments to the FFB beginning in 1980.

Beginning in 1981, in addition, the Budget proposes that these additional costs be front-ended and proposes $46 million in contract authority and $1.3 billion in budget authority to finance the additional cost for Public Housing units reserved at taxable rather than tax-exempt rates.

CONSTRUCTION STARTS

We are continuing the progress this Administration has made in converting unit reservations to construction starts and finally into occupied units. During 1979, our subsidized construction starts totaled over 184,000 units. For 1980 and 1981, subsidized housing starts are estimated at 191,000 units and 187,000 units, respectively.

Construction starts under the Section 8 and Public Housing programs continue to represent a significant component of total multifamily rental housing starts in the Nation. With rental market vacancy rates at the lowest level ever recorded reflecting the acute shortage of rental housing for low- and moderate-income citizens, the role of the Department's subsidized housing production has become increasingly important.

PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

The Budget proposes an appropriation of $862 million for Public Housing Operating Subsidies in 1981. Operating subsidies are made available to Public Housing Agencies (PHAs) to assist in financing the operation of PHA-owned Public Housing.

The Budget also includes a proposed Supplemental Appropriation of $52.6 million to provide additional payments to certain PHAs to restore deficiencies in their operating reserves. These PHAs have experienced growing difficulties as a result of annual project expenses exceeding project income from tenant rents and operating subsidies provided under the Performance Funding System (PFS) formula.

An evaluation of the formula is underway and the partial restoration of these reserves in 1980 will give these PHAs interim assistance until the Department's analysis of the PFS formula is completed.

HOUSING FOR THE ELDERLY OR HANDICAPPED

The Budget proposes the release of loan authority of $830 million for the Section 202 program in 1981 including not less than $50 million to be used to provide housing specifically for the non-elderly handicapped. This loan authority, which is identical to the 1980 level, is expected to produce 18,800 units, including at least 1,132 units for the handicapped. This is one of the programs for which Federal credit controls have been proposed. As such, a limitation on "gross" loan commitments has been proposed for this program -- starting in 1981 -- amounting to $895 million. This total includes up to $65 million of commitments funded out of recaptured authority. Since the activity under the program is reported on a net basis the use of recaptures -- at or below the $65 million -- does not change the 18,800 unit program level. That level will be maintained regardless of the amount of recaptures.

NONPROFIT SPONSOR ASSISTANCE

No appropriation is being sought for Nonprofit Sponsor Assistance since loan amounts can be funded from repayments of prior year loans. The Department intends to carry out a program to support sponsors of Section 202 projects. These resources will be used during 1981 to fund 71 loans amounting to $2.3 million. A Federal Credit Control limitation is being proposed for the program for 1981 amounting to the $2.3 million of proposed loans.

CONGREGATE SERVICES

We will continue our Congregate Services demonstration program in 1981, utilizing funds made available in 1979 and 1980 to provide meal services and additional supportive services for eligible tenants of Public Housing and Section 202 projects. Contracts will begin in 1980 and will continue for three to five years. Pending an evaluation of the demonstration program, no additional funding has been requested for 1981.

RENT SUPPLEMENT PROGRAM

Beginning in FY 1981, the Budget proposes to initiate a multi-year conversion of rent supplement units to the Section 8 program. During 1981, up to 23,000 units of Rent Supplement are expected to be converted to the Section 8 program. The conversion of 23,000 units to Section 8 assistance will result in the recapture of an estimated $45 million of contract authority -- $15 million of which will be used for Rent Supplement projects still under contract and $30 million of which is proposed for rescission along with associated budget authority of $1 billion. For those projects which remain under Rent Supplement contract at the end of 1981, interim funding assistance will be provided using Troubled Projects (Flexible Subsidies) funds as well as a portion of the authority recaptured from the converted units.

SECTION 235 HOMEOWNERSHIP ASSISTANCE

All available authority under this program was obligated several years ago by Court Order. We are still making fund reservations against that Court-ordered obligation and will continue to do so through FY 1981. As a result, we are not requesting additional budget authority for the program for 1981.

On April 17, the Carter Administration announced its support for a Congressional initiative to permit the Section 235 program to be used temporarily to provide increased home purchase opportunities for moderate- to middle-income households and limited support for the housing industry.

The legislation would raise the mortgage limits, increase income limits, and provide a higher subsidized interest rate. The program changes would be temporary, expiring no later than the end of FY 1981. In addition, the regular Section 235 program would continue to operate during this period.

Depending on Congressional action, therefore, the Section 235 estimates in the Budget before you will be subject to considerable variation.

HOUSING PAYMENTS

For 1981, the Budget proposes an appropriation of $7.1 billion under the Housing Payments account. This appropriation is utilized to meet contractual commitments for housing subsidy payments, and in 1981 approximately 3.5 million units will receive payment. The appropriation covers liquidation payments for subsidized housing programs and includes Section 8, Public Housing, Section 235, Section 236, Rent Supplement and College Housing interest reduction grants. This is not budget authority, as you know, and represents an appropriation to liquidate the legal commitments for payments on units under contract.

We are also requesting a supplemental appropriation of $745 million to meet $345 million of unfunded liquidation requirements which were incurred during 1979 and $400 million of additional payments becoming due during 1980. These additional amounts are due to Section 8 payment requirements.

The proposed amendments to the 1981 Budget submitted in January will impact Housing Payments to the extent that less reservation activity for Section 235 in 1980 and 1981 will result in fewer Section 235 units being eligible for payment in 1981. The Section 235 reduction will decrease the number of units under payment in 1981 by 6,000 and will translate into an outlay reduction of $9 million for the year. However, there will be no impact on the amount of appropriation requested for the liquidation of contract authority as a result of this cutback.

FHA FUND

The financial status of the FHA Fund appears brighter than it has for several years. There are some down sides to the picture -- higher interest rates, fewer application receipts -- but on the whole, we should begin to see some black on what has been a long period of red.

1980 and 1981 are expected to be a period of lower activity for the mortgage insurance programs. Single family applications are projected in the budget to decline by about 11 percent in

1980 and by another 2 percent in 1981 from the record levels of activity experienced in 1979. While not expected to decline, multifamily unit application receipts should experience a very slow rate of growth during the period. These estimates reflect the impact of an historically high interest rate environment and reduced availability of mortgage credit at reasonable cost.

From a management point of view, we expect to build upon the progress made to date in reducing the inventory of acquired single family and multifamily properties. Sales of HUD-owned properties are budgeted to exceed the number of new properties coming into the inventory through 1981. This should result in an 11 percent reduction in the acquired inventory between 1979 and 1981.

In terms of insurance claims, the Troubled Projects (Flexible Subsidies) program and the proposed Temporary Mortgage Assistance Payment program should help to slow the growth in assignment of defaulted mortgages to HUD. As a consequence of the impact of these programs, the assigned mortgage inventory should decline by about 8 percent between 1979 and 1981.

We are in substantial agreement with the findings of the November 1979 Senate Committee on Appropriations Investigations Staff Report on Management and Disposition Activities. That report stressed the importance of the loan servicing function; and we are actively engaged in strengthening the tools and policies available to the loan servicing staff. Regarding the need to prevent fraud and abuse in the loan management and property disposition programs, we have taken and will continue to take positive action to identify any incidents of such activity by HUD staff or those doing business with HUD.

For the first time since FY 1971, we expect to be able to realize a net budgetary receipt in the FHA Fund in FY 1981. A principal reason for this improvement in the financial condition of the Fund has been the new programs implemented, and proposed, aimed at keeping tenants and owners in their homes. In addition, the support provided by Congress in the form of appropriations to restore losses on the acquisition and sale of acquired properties has helped considerably. These appropriations have allowed us to hold the line on additional Treasury borrowing, thereby reducing the steep rise in interest costs to the Fund. We are requesting $268.6 million for 1981 to reimburse the Fund for actual losses experienced in FY 1979. These funds will be used in lieu of Treasury borrowings to pay insurance claims and other operating expenses in 1981, and will serve to maintain the financial soundness of the FHA Fund.

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Estimates have been revised from those submitted in January to reflect new initiatives developed as part of the President's effort to curtail outlays. Beginning in 1981, we are proposing to levy a registration fee on mortgagees doing business with the Department. This should realize receipts of up to $4 million. In addition, a new single family subdivision processing fee will be imposed to help offset the subdivision processing costs currently being absorbed by the Department. It is expected that approximately $2 million will be received from such fees. I would like to point out the fact that these are not merely "fund raising" efforts but are attempts to make certain that those who benefit as a result of FHA Fund activities share a portion of the cost involved.

In the area of "fees", we are also proposing the elimination of appraisal and inspection fees. The Department will no longer maintain a staff to perform such functions and charge mortgagors for such services. The fee we did charge, I might add, was substantially below the actual cost of performing the function. Starting in 1980, such services will be performed by private appraisers and inspectors and the fee paid by the mortgagor to the mortgagee directly. HUD will be eliminated as the "middle man" in these transactions and will realize substantial savings in terms of staff and costs, as well. Of course, we will continue to require a number of staff appraisers and inspectors to monitor the activities of the private appraisers and inspectors in order to protect the Department's position.

TROUBLED PROJECTS - FLEXIBLE SUBSIDIES

As a part of the President's effort to balance the Budget in 1981, we have revised our assumptions for the Troubled Projects (Flexible Subsidies) program in both 1980 and 1981. The principal element of this revision is a deferral of $10 million of unobligated balances from 1980 into 1981. The additional carryover into 1981 will enable the Department to reduce its appropriation request for 1981 by $10 million -- to a total of $31.1 million. The $10 million deferral in 1980 will result in outlay reductions of $3 million in 1980 and $7 million in 1981.

The Troubled Projects (Flexible Subsidies) program will be used to address the comprehensive needs of over 700 troubled projects in 1981. In addition, as a temporary measure, some projects receiving Rent Supplement assistance will receive flexible subsidy assistance pending conversion to Section 8 assistance. In total over 2,000 projects will be assisted in 1981.

I would note that this program is an essential ingredient in keeping claims down in the FHA Fund. In addition to providing help for the tenants of the project, this is a Federal program which also helps the financial situation of the Government by reducing claims. I hope you will treat it favorably.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Since inception back in 1954, a total of approximately $46.5 billion in mortgage purchase commitments has been issued under the Department's mortgage purchase assistance programs -- $33.8 billion under the Special Assistance Functions (SAF) programs and $12.7 billion during the mid-70s under the Emergency Mortgage Purchase Assistance (EMPA) programs.

Popularly referred to as "Tandem", the mortgage purchase assistance programs have been a principal tool in (1) providing support for certain types of housing for which financing is not readily available, such as housing for low-income families, (2) counter-balancing declines in mortgage lending and housing construction, and (3) reducing the cost of housing through the financing of below-market-rate mortgages.

GNMA is currently operating two multifamily tandem programs under the Special Assistance Functions. The Section 8 Tandem program provides permanent mortgage financing for new and substantially rehabilitated, FHA-insured projects under contract for Section 8 housing assistance payments. As of the end of fiscal year 1979, the commitment and purchase activity under the program covered some 83,400 new and substantially rehabilitated units. In fiscal years 1980 and 1981, we are proposing the release of an additional $3.0 billion, $1.5 billion in each year, sufficient to support more than 80,000 units. This program is a major financing vehicle for the Section 8 program. Without it, many Section 8 projects would be economically infeasible. In addition, tandem reduces the per unit Section 8 cost thereby increasing the number of Section 8 units which can be provided.

The Targeted Tandem Program provides mortgage financing for FHA-insured projects located in cities and urban counties meeting the economic and physical distress criteria developed for the Urban Development Action Grants program. The program aids urban revitalization, helps to attract middle-income families to distressed cities, and assists in increasing the local tax base. In fiscal year 1979, a total of $500 million in commitment funds was made available for such projects. As of the end of fiscal year 1979, the commitment and purchase activity under the program was sufficient to finance some 30,500 units. In fiscal years 1980 and 1981, we are requesting the release of an additional $800 million in financing commitments, enough to support more than 26,000 units.

MORTGAGE ASSISTANCE GRANT PROGRAM

Incorporated in the Targeted Tandem program is the proposed Mortgage Assistance Grant program -- a $30 million experimental grant program proposed for fiscal year 1981 as a substitute for

$200 million of Targeted Tandem commitments. Rather than the commitment, purchase and sale mechanism used in tandem, the proposed program would involve a single transaction, the making of a cash grant to a lender who provides below-market-interest rate permanent financing to an eligible project. The cash payment made to the lender would be approximately equal to the discount loss which would have been absorbed under tandem.

The potential advantage of this mechanism is that the Government can "lock in" the subsidy amount. Under tandem, GNMA can never be sure how large its losses will be until the loan is actually sold. However, with the grant program, the subsidy amount is fixed at the time the commitment is issued; and the private lender bears the risk of fluctuating mortgage prices. The experiment will determine how lenders will respond to this risk. The results of this program will be evaluated and compared to the current Targeted Tandem program to determine which approach is most effective.

MORTGAGE-BACKED SECURITIES

The Mortgage-Backed Securities program was initially authorized in 1968. Its purpose is to increase liquidity in the secondary mortgage market and attract new sources of financing for residential loans. GNMA, backed by the full faith and credit of the United States Government, guarantees the timely payment of principal and interest on securities issued by private financial institutions and collateralized by pools of Government underwritten mortgages.

In terms of dollar value guaranteed, the program is now the largest program operated by HUD. Since this program began operation in February 1970, GNMA has guaranteed over $88 billion in mortgage-backed securities and has helped to finance nearly 3 million home purchases. During the past few years, the Mortgage-Backed Securities (MBS) program has provided over 65 percent of the funds to finance Federal Housing Administration (FHA)-insured and Veterans Administration (VA)-guaranteed home mortgages.

Fiscal year 1979 saw $22.2 billion in mortgage-backed securities guaranteed by GNMA. This was the largest amount ever guaranteed in one year and brought the cumulative program total to $88 billion. For 1981 it is estimated that guarantees will be issued on securities amounting to $25 billion.

The Budget as proposed in January recognized inclusion of the program under Federal Credit controls but did not request a specific limitation. Controls on all types of credit have become essential since that time, and the 1981 proposal has been amended to include a limitation on the amount of commitments to guarantee which may be issued in 1981 -- $53.0 billion. This would translate into a level of guarantees issued during the year amounting to $25 billion.

SOLAR ENERGY AND CONSERVATION BANK

When the 1981 Budget was presented in January, the Administration indicated that it intended to request funding for a Solar Energy and Conservation Bank. When legislation establishing this new program is enacted, funding will come from reserves generally by the Windfall Profits Tax. The Bank will encourage solar energy development and energy conservation through subsidies allocated through financial institutions for solar and conservation improvements in residential and commercial buildings.

The current economic situation forced a review of the earlier plans and substantial modification of the proposal -- for the time being, at least. We are no longer considering a supplemental request in order to implement programs for solar energy loans starting in 1980. Furthermore, the 1981 proposal has been reduced to $37.5 million for the subsidization of solar energy loans and an additional $10 million for planning and development associated with solar energy and an energy conservation program. This amendment to the earlier plan would reduce outlays in 1981 by an estimated $445 million.

COMMUNITY DEVELOPMENT BLOCK GRANTS

The five-year old Community Development Block Grants program has made considerable progress in improving the physical and economic conditions in the Nation's cities. Since its inception, cities and urban counties have been developing a sophisticated capacity to use these Federal funds in an effective and efficient manner. The increasing capacity and performance of local governments is now evident.

The program continues to gain broad-based support. In our discussions with grant recipients, public interest groups and other interested persons, the overwhelming message is to avoid making any major changes in the program's operation and administration. To do so would hamper local government's ability to continue to steadily improve their performance.

The Department has heeded this message and, as a result, the Department is proposing an appropriation of $3.950 billion for the CDBG program in FY 1981.

This appropriation request for the Basic Grant program represents an increase of $150 million over fiscal year 1980 and remains unchanged from that proposed in the January Budget. In addition, the Budget proposes a limitation on the amount of Section 108 loan guarantees in 1981. This request of $250 million is being made for the first time as part of the Federal Credit Control system. No funding is requested for the Categorical Program Financial Settlement Fund in 1981.

As you know, a rescission of $153.2 million has been recommended for 1980. This action was necessary in order to comply with the Administration's objective to balance the Budget in 1981 and curtail the recent increases in the rate of inflation. Specific components of the proposed rescission include $65.2 million in reallocated funds and certain discretionary funds and $88.0 million for the Financial Settlement Fund. This rescission should not affect adversely the ongoing operations of the CDBG program.

The 1981 request is expected to assist over 660 larger cities and urban counties through the entitlement program and nearly 2,200 small communities through the small cities program. For metropolitan discretionary applicants the 1981 set-aside will increase to $285 million, reflecting an increase over 1980 which is proportionate to the increase in funding requested for the block grant program as a whole. A number of technical amendments has been proposed to ensure continued effectiveness of program delivery.

The Department is not proposing any change to the formula used to allocate funds under the block grant program. In response to the congressional mandate contained in the Housing and Community Development Act of 1977, the Department undertook a study of the adequacy, effectiveness and equity of the current formula and of alternative formulas. This report was published in January 1979.

The results of that study, as well as all other independent analyses, indicate that the present dual formula results in a fair and equitable distribution of funds consistent with the program's emphasis on targeting funds to needier cities.

Additionally, there have been discussions of the effect of the 1980 Census. It is important to note that the new data will probably not be available for detailed analysis until mid-to-late 1982. Therefore, no change in the formula could be made until after the 1981 funds have been obligated.

The CDBG program continues to be the major tool by which States and units of general local governments provide the resources needed to assist communities in dealing with the needs of their low- and moderate-income residents, in preventing and eliminating slums and blight, and meeting urgent community development needs.

During the past several years, communities have demonstrated their ability to tailor their programs more in line with their own priorities. At the beginning of the block grant program, most local governments had to fulfill commitments made under

prior programs, especially the Urban Renewal program. This resulted in a large share of CDBG funding going to large scale land acquisition, demolition, and clearance. Now many of these projects are nearing completion, and communities are giving increasing emphasis to neighborhood conservation and preservation. Beginning in the third year of the CDBG program, the proportion of funding assigned to neighborhood conservation activities rose to 40 percent; and it has remained at this level ever since. This major theme -- neighborhood conservation -- has brought hope back to many forgotten neighborhoods with an impressive set of physical accomplishments.

Through the block grant program, communities have initiated physical improvements to stimulate neighborhood pride and investor confidence, addressed the growing need for infrastructure improvements, and built or improved a variety of neighborhood facilities. They have cleared abandoned or unuseable structures and rehabilitated, in most instances, owner-occupied units which incorporate energy saving measures. Communities are also carrying out an array of community service programs to support the residents of neighborhoods where physical development is taking place, including child day care services, services to young and elderly residents, and health service care.

Today communities are effectively targeting more program benefits to low- and moderate-income persons than in the past. Over the first three years of the program, the proportion of program funds targeted to low- and moderate-income persons fell from 64 percent in 1975 to 61 percent in 1977. In 1978, low- and moderate-income benefits increased to 66 percent and in 1979 to 69 percent. According to the communities' three-year plans, the levels of benefit flowing to low- and moderate-income citizens will continue to increase.

URBAN DEVELOPMENT ACTION GRANTS

The Urban Development Action Grants program is one of the Administration's great success stories. This program has come to be a major factor in the effort to stabilize and improve the economic and employment bases of the Nation's distressed cities because the Department has found the right approach that makes economic development happen, and makes it happen in the right places. The Budget request continues a $675 million funding level for 1981, and the reason it is not for more is the need to maintain budget restraint. It should be noted that, although UDAG is only two years old, its track record is particularly impressive for a new program. Briefly our accomplishments to date include:

-- Preliminary approval for 648 public/private development projects in 398 cities with action grants totaling over $1.2 billion.

-- Private investor commitment of over $7.1 billion of private funds to these projects.

-- Creating or retaining more than 288,000 jobs, 198,734 of which will be new permanent jobs; and creating 157,904 construction jobs.

-- Some $155 million of new local property tax revenues to be generated annually for distressed cities.

There has been some concern that the number and quality of UDAG applications would diminish once the initial demand had been met. However, this has not been the case. Indeed the volume of quality applications has increased, particularly in the case of neighborhood projects.

SECTION 701 COMPREHENSIVE PLANNING

For 1981, the Budget proposes an appropriation of $40 million for the Section 701 program.

During the past 25 years, the Section 701 program has been responsible for increasing the capacity of States, regions and cities to develop and adopt plans and for aiding them to initiate a planning process as an integral part of government. The program has served us well and has accomplished much of what was originally intended. Now, however, it should be revised to become more responsive to the challenges facing us in the 1980's.

One key feature of the Department's proposed Section 701 legislative revisions is that all work funded by the program must relate to three National Policy Objectives as follows:

(1) Aiding distressed places;

(2) Expanding housing and employment opportunities for lower income and minority persons; and

(3) Promoting orderly and efficient growth, taking into account the need for energy conservation.

Secondly, the proposed revisions will require that each State and areawide planning organization develop a strategy statement which will be reviewed by local governments and HUD. This strategy statement must identify, for at least a three-year period, policies and programs which are clearly designed to carry out the three National Policy Objectives. The legislation also will require that each applicant develop an annual action plan which indicates how the approved strategy will be implemented. This action plan,

and the actual performance in the implementation of these actions, will be reviewed each year and will serve as the basis for determining funding under the Section 701 program. In the future, funding will be based increasingly on applicant performance.

Once approved, the strategies may be used by HUD as a guide in making policy funding decisions. The legislation also permits HUD to work with other Federal departments and agencies to encourage consideration of these strategy statements for making funding decisions with respect to their programs. These other agencies also will participate in developing, reviewing, and approving the State and regional strategies with local government officials.

SECTION 312 REHABILITATION LOAN PROGRAM

The Department is requesting a $124 million appropriation in 1981--a reduction of $64 million from that proposed in the January Budget. This revised level of funding complies with the Administration's efforts to balance the Budget in 1981. This amount, together with the anticipated carryover balances and loan repayments, will provide a new program level of $176 million for fiscal year 1981 which is approximately the same as the revised level for 1980. It is estimated that 8,185 single family and 6,000 multifamily units will be funded in 1981 for a total of 14,185 rehabilitation units. We anticipate that at least $5 million in Section 312 funds will be used for the rehabilitation of some 70 nonresidential properties.

The proposed limitation on 1981 gross loan commitments also is revised downward to $191 million from the original proposal of $255 million. The revised figure will permit the use of up to $15 million of recaptured funds from prior year commitments, as originally proposed.

As part of the budget balancing effort, a rescission proposal of $38.0 million has been recommended for 1980. Of the amount to be rescinded, single family loans would be reduced by $8 million and multifamily loans by $30 million with total net loan reservations reduced to $177 million. The revisions will reduce the number of units estimated to be rehabilitated from 12,900 to 12,255 for single family units and from 5,600 to 2,575 for multifamily units. To the extent feasible, the funding reductions will be applied to the least distressed cities. Cities which are affected by this action, and which also receive funding under the CDBG program, may use block grant funds for rehabilitation activities.

Approximately 700 local governments now use the Section 312 loan program to rehabilitate deteriorated single and multifamily housing and commercial projects in order to help preserve neighborhoods. This direct low interest, long-term rehabilitation program supports

and complements the local rehabilitation funded by the Community Development Block Grants program. As part of the President's urban policy and in recognition of the program's success over the years, funding for the program during fiscal year 1979 was substantially increased over prior program levels. Despite this funding increase, local governments, with assistance from HUD field offices, exceeded all of our projections by obligating approximately 85 percent of all funds made available to them during the fiscal year. Loan reservations in 1979 totaled approximately $234 million as compared to $75 million in 1978. This is evidence of the strong local interest in rehabilitation and the capacity of localities to administer a large rehabilitation program.

During the past 12 months, the Section 312 program also has made significant progress in the areas of:

-- Expansion of the multifamily program;

-- Development of a funding allocation system;

-- Development of regulations with variable interest rates; and

-- Improvements to minimize loan delinquencies.

URBAN HOMESTEADING

Section 810 authorizes the Secretary to transfer unoccupied one- to four-family HUD-owned properties without payment to local governments for use in this program. Appropriation language is proposed to allow the use of Urban Homesteading funds appropriated in 1979 to be available to reimburse the Administrator of Veterans Affairs and the Secretary of Agriculture for the value of properties held in their acquired inventory and used in conjunction with local homesteading programs. The number of cities participating in the program is anticipated to increase to 85 in fiscal years 1980 and 1981 from the 72 that participated in 1979.

Rehabilitation for homesteading neighborhoods is carried out with the help of Section 312 rehabilitation loan funds. Of the proposed $176 million for the Section 312 loan program, about $15 million is expected to be utilized in Urban Homesteading areas.

NEW COMMUNITY DEVELOPMENT CORPORATION

I am reaffirming the Administration's decision regarding the future of the New Community Development Corporation as the policy of this Department. In summary, projects which are determined not to be viable should be closed out, and viable projects will be supported to the maximum extent practicable.

Since we last appeared before this Committee, the Board of Directors of the Corporation has voted to acquire two of the new communities which we had anticipated would be retained. Consequently, of the thirteen new communities which had received loan guarantees, the Department has acquired five and is in the process of acquiring four. The remaining four new communities will continue to receive assistance such as community development and housing program assistance from HUD. We also intend that some restructuring of their financial obligations will occur in order to assure their long-term viability. In addition, there are three projects which have received Title VII certification which provides that HUD assistance other than loan guarantees may be provided.

HOUSING COUNSELING ASSISTANCE

The Department is requesting an appropriation of $10 million to provide counseling services to persons participating in HUD-insured and assisted housing programs through the efforts of local public and private nonprofit HUD-approved counseling agencies. There are currently 600 such agencies, and we expect this number to increase to 700 by the end of 1981. These counseling services are provided primarily to low- and moderate-income people. The counseling program will provide comprehensive counseling, including pre-occupancy counseling, for prospective homeowners and tenants and rental delinquency and mortgage default counseling. We expect to reach approximately 220,000 clients through the use of this appropriation.

NEIGHBORHOOD SELF-HELP DEVELOPMENT PROGRAM

For fiscal year 1981, the Budget proposes an appropriation of $10 million which represents a revision from the January request of $15 million. The appropriation request has been reduced as part of the effort to balance the 1981 Budget. The revised level is the same amount as appropriated for 1980.

The Neighborhood Self-Help Development Act was enacted in 1978, creating a program which utilizes the resources and commitments of non-governmental, voluntary neighborhood groups and organizations to initiate and carry out programs and projects involving neighborhood conservation and revitalization. The program endeavors to build the capacity of these organizations to work with (1) local governments and (2) private sources of investment to undertake joint efforts for the improvement of neighborhoods.

The concept of the Self-Help program was demonstrated the first year of operation in 1979 with $2.5 million in Community Development Block Grant discretionary funds to assist 21 neighborhood organizations in 17 cities. The individual contracts ranged from $80,000 to $130,000. The initial 21 participants were neighborhood organizations with outstanding records in creating and carrying out local programs and projects.

The Self-Help money is used for work on locally conceived programs for housing rehabilitation and reuse of the existing housing stock, revitalization of retail business areas, the recycling of vacant industrial sites and public and privately owned buildings and energy conservation and weatherization projects.

The program will be funded in stages, or cycles, during 1980; and the Department is currently reviewing applications for the first of the two funding cycles. We expect to make between 120 and 150 grants to neighborhood organizations. The first application cycle closed on March 21 and the second application cycle closes in July. The grants will be made during May and September.

To be eligible for this program, organizations must have a proven record or a demonstrable capacity for developing public and private resources and implementing projects and programs. They must be nonprofit organizations accountable to residents of a particular neighborhood.

Over the past decade or so, many neighborhood organizations have worked hard to develop their capacity for dealing with the problems of their own neighborhoods. Neighborhood organizations have worked effectively with local governments and with the local lending institutions on programs which, in many cases, have reversed deterioration and decline. These neighborhoods, with their improved housing stock, have been given a new lease on life. Neighborhood organizations working positively and constructively have become an important resource for designing local housing and community development strategies and for using Federal dollars more effectively.

With the Neighborhood Self-Help program, the Administration is formalizing a structure to make neighborhood organizations even more effective and to spread that effectiveness to an increasing number of neighborhood organizations across the country.

MOBILE HOME INSPECTION AND MONITORING PROGRAM

The Mobile Home Inspection and Monitoring program is a change in title from the Mobile Home Standards program. Although the program's basic goals and operations remain unchanged, I wish to bring it to your attention because of new budgetary impact. Formerly, HUD's contract agent, the National Conference of States on Building Codes and Standards (NCSBCS) collected and disbursed the fees associated with the inspection of all mobile homes produced. We were not satisfied with this procedure from the standpoint of appropriate cash management and, therefore, requested the establishment of a special Treasury fund account into which all fees are deposited and then disbursed to HUD's contract agent to carry out the inspection program. This new procedure will result, for the first time, in budget authority

and outlays for this program being included in the Department's Budget totals. The appropriation is permanent, and no action is required by the Congress. The estimate for 1981 is $5.7 million.

POLICY DEVELOPMENT AND RESEARCH

The Budget proposes an appropriation of $52.1 million to support the Department's research program in 1981. Although this request is less than the original 1981 estimate in January of this year, it is somewhat greater than the 1980 amount and will allow the Department to continue research and demonstration efforts in accordance with 1981 priorities and goals.

Three years ago, this Administration promised substantial improvements in the conduct of these functions. We have delivered on that promise. The work now is focused more sharply on high-priority, policy-relevant issues. The calibre of the research itself has been improved through better review and supervisory processes and through more careful definition of research problems. Moreover, since each element of the Department participates in setting priorities, the results of our research are now far more useable and will have an improved impact on the delivery of Federal assistance.

In 1981, we will continue major work on urban economic development, component costs of housing, neighborhood revitalization, fair housing, housing for the elderly and handicapped, alternative housing finance mechanisms, and programs to help local governments improve their financial management capacity. Finally, both long- and short-term evaluations involving every major HUD program are underway, and many have begun to yield specific program improvements.

FAIR HOUSING PROGRAM

For fiscal year 1981, the Department is proposing a substantial increase in resources to begin nationwide implementation of a new, comprehensive strategy to battle housing discrimination and provide fair and equal housing opportunities. As part of this strategy the Budget requests total funding of $5.7 million for the Fair Housing Assistance program. This request includes $3.7 million for assistance to State and local agencies to assure effective processing of complaints referred by HUD under Title VIII. This is the same level as 1980 -- the initial funding year for this purpose. In addition, the Budget proposes $2.0 million -- as part of a new initiative -- to fund Community Housing Resource Boards in order to strengthen the Title VIII voluntary compliance program. The 1981 Budget will provide funding for 133 such groups.

To carry out the comprehensive strategy, other key components include:

-- Title VIII Substantive Regulations. During the latter part of 1979, the Department began to develop a comprehensive set of regulations, defining acts which are prohibited by the Fair Housing Law of 1968. These regulations will be completed in 1981.

-- Rapid Response Processing. A rapid response complaint processing system will be instituted nationwide to provide the earliest possible opportunity to resolve fair housing complaints while the housing is still available, rather than provide delayed monetary damages.

-- Systemic Discrimination Units. These units will be fully established in all Regions to initiate studies of practices which appear to be systemic and will investigate selected complaints where patterns or continuing practices appear to exist. The Department expects to intensify formal prosecution through the Department of Justice where complaint conciliation has failed.

-- Increased Front-End Activities. The Department will increase technical assistance and guidance to HUD recipients in developing programs which will meet the civil rights requirements of HUD programs. The staff for this activity will allow us also to target compliance reviews where there are indications of civil rights program needs from front-end monitoring.

-- Compliance Reviews. During 1980, the Department will design and begin operation of a specialized team which will conduct complex, large city compliance reviews under the authorities of Title VI of the Civil Rights Act of 1964 and Section 109 of the Housing and Community Development Act of 1974.

This expanded equal opportunity enforcement effort will require a staffing increase. Therefore, the Budget requests an additional 122 permanent positions in 1981, all of which will be assigned to field offices. We feel strongly that this staff increase is absolutely essential if the Department is to achieve meaningful results through the strategy which I have just described.

Finally, in his two most recent State of the Union Messages, the President has urged the Congress to enact legislation that is long overdue to give HUD adequate tools to enforce Title VIII of the Civil Rights Act of 1968. In these days of inflation and high interest rates, we need to be reminded every once in a while, lest we forget, that minorities and women are still being turned down by rental and sales agents not because of their income, but because of their race

or sex. Former HUD Secretary Harris testified in both the House and Senate on the need for new fair housing legislation, and I want to reiterate my personal support as the House begins to take up what the President has termed the highest civil rights priority of this Administration.

DEPARTMENTAL MANAGEMENT

Our 1981 staffing request is for 15,986 permanent full-time personnel, an increase of 30 above the current 1979 level of 15,956. This change is the net result of various increases and decreases in staffing for our individual programs. As in prior years, the personnel estimates have been developed based on workload requirements by using the factors and techniques of our Work Measurement System.

We are, of course, operating under a hiring limitation as directed by the President on March 14. This permits us to fill only one out of every two vacancies for permanent full-time personnel. Naturally, this is creating definite management problems for us since most of our staffing needs are determined through the Work Measurement System. Therefore, position vacancies, if they remain unfilled long enough, will impact on our ability to carry out the program workload or will reduce the timeliness or quality of service. I believe this situation points up the importance of our receiving approval of the personnel requested.

Thank you, Mr. Chairman and members of the Committee for your attention. I will be happy to answer any questions you may have.

BUDGET REDUCTION IMPACT

Mr. BOLAND. The 52-page statement is detailed, it is a good one in its explanation of these programs. You indicate that the basic strategy remains.

Regarding the reductions, where does most of the pain occur?

Mr. KLIMAN. Most of it occurred in the CPD program area. CDBG and Section 312 bore the brunt of these reductions. These have the fastest outlay rate and, as you know, we wereasked to come up with reductions on outlays.

Mr. BOLAND. I do not think anyone would disagree with the conclusions on the importance of the UDAG program and how successful it has been. This will be the fourth year of funding it—the second year of funding at the $675 million level if that is the amount that will be approved.

LEVERAGE UNDER ACTION GRANT PROGRAM

I have some difficulty with the leverage. We have spent about $1.8—I guess, about $1.5 billion—and the leverage that you mentioned in the statement comes to around $7.1 billion. How accurate are the leverage figures?

Secretary LANDRIEU. Mr. Chairman, we think the data is good. Obviously, you will not be able to get exact figures until projects are completed, because many of them are only estimates. But the way these applications are put together, that is a combination of private and public partnership, requiring the private sector to be deeply involved in the process of the applications made by the local government. We believe the work product is excellent. We do a reasonable job of analyzing the applications. We have some rules of thumb now which we think we can use to measure the benefits estimated in the applications, and of course the applications are certified as being truthful. We are satisfied with the figures. Someone else might review them and come up with different ones, but we think they are very accurate.

UDAG APPLICATION FALLOUT

Mr. BOLAND. Has there been much fallout on applications filed and approved by the Department?

Secretary LANDRIEU. I think surprisingly few. There was some feeling since the increase in interest rates that we would have a massive fallout, but that has not occurred, Mr. Chairman. As a matter of fact, there was also a feeling that the number of applications would decrease rather dramatically. The fact of the matter is they have not; they continue to come in. Building is still taking place in many of the distressed cities of this Nation, thank God. The applications seem to be improving as local communities become more familiar with the process.

There will be some mortality rate, we are not yet quite able to say exactly what, but it certainly has not reached any great number that have fallen out.

Mr. BOLAND. Somewhere in the statement or the justifications, I noted a comment indicating the applications might fall off in fiscal year 1981. It would be hard for me to understand that, because I

would think most communities would be preparing applications and getting them to the Department. These programs have been successful nationwide and actually do help the communities.

Mr. EMBRY. The lastest figures we have on applications, both large and small cities, indicate that we have received the largest number of applications for May small cities and April large cities since the first round of the program.

I do not recall the exact language in the Secretary's statement concerning the market and interest rates including the difficulties in putting deals together. However, we do not know how that will affect the applications. When we prepared the statement, we were not aware of adverse data. We have had high interest rates for the past several months, yet we are receiving more applications. So it seems as though your surmise is an accurate one. We are getting more applications.

MAINTAINING QUALITY OF UDAG APPLICATIONS

Mr. KLIMAN. The statement indicates there was concern that the quality might fall out, but that this has not happened.

Mr. BOLAND. As a matter of fact, the quality of the applications has improved. One of the reasons I think is due to your own staff. Their concern with this program and the advice they have given communities has been immeasurably helpful to the communities which, in my judgment, results in the quality of the applications submitted.

This Committee has had an investigation by our Surveys and Investigations Staff on this program. I do not know whether or not you have seen the report. We will give it to you and you can comment on it. I must say, generally speaking, it gives high marks on the program itself. I am delighted. I do not think all of us expected that, but it is an area I think is very critical to the Department and very critical to the urban policy as you know.

The third resolution of the House has recommended a rescission of $175 million, and that is critical. We will have some discussion on that program next week.

INFLATION EFFECT ON HOUSING

How has inflation affected housing generally? I noted a story in the New York Times today that housing inflation accelerated slightly last month from 1.4 percent to 2.6 percent. The acceleration is principally caused by a 3.9 percent increase in mortgage money rates. What has been the effect of inflation on the housing industry and housing generally?

Secretary LANDRIEU. Mr. Chairman, housing seems to be one of the leading factors in inflation, that is, the cost of housing has been rising more quickly than almost any other segment of the economy. That comes about for a number of reasons. First, financing is such a terribly important part of the construction industry and the housing industry, financing is almost indispensable to it and in such massive doses and long terms.

Second, I think there has been a kind of speculative nature that has entered into the housing market. Housing has proven to be one of the best hedges against inflation, as every financial writer has

indicated at one time or another. The purchase of a home has been the best hedge against inflation. Unfortunately, as that notion has become very widespread, I believe there has been a trend of paying, in some instances, excessively for the product. I do not say that is universal and I am not suggesting that, this in and of itself, is the cause of the inflation, I just think it is a popular bias of this moment and has been for some time.

Third, the cost of materials going into housing has been another factor. The cost of a house is very material-oriented. As those materials have gone up, obviously, so have housing costs. Another factor has been, as land becomes more scarce, the cost of the land on which housing is situated has been rising more dramatically than other costs in the economy. Therefore, I think, there have been a combination of factors.

HOUSING NEED

Despite that, if the interest rate were not at the astronomical rate it has been—hopefully it is now reducing—there is still a strong demand out there for housing. Our estimates indicate over the next 10 years we will have to produce about 2.3 million units per year, in order to meet the demand of this country. It is not an impossible task, but one we have been falling short of for many years. Last year the Nation produced 1.7 million units; this year, depending on whether you listen to Larry Simons' crystal ball, the homebuilders, or other experts, we could be below a million or up to a one million two hundred thousand.

Mr. BOLAND. Does not Sumichrast, the chief economist for the National Association of Home Builders, say that it might get down to 800,000 or lower? I do not know why Larry Simons is smiling. HUD will be back again next year, and I hope you will be with us. Would you like to make a projection?

Mr. SIMONS. I am afraid to make projections except to say, as the Secretary said, I am more optimistic.

Secretary LANDRIEU. He now has figures from one million one hundred thousand to one million five hundred thousand. So he is not adverse to making projections; it is just which one is operative.

Mr. BOLAND. There is no disagreement within the top echelon of government that inflation is the pressing issue facing government today?

Secretary LANDRIEU. No question.

SECTION 8 EFFECT ON HOUSING COSTS

Mr. BOLAND. Does Section 8 construction constitute 18 to 19 percent of that total?

Secretary LANDRIEU. The housing industry is much larger than Section 8. Section 8 is not driving the housing industry, but rather Section 8 is driven by the factors making up the industry. It certainly is not the dominating factor. Much has been said about the cost of Section 8 housing, and I think that is to a large extent because of the mechanics of accounting for the program. If we were to take any program and cost it out over a 40-year period, the figures get rather astronomical. We have seen this exercise done,

which is interesting as an exercise, but that is virtually all it amounts to.

Depending upon the assumptions one uses, you can come out with figures up to $750,000 for one Section 8 unit over a 40-year period. The median income for a very low-income household using the same set of assumptions would be well in excess of $100,000.

SUBSIDY REQUIRED FOR RENTAL HOUSING

It must be said that providing housing for this Nation is an expensive proposition. It would be my hope that every bit of housing this Nation needed would be provided by the private sector without government subsidy. That is not the case, and I am sorry to tell you in my judgment in the relatively near future, virtually no rental units whatever will be produced in this country through conventional financing alone. Whatever rental housing is built will be built by a government subsidy, whether a rent supplement or some other program we have not yet devised. I should not be alarmed at that. I am simply not happy with it. It is simply a fact of life and the way the economy is moving in this country.

We faced a similar experience—in mass transit, where it used to be owned and operated by the private sector. Ultimately, through what I think was an unwise policy, we drove the private sector out. We could have salvaged much of that private sector with subsidies, but we did not. Now local governments are operating the systems and the Federal government is subsidizing those systems; but they are in public hands rather than private.

It is something we have to acknowledge and develop new programs so we can accommodate this change.

There are a number of reasons I think this is coming about. My views are not shared by everybody. First of all, the income of those who are the prospective renters has not been rising as fast as the cost of producing new housing.

Second, there is a fear in this country of rent control spreading more widely than it currently is, and that certainly has a dampening effect on prospective investors in rental housing. It is a heavy financial commitment and it is a long-term commitment. Whatever threatens the certainty of that investment is inclined to be viewed very skeptically by those who would otherwise invest in housing.

Third, there is a growth in tenant rights. We have moved from the period of time where ownership had all the rights and renters had none, that has moved over the past 10 years as we have moved to a more humanized society. Some suggest it may have gone too far. There is fear among those who might otherwise invest in real estate that the suggested loss of management control of the investment deters further investment into rental properties.

Those are a few of the factors that suggest whatever is built in the future will be built with government subsidy.

SECTION 8 COSTS

The problem with Section 8 is that, once we get into a commitment, we have to stay there. Our average commitment for everything out there, if we average the 40 years we do with public authorities and the 20 years for others, is 22.5. You cost that out over

a period of time it jumps out at you as a legitimate liability for that many years.

I think the same astronomical figures would be produced if you took any of our welfare income transfer payments and cost them out and built in an inflationary factor—you would be facing the same thing. But we have not found, frankly, that the cost of constructing Section 8 housing has been out of line with the cost of conventional-built housing. We think we can do even better. As a matter of fact, the cost of Section 8 housing has trailed inflation rather than having led it.

1981 LEGISLATIVE PROPOSALS

Mr. BOLAND. A number of proposals have been made in the Department's budget which affect legislative proposals. You may detail for the record those proposals which require Congressional action.

[The information follows:]

1981 BUDGET PROPOSALS REQUIRING LEGISLATIVE ACTION

The following requests for 1981 appropriations and the 1980 supplemental will require enactment of authorization legislation.

1980 SUPPLEMENTALS

Increase authorization for Public Housing Operating Subsidies by the amount of the supplemental ($52.6 million).

1981 REQUESTS

Authorization for Annual Contributions for Assisted Housing.

Authorization for Appropriation for Payments for Operation of Low-Income Housing Projects.

Authorization for Appropriation for Troubled Projects Operating Subsidy.

Authorization for Appropriation for Mortgage Insurance Programs (FHA Insurance Fund). An appropriation for losses sustained from the sale of acquired properties for the General Insurance Fund.

Authorization for Appropriation for GNMA Mortgage Assistance Grants Program.

Authorization for Appropriation for the Community Development Block Grant Program.

Authorization for Appropriation for the Urban Development Action Grant Program.

Authorization for Appropriation for the Section 312 Rehabilitation Loan Program.

Authorization for Appropriation for the Section 701 Comprehensive Planning Grants Program.

Authorization for Appropriation for the Neighborhood Self-Help Development Program.

Authorization for Appropriation for Research and Technology Program.

TEMPORARY SECTION 235 PRODUCTION PROGRAM

Mr. BOLAND. What about the proposal with respect to the revised Section 235 concept? As I understand it, that is going to be a temporary program. Is that correct?

Secretary LANDRIEU. Yes, it is.

Mr. BOLAND. It appears to be a rather low-key approach to the problems of the housing industry experience. It is not a cure, of course. As I understand it, what the proposal basically would do would be to increase the maximum mortgages of a family of four from $38,000 to $60,000. It would also increase the eligibility requirement from 95 percent of the median income to as high as 150

percent of the median income—and would raise the interest rate that home buyers would pay for subsidized mortgages under the current program to at least 11 percent from the current 4 percent.

Is that basically correct?

Secretary LANDRIEU. Yes, Mr. Chairman.

Mr. BOLAND. I wonder, Larry Simons, when will you give me a call to tell me the FHA interest rate is going down instead of up?

Mr. SIMONS. I wish I could make that call as soon as possible.

Mr. BOLAND. Is the FHA interest rate 14 percent?

Mr. SIMONS. Yes.

Mr. BOLAND. This proposal, I assume, requires some legislative action?

Secretary LANDRIEU. Yes, sir.

LEGISLATION FOR REVISED SECTION 235

Mr. BOLAND. Have you appeared before the Banking and Currency Committee on this revised Section 235 concept?

Secretary LANDRIEU. No, sir.

Mr. Chairman, we met and gave the Committee the benefit of the background on this. We met with the Senate leadership at the request of Senator Byrd about 3 weeks ago. The leadership of the Senate was concerned about the condition of the housing market and wanted to know what the Administration could offer that might give some relief to the housing industry, which they felt had suffered early and much more deeply than any other industry in our current period. I will not try to quote the sentiment at the meeting other than wanting to assist housing. There was the feeling the only ultimate solution was to bring the overall inflationary rate down, and we should not offer suggestions which would otherwise cause inflation. Rather we should offer those which were either mutual or negative. We indicated there were a number of things we could do which we thought were noninflationary and did not impact the budget.

AID TO HOUSING INDUSTRY

One was the opportunity for the builders to move their inventory from construction loan rates. Many of them have some 350,000 units out there being held in inventory and not moving because of the very high interest rates and the inability of many people to qualify for the loans. That change has been made administratively. We believe it will help about 116,000 units that are being held in inventory, if the builders want to take advantage of it. It is an advantage to small builders, working with 20 to 22 percent interest. They can move that to permanent FHA rates, to 14, or whatever it may be. It may save a number of those builders.

FUNDING FOR SECTION 235

Mr. Simons must be given credit for the imagination put into this program. We had some contract authority from impoundments back in 1973, which the courts had ordered obligated. So, that authority is not really impacting the budget. The authority is there and has to be spent. Mr. Simons framed a program that would give

some relief, not only to the homebuyer, but also to the industry, which was suffering so badly. He can go over the details of that program with you, Mr. Chairman, if you have need for further detail on it. We came back and submitted to the Senate the structure of these programs, as they had requested, and of course it became a Congressional program.

Mr. BOLAND. I take it the Department supports this proposal wholeheartedly.

Secretary LANDRIEU. We certainly do.

BUDGET TOTALS

Mr. BOLAND. Let me ask about the budget figures.

In fiscal year 1981, HUD is proposing a revised level of new budget authority of $40.3 billion—an increase of almost $5 billion above 1980. Outlays reflect a somewhat different picture. The original budget submitted in January assumed outlays of approximately $11.8 billion. The recent budget revisions reduced that by approximately $197 million—however, that reduction has been offset by a corresponding reestimate increasing outlays for the Community Development Block Grant program by approximately $195 million. The net result of that is that there is virtually no change in total outlays from the original 1981 budget of approximately $11.8 billion. Is that correct?

Mr. KLIMAN. Yes, sir. What happened is that the major increase reflects reality. What is happening in the Community Development Block Grant program is that outlays are proceeding at a much higher rate than previously estimated. The drawdown rate has picked up substantially. Were it not for the budget reductions, we would have had a much more significant increase in our estimates.

Mr. BOLAND. The net result of these figures is that there is actually no change in budget outlays.

Mr. KLIMAN. The total 1981 outlays are approximately the same number as before. Were it not for the reduction they would be about $200 million higher.

Mr. BOLAND. Mr. Coughlin?

STATUS OF HOUSING INDUSTRY

Mr. COUGHLIN. Thank you very much. Mr. Secretary, I would have to say candidly, perhaps your Department causes us more problem than any other department of which I can think. Problem areas are the housing industry as a whole, and assisted housing. I say this realizing some of the problems may predate your administration of this agency and there may be other factors beyond your control.

We have been having a rather sanguine discussion of the condition of the housing industry. I, with many others, raise the question of how you can combat the problems without reducing inflation and high interest rates. The result has been a real disaster in our housing industry. We have hundreds of thousands out of work now. I heard an interesting statistic today. In the city of Pittsburgh in the first quarter of 1980, there are 16 applications for construction of new housing. That is not 1600, that is 16. That is a stagger-

ing kind of thing. I guess the impression that I have come to, as this industry has approached the Administration, is that there has been a callous attitude. The proposed 100 units is like putting a band-aid over a bullet hole. With housing starts going down to possibly something below a million in this year, what are you going to do over and above this 235 program to try to get the industry on its feet again? We are in bad shape.

Secretary LANDRIEU. Certainly the industry is hurting, we recognize that.

Mr. COUGHLIN. It is not hurting. It is in very bad shape.

Secretary LANDRIEU. It is hurting and in very bad shape.

I think it would be a very gross error to assume first of all that the Federal Government drives entirely the private sector. I would like to believe that this Department and this Administration have been a positive influence in the housing field. There are changes, and I do not mean to refer historically for an answer each time a question is asked but I think we cannot learn if we do not look at where we have come from.

GOVERNMENT ROLE IN HOUSING ASSISTANCE

In the period of my lifetime we have gone from a period in which the private sector produced every bit of housing, both rental and homeownership, in this Nation without one dollar of Federal subsidy.

Mr. COUGHLIN. Mr. Secretary, now interest rates are 14 or 18 percent.

Secretary LANDRIEU. I certainly agree with that. Interest rates I remember were at three-and-a-half percent. The first house I bought was at five-and-a-half. That obviously is not because of Administration policy. Certainly there are other advocates who could provide ample argument for you of the Administration's fiscal and monetary policies. But we are in a different world today than we once were. There are many factors that have caused inflation in this country, including overspending, lack of productivity, lack of savings to create productive capacity and a multitude of other things that you and I are familiar with.

But what is a bit sad is that everyone immediately turns to the government as if the government were the only solution to every problem in the private sector.

While I think the government certainly ought to be enthusiastic about assisting wherever we can, I do not think we ought to think about rupturing a system in order to meet a temporary problem.

I think there is some danger in the thought that the government has the resources to go out there and salvage this industry by spending money. In my judgment, that would do just the reverse of what ought to be done. The one way to solve this problem is to try to get the interest rates down. That will be done when we begin to control inflation. Part of that fight is balancing the budget with which I know you must agree.

I can hardly think of another program that this Department can offer that does not cost the government money. Those differentials have to be paid by somebody, either by the individual consumer or absorbed by the builder or paid for by the United States Treasury

in which case you are talking about enormous numbers of dollars in subsidies for that industry.

BROOKE-CRANSTON ASSISTANCE

There is a bill presently pending, the proposed revision of the Brooke-Cranston bill, which has been given great consideration and has been used in the past. It may be that it will have to be used in the future, but bear in mind the cost of using that legislation is going to impact the Federal budget very, very dramatically.

I have not found any great enthusiasm, frankly, certainly not on behalf of the Administration, but certainly not in Congress yet either as of this moment, to implement that legislation.

Mr. BOLAND. The outlays in 1981 would be somewhere around $3 billion; is that correct?

Secretary LANDRIEU. I think you are in the ball park.

Mr. BOLAND. Three billion in additional outlays in fiscal year 1981 just to produce 120,000 single-family units, and 100,000 multi-family units under the Brooke-Cranston approach.

Is a balanced budget and a rescue of the housing industry incompatible?

Secretary LANDRIEU. No, sir; I do not think it is incompatible at all. I think it is absolutely essential.

Mr. BOLAND. You are not going to rescue the housing program with a revised Section 235 program?

Secretary LANDRIEU. No, sir; we are not. The changes we have offered are constructive and I think of significant help, but the only thing that is going to help the housing industry is to get inflation under control and to drain some of the speculation out of that industry and to get the interest rates down.

Mr. BOLAND. Thank you.

TAX INCENTIVES TO INCREASE PRODUCTIVITY

Mr. COUGHLIN. The thing that bothers me is that—and I hear your words concerning productivity—I don't hear anyone in the Administration speaking out for legislation for tax incentives to increase productivity, improved depreciation schedules or any of the things that would try to encourage increases in productivity which is the real way to combat inflation.

Secretary LANDRIEU. I certainly am not in a position where I can address all of the actions of the Administration; but I can tell you, from my standpoint, the President has consistently spoken to the problem of productivity in this country. He has spoken to the problem of deregulation which tries to deal with productivity or lack of productivity created by the multitude of regulations built up in this country, and he is taking a very strong leadership step in offering a balanced budget for this year.

When the President came into office the budget deficit was $66 billion. It seems to me a very significant effort on his part in the four years he will have been in office to reduce that deficit from $66 billion to a balanced budget.

All of those things, it seems to me, are common sense approaches to solving the problem of inflation in this country.

EQUITABLE APPLICATION OF HOUSING SUBSIDY

Mr. COUGHLIN. Let me turn for just a moment to the other series of questions that I have. They involve the assisted housing programs. At least as they are administered in the City of Philadelphia, the City's housing strategy, which has been developed under HUD guidelines, in particular those requiring 50 percent of new contruction being so-called non-impacted areas, results in four significant anomalies.

The first anomaly is that we end up trying to put the housing where it isn't needed or wanted and not putting housing where it is needed or wanted.

I think the Secretary is familiar with the situation where in the neighboring district, Congressman Gray would like more assisted housing and in a portion of my district, they don't feel they need it or want it.

The second anomaly is that an area which cannot get Community Development Block Grant funds because it is not in the income bracket to be entitled to those funds must accept assisted housing funds which it doesn't want.

The third anomaly is that it results in building additional new HUD housing in areas where there is already abandoned HUD housing.

Fourth and finally, it results in two families living side-by-side with the same incomes identical, one obtaining governmental assistance and the other not obtaining governmental assistance.

No matter how you look at this, from a taxpayer's standpoint or the standpoint of rationality, people must think the Federal government is insane in terms of what it does to have programs that result in these anomalies.

I did discuss this with Mr. Embry the other day. He indicated there might be some proposals forthcoming in this area and I guess I would like to discuss them for the record.

Secretary LANDRIEU. Mr. Congressman, you raise some questions that have been troubling me since I came into the Agency and troubling many in the Agency since long before I came. I guess the root cause of it is that like many programs that have a focal point, that focal point becomes somewhat blunted when we ask the programs to do a multitude of things. Housing is being asked to refurbish old neighborhoods, to integrate the living areas of this country, it is being asked to accommodate the new growth, and I guess a number of other factors.

NEIGHBORHOOD SITES AND STANDARDS

So that you do find yourself in what are seeming contradictions as we administer the programs. When I came into the office, Secretary Harris, who had done an absolutely marvelous job of rebuilding this Department, left me with neighborhood site and standards regulations. She said, "I am going to leave you something very nice." They had been working on them in the Department for some time and had reached the point where they really could be signed.

But she cautioned me that it was a difficult question and I should review it myself. The more I got into those regulations, the more they did not make any sense to me. Some of the questions

which you are raising occurred to me. So we have been having a debate within the Department now in a very logical and systematic way on this very topic that you are discussing.

I cannot tell you how many hours we now have put into this discussion, not only from all of the top people within this Department but outside experts and constituency groups. The questions which you have been asked have been put to all of us with the purpose of determining a strategy.

A number of things are happening. First of all, there is a feeling in some areas, in some inner cities in the country—and I can assure you this is not the case, nothing could be further from the truth—but there is, nonetheless, a feeling that has been generated, that the Federal government is causing dislocation problems by non-investment in housing in some of the older neighborhoods, that we are causing displacement, so that a gentrification process can come about.

There is also a feeling among some minority elected officials there is an effort to thin out their constituencies. Working against those two arguments we have a very legitimate concern that we have in the past put too many poor people in the same place and that in so doing we have limited the poor, contrary to current Federal laws and court decisions, to an existence out of which they could never evolve; hence, our reasons for not wanting to impact neighborhoods.

There are court decisions out there by which we are driven, as well as the moral obligation that we have, as well as Federal laws that require us to provide living opportunities for Americans in neighborhoods other than those that are minority dominated, others that are poor neighborhoods. So that you do find yourself with these conflicting goals.

All I can tell you, Mr. Congressman, is that we are doing our level best with the best advice possible to try to sharpen our focus and to produce the best possible housing for this country.

Our problem is compounded by the fact that our resources are so small and the need is so great. We could solve the problem rather easily, I think—not without difficulty—if we had enough resources so that we could meet the needs of the inner city and meet the needs of the growing communities.

Those resources would let us build as much as necessary and then people would have the option; but where we have very limited resources to meet very great needs, then it is only natural, I think, that the inner city Congressmen, the inner city resident, the inner city mayor, councilman, legislator, argues where an investment has to be made. Make it where the need is the greatest.

Mr. COUGHLIN. I would concur with that.

LOCATING HOUSING WHERE NEEDED

I guess the thing that occurs to this Member, if we are talking about saving money, it doesn't make much sense for this Subcommittee to appropriate money to put housing where it is neither needed nor wanted.

Secretary LANDRIEU. We do not build housing where it is not needed. We may build housing where some people do not want it.

All of our housing production is driven by local housing plans. We require communities to inventory their housing needs. We do not drive this, it is driven by local government. They have to inventory their housing needs. They have to determine the kind of housing that they need. Then we try to match up our resources with their needs.

So we are never putting housing where it is not needed. Whenever you site an individual project you are always going to find some groups, because of their resistance or their fear of Federal housing, who do not want it in their neighborhood. That does not mean that there are not people in that community who are not in need of housing. The problem is we do not have enough housing to meet the needs of the inner city and suburbia as well.

AREA DEFINED FOR HOUSING

Mr. COUGHLIN. Let me be very specific and I will yield in just a moment, Mr. Chairman.

HUD in Philadelphia has indicated a requirement that 50 percent of housing be located in impacted areas and 50 percent in nonimpacted. I take it that the 50–50 relationship is not a requirement of either law or HUD regulation but a discretionary requirement of HUD. Am I correct?

Secretray LANDRIEU. Philadelphia is a very, very special case.

Mr. COUGHLIN. Am I correct in that the 50–50 is discretionary?

Secretary LANDRIEU. Yes; that is correct.

Mr. COUGHLIN. The definition of an area which would be impacted, the geographical definition, is a discretionary thing with HUD and not a matter of law or regulation. Am I correct?

Secretary LANDRIEU. I am not sure that I would go that far.

Mr. COUGHLIN. If you can tell me how you define an area, I would appreciate it.

Secretary LANDRIEU. Mr. Congressman, I am told it is done by regulation but that does not necessarily mean that we can be arbitrary about it. There has to be some rational basis for which we define areas. I can give you that for the record.

Mr. COUGHLIN. I would appreciate it for the record if you would cite what regulation defines an area.

[The information follows:]

REGULATIONS GOVERNING THE DEFINITION OF IMPACTED AREAS

HUD's definition of an area of minority concentration (or impaction) is not determined by regulation or specific law. Oral and written guidance to Field Office FHEO staff has indicated that generally an area with forty percent or more minority population should be considered an area of minority concentration. The oral guidance has been given in training sessions on the application of site and neighborhood standards for HUD-assisted housing and the written guidance is found in the instructions for applying the UDAG statutory requirement concerning demonstrated results in equal housing opportunity.

IMPACTED-NONIMPACTED AREAS

Mr. COUGHLIN. Then in terms of what is an impacted area and what is not an impacted area, I take it that is a discretionary judgment by HUD.

Secretary LANDRIEU. We generally use 40 percent.

Mr. COUGHLIN. But that is at HUD's discretion?

Secretary LANDRIEU. I think, it is by regulation. Our regulations do allow some discretion and our regulations are developed internally. We do not develop regulations in a vacuum, they are dictated, generally, by the legislation.

Mr. COUGHLIN. I would appreciate for the record any citation of the specific regulation that mandates 40 percent.

[The information follows:]

PROPOSED REGULATIONS FOR IMPACTED AREA

The definition of an area of minority concentration was published in proposed regulations, "Site and Neighborhood Standards for Subsidized Newly-Constructed or Substantially Rehabilitated Housing" in January 1977. These regulations were never issued as a final rule. The definition proposed there "captured" the definitions used a matter of long-standing practice in the field. The proposed definition (proposed in 200.704(i)) was as follows:

"An area shall be determined to be an area of minority concentration if minority residents constitute: (i) more than 40 percent of the residents of the area, or (ii) a significantly greater proportion of the residents of the area than the proportion of minority residents of the locality as a whole."

TYPE OF HOUSING STOCK

Mr. COUGHLIN. The third and final question I would have is, it has been indicated that it might be possible to satisfy some of the requirements by the use of existing housing while permitting new housing to be built in the more deteriorated areas where they do want and need the housing and still satisfy some of the HUD criteria. Is that a possibility?

Secretary LANDRIEU. Yes, sir. We are reviewing all of the possibilities that are available to us, not just with respect to Philadelphia.

Mr. COUGHLIN. I understand.

Secretary LANDRIEU. Obviously, there is a severe problem out there that I sensed as I went around the country and as we review the amount of litigation that has developed across this country in terms of housing sites. It is coming at us from both sides, from those in the inner city who believe that the need is greatest there and because of the impaction regulation which has a good purpose, that is, not to congregating all of the poor people in one place. I might add we are being sued in some instances because of that.

Then as we go out to locate other sites, we are being sued from that end. So there is a growing concern with what this Agency has been doing. It is well motivated, it is honest, it is an effort to be fair and just, and to make housing do all of the things which everybody wants housing to do.

But it simply is very difficult for housing to be used as a vehicle to do as many things as people want it to do.

Mr. COUGHLIN. Let me say I don't question in any way the motivation of the Agency. My comment is we become involved in so many things, rather than building good housing where it is needed and repairing deteriorated areas of our cities. We get tied up in all these things and somehow the money doesn't seem to go to the right place.

Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Traxler?

UNEMPLOYMENT IN MICHIGAN

Mr. TRAXLER. I want to welcome the Secretary in his first official appearance before us as Secretary. We are delighted to have you. I want to join the others in commenting upon what a fine statement you have and I want to concur in that.

First, for the bad news, do you know 80 percent of AFDC cases opened in the United States in the last year were in the State of Michigan? One out of 10 persons in my State is now on welfare. We have over 800,000 persons on food stamps in my State. I wish I could tell you those statistics are going to turn around in the next couple of months. They are not.

I think the good news is the prime rate dropped to 19 points. I have a few easy questions for you. Incidentally, there is not a lot of concern for balanced budgets with those statistics I just gave you, especially with the unemployment rate of 12 percent and going higher every day.

MIDDLE-INCOME HOUSING

It appears to us strong support is opening in the Legislative Committees to make an effort in the housing bill of this year to reduce substantially the number of units available for the Section 8 new construction moneys.

Apparently the bill is being marked up today or tomorrow. In the Banking Committee they are talking of changing the thrust from Section 8 new construction to a middle-income housing program. They are talking of taking the moneys from Section 8 and placing them perhaps in as many as 150,000 units of multifamily, middle-income housing.

Would you care to comment on this proposal? We recognize we are pricing middle-income Americans out of the housing market. What about this trade-off?

Secretary LANDRIEU. I will be happy to comment on that, Mr. Congressman. First of all, we, within this Department, generated a program that is very similar to that being offered by Congressman Ashley and Senator Proxmire—a little different but generally in the same concept.

We ultimately abandoned that in the budgetary process. Our recommendation to the President was to fund some 300,000 units on the current basis, that is at eighty percent of median income. That was our recommendation. That was the recommendation of the President to this Congress. Until such time as it changes, that is our current position.

FUTURE DIRECTIONS FOR ASSISTED HOUSING

So I will not comment directly on that bill, but let me speak to you generally about what I see personally in the way of housing initiatives in the next 10 to 20 years.

First, I think we have made a mistake in treating Federal housing as if it were housing only for the poor. When we built public housing initially back in 1937, it was not essentially a program for the poor. It was housing for Americans, including many working Americans; and the housing was good housing that was built. It

was only later that that housing became kind of designated or marked as housing for the poor.

When it assumed that character, then it essentially became stigmatized. We have not funded it sufficiently; we have, in terms of investing in housing for the people of this Nation, been somewhat stingy, in my judgment. I am not talking about just the present. I am talking historically. That is because we have had a viable, vital, private sector. But the private sector is not producing that housing any longer. They have been producing a smaller and smaller percentage of it without subsidy.

As the cost of housing has risen, not just in the very recent past, but over the past 10 or 15 years, the trend has been to less and less conventional built housing and more and more housing only with subsidies.

I think it is a mistake to put income caps on housing and make it housing just for the poor. This is my view, my own personal view that certainly has not been run through the Administration. There is not even agreement on it within HUD as of yet; and we have reached no decisions. I, frankly, think we ought to take the income cap limits off housing altogether so it is not a program exclusively used by the poor. I think what Congressman Coughlin has pointed out is quite true.

Whenever you set an arbitrary limit where one person receives the advantage of a program and another does not, that person who does take advantage of that program is automatically jumped, in terms of economic soundness over another 20 or 30 persons, because of that subsidy. I think, frankly, that is unfair. I am not suggesting that be changed today. I am simply saying I think that is the way we ought to go in the long run. So I do not see any need, frankly, for income caps.

I think it ought to be driven by a percentage of a person's income. If a person wants to pay 25 percent of his or her income toward the rental of a government-owned or financed unit, then that person should be able to take advantage of it if he or she chooses.

The cost to the government, in my judgment, is going to be less because of the marketplace. An individual that is above median income and is willing to pay 25 percent or more of his income for rent is going to have better options. It is those people below that really do not have the options.

The reason that you get so much production under the bills that are being considered now is that you are going to a higher income group and, of course, the government subsidy is greatly reduced the minute you get above 80 percent of median.

The argument against that authority, both the present legislation under consideration and my long-term thought, is that you are dissipating assets and resources of this country which should be targeted to the poor. I counter that argument by saying that ultimately we are going to serve the poor better when we remove from them the stigma that is attached to them of having to live in what is known as public housing or subsidized housing as if it were something less than decent and good housing.

We will ultimately build support for broad-based housing programs in this country.

LOCALITY RESISTANCE TO LOW-INCOME HOUSING

Mr. BOLAND. Aren't you attaching the same significance to the Section 8 programs? That is always referred to as low and moderate income units.

Secretary LANDRIEU. Yes, sir. And you will find great resistance out there except for Section 8 for the elderly, enormous resistance to the location of many, many projects—not always. But wherever you have minority concentrations or a heavy concentration of the poor you inevitably find enormous resistance to family housing, but not elderly housing, simply because it is unfortunately developing a reputation as public housing has developed a reputation.

ELIMINATING INCOME LIMITS

I think that comes about in large measure because you have to be below that 80 percent of median income in order to take advantage of the program. What happens, Mr. Chairman, is that when a person takes advantage of this program—and we encourage them to do so—he automatically is leap-frogged over, from an income transfer standpoint, someone who is in the 95 percent of median income group who is not eligible for the program. This develops hostility in that middle American group against these welfare programs, whether it is housing or some other social program, that is not available to the middle-income person.

So my argument is that it seems to me that if we did it on the basis as you do food stamps, there is an eligibility factor, the amount of food stamps to which you are eligible decreases as your income goes up so you ultimately run the string out and you are not eligible at all.

The same thing could be done in housing. I do not see any sense in the Section 235 program to put any income limit on it at all because it is going to be driven by the mortgage limits on the housing and by the percentage of income required for rent.

All we do is anger a great segment of this country who are arbitrarily excluded because you cannot say the figure ought to be 130 percent or something else that we define.

We now exclude a large percent of the population that is not eligible when in fact that same part of the population would not take advantage of the program because they have other options, in my judgment, and from our research, would exercise those other options.

I think there is reason to be looking at that program. I personally have under consideration right now programs that go much further than the middle-income concept and I do not think it is going to cost the government any more money.

The reason is while we have to look at it, we are in a different world today and we will be in a different world in the eighties than we were in the fifties and sixties. We are not going to meet the housing needs of this country with the programs that we have been using. There simply is not enough support for the programs and the need is far too great to meet it the way we have been doing.

FORECAST FOR INTEREST RATES

Mr. TRAXLER. We know we are not going to see cheap energy. Do you foresee us adhering to the days of eight or nine percent interest within two or three years? Is that realistic?

Secretary LANDRIEU. I believe most people believe we will be bringing permanent mortgage money down to 10 percent again. I am not an expert in the field, but I am inclined to think it can get back down to 10 percent. I do not think many of us believe that the floor will go much below that and there are many who think we will never see 10 percent interest again.

HOUSING ASSISTANCE PLAN MIX

Mr. TRAXLER. Mr. Secretary, one of the areas in which this Subcommittee has some disagreement with the Department has been on the mix between new and existing Section 8 housing. Last year, we recommended a 60-40 percent split; 60 for existing. That was hotly contested within the Department. We graciously lost. Looking at the submission for the budget this year we notice it comes out at a 60-40 split. What are your thoughts on this? Can you elaborate a bit?

Secretary LANDRIEU. Yes, sir. That is the way the HAP's have been moving. When we aggregate all the HAP's, it appears that they are going to break out just about 60-40. We have been accused of having driven those HAP's in the past and I think there are some examples where we did in fact do that. That is not what we are currently doing. Those HAP's are now locally submitted. Based on those HAP's most recently submitted, our recent request, the 300,000 units, is figured on the 60-40 basis.

Mr. BOLAND. I take it that we never should have receded on that item, because we were right, weren't we, Mr. Simons?

Secretary LANDRIEU. You will never get him to admit it. You may have been right in the forecast—but its the principle.

Mr. BOLAND. Anyhow, I think it is a good suggestion and we welcome you into the fold.

Mr. TRAXLER. Let me thank the Secretary again. Certainly yours is not an enviable position at a time when there are very painful choices to make.

COMPETENCE OF HUD STAFF

Secretary LANDRIEU. I have been in local government all my life and know some of the stress of that system out there. I could not be more anxious to serve than I am as of this time. I just hope I can bring something to it.

The institutions do not change so easily and I do not believe this institution needed any huge change. I compliment the staff because when I came to this Agency, Pat Harris had put together one of the brightest groups of people I had met anywhere. I have been in the university system and dealt with local and national governments rather extensively. She took many good people with her. So I have to say that even what was left was great.

Mr. TRAXLER. Thank you, Mr. Chairman.

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

Mr. Secretary, the statement that you made about your being willing to serve at a time when the problems are heavy is typical of your attitude toward public service in every capacity in which you have served.

We are very fortunate to have you there to help to solve some of the problems and to give us the direction we need at this particular point in our partnership—direction which you have expressed so eloquently. We need your knowledge of leveraging money in the private sector to support enlightened public programs that meet community needs and goals.

I was very pleased to see that you had asked us to reflect this attitude of partnership in the full funding of two programs which do this—Section 8 and the Urban Development Action Grants.

NEED FOR MORE ELDERLY HOUSING

In connection with this concept of partnerships to meet the needs of the various communities, I am interested in the Section 202 housing program for the elderly and handicapped which is operated in tandem with Section 8.

We have an increasing proportion of the population reaching age 65. This is true, of course, in my area, your area of the country, to a large degree, and the projections that I have received seem to indicate that there is going to be a continual growth in the percentage of the population that is over 65.

However, in the projected levels for the Section 202 appropriations, we are being asked to keep the appropriation at the same level as it was last year. Even though that is not a reduction, it really will provide 1600 fewer units in 1981 than in 1980.

I wondered why there should be a leveling off, which is really a reduction, in this private sector-public sector cooperative sort of a program that certainly meets the needs of most of the communities.

Can you tell us why?

Mr. SIMONS. Congresswoman, as you know, the Section 202 program is not the only program which answers the needs of the elderly. In addition there is the Section 8 program and a portion of the Public Housing program, as well. We are increasing the resources available to these programs and that will be of benefit to the elderly and will give them greater opportunity also. The direct loan program, Section 202, represents only a small part. A judgment was made to maintain the Section 202 direct loan program at the current level because elderly were also being taken care of through other programs.

Mrs. BOGGS. It may interest you to know, if I may get local, that a Section 202 financed program, which has built several fine units with very innovative programs, has opened a new facility about four weeks ago in Metairie, Louisiana. It is completely filled, of course, and in four weeks, has 500 people on the waiting list.

I think that dramatically points out the need to increase the program instead of actually decreasing it by keeping it at the same level.

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Secretary LANDRIEU. Mrs. Boggs, we could probably build as much elderly housing as we could get money for today. It is a popular program, there has been an enormous need out there because of the neglect of the elderly in decades gone by, so there is a huge backlog of built-up demand for housing for the elderly.

BALANCING HOUSING NEEDS

Our problem is not in Section 202, because that program will remain level—and maybe Mr. Simons can tell you how much of Section 8 will go to the elderly—our problem is that there are other needs there also and this was the basis for our discussing the shortage of resources.

What makes our problem so difficult is there are families out there not being provided for. So in asking communities to develop their HAP mix for the allocation of our subsidized housing we found that, while there is a need for the elderly, there is also a great need for family units, and we have to try to strike a balance to meet those needs equitably.

To be frank with you, if we left it completely up to most communities—not all—they would opt to do the elderly projects because they are easy to do and everyone loves them and we would not build any large family units whatsoever because they are the most difficult ones to do.

In order to counter that, we require the HAP mix and require a proportionality in satisfying the HAP mix but we certainly will take as much as we can to provide housing in that field.

Mr. TRAXLER. Will the gentlelady please yield?

Mrs. BOGGS. Yes.

Mr. TRAXLER. Thank you, Mrs. Boggs.

Pursuing this point just a moment, I asked this question a few years ago and didn't get an answer—maybe because there isn't an answer. Maybe it is not a question.

ELDERLY POPULATION MOVEMENT

Where do the elderly come from that go into the housing units? Do we know what housing they have left and what happens to it? I think you have made a clear case that in allocating public housing resources we can't forget poor families. What I am interested in, though, as we approach the housing question for America, is if we do have a substantial emphasis on the elderly housing which is a very popular program, are we not indeed creating an after-market in a sense in the used housing they have come out of?

Do they come out of apartments? Do they come out of multi-family housing?

In the area I represent, single-family housing is about 80 percent homeowner.

Secretary LANDRIEU. Let me ask Dr. Shalala to comment on this. We have done some interesting studies. Before she does, I would like to say that what we are experiencing in the country is a change in the family structure. We used to have the extended family. We find it still exists very strongly among our Indian population where the whole family—mother, father, daughters, children, aunts, uncles—live in family units. Our units are becom-

ing smaller. The extended family, while it is not extinct, has certainly been decreasing as a unit in this country. People are moving out earlier, the households are growing smaller, and with that the kind of support units that were necessary for the elderly to live within that family structure is changing.

Also, there is the feeling of independence that the elderly express now. People are healthier, they are not going to be closeted in that kind of unit where they feel they are burdened because they are still vital at ages where the elderly were considered to be old and feeble before. We are finding an independence of life-style.

Dr. Shalala.

ELDERLY-RENTERS AND HOMEOWNERS

Dr. SHALALA. Just quickly, the majority of elderly that go into public housing are principally renters and, therefore, they are not freeing up housing that is large enough to move in large families.

One of the things we know about the elderly in this country is that the majority are homeowners, and if you look at low-income elderly they also tend to be homeowners and you do not have low-income homeowners moving into public housing in this country.

To free up the homes that are occupied by low-income elderly you would have to have a very different kind of program.

Mr. TRAXLER. Mrs. Boggs.

Mrs. BOGGS. Surely.

Mr. TRAXLER. I am leaning on my colleague's time and I apologize. Thank you for your graciousness.

Why do you tell us that low-income elderly primarily own their own homes but they are not moving into subsidized public units.

Dr. SHALALA. The elderly that are moving into subsidized units are largely one or two person households who come out of rental units which tend to be substandard units.

Mrs. BOGGS. If they own their own homes, are they eligible for public assistance?

Dr. SHALALA. Yes. But the poor elderly that have moved to public housing units tend to come out of urban renewal areas, out of one and two person households in substandard housing and out of rental experiences.

Remember, I am generalizing about the majority.

Mr. TRAXLER. You have also told us there is a majority of poor elderly who are home owners who apparently remain in their single-family dwelling units.

Dr. SHALALA. That is right. They tend to remain in that dwelling unit. Remember, last year one of the things I talked about was the Department experimenting, as we will this year, with a program to try to help the elderly who own their homes to maintain that housing.

Mr. TRAXLER. I just want to thank Mrs. Boggs and I look forward to pursuing this issue when you have your agency before us. The question I will have before you is are you building the Section 8 housing in the wrong part of town.

I think the answer is yes.

Mrs. BOGGS. Mr. Secretary, I would like to join my colleagues who have gone before me and certainly to join you in congratulat-

ing the members of your staff for the high caliber of their service and their expert knowledge.

I notice that in terms of employment, your statement says your requests involve no change in total staff and you are increasing by only 30 positions, to 15,986. Of course, you say there are substantial shifts between program areas within the total to reflect the changing workload.

EMPLOYMENT OF WOMEN

I would like to ask you—and I will submit some other questions to the record, Mr. Secretary—within all the numbers of staff, within the changes of the workloads and certainly within all those complimentary remarks about the staff members, how are women faring in this changing around of workload and in promotions?

I have certain questions that I would like to submit for the record at this point.

[The questions follow:]

UPWARD MOBILITY PROGRAM

Question. How many women moved into higher grade target positions as a result of your agency's Upward Mobility Program?

Answer. Eight-two graduates of HUD's Upward Mobility Program moved into higher grade target positions during Fiscal Year 1979. Of that total, seventy-seven, or 94 percent were women.

EXECUTIVE DEVELOPMENT PROGRAM

Question. How many women have been selected to participate in your agency's Executive Development Program?

Answer. The Department recently completed the selection process for its Executive Identification and Development Program for fiscal year 1980, which is the cornerstone of the Executive Development Program. Of the five selectees in this Program, three are women. Selections for other opportunities in our Executive Development Program have not yet been made for this fiscal year.

MANAGEMENT DEVELOPMENT PROGRAM

Question. Do you have a Management Development Program? If so, how many women have been selected for it?

Answer. In addition to our Executive Development Program, we are conducting an Intergovernmental Management Program which competitively selects HUD and state and local government employees working in the areas of housing and community development for a one-year development program. The current Program, consists of 25 selectees, and 18 of them are women. We also conduct Leadership Training and Development Programs, and approximately 20 percent of the participants are women.

WOMEN ABOVE GS-9

Question. Why do you show such a significant drop in representation of women above the GS-9 level?

Answer. There has not been a drop. To the contrary, the number of women in grades GS-10 and above positions has increased significantly. As of September 30, 1977 there were 1,299 women in such grades. As of September 30, 1979, there were 1,702 women in grades GS-10 and above; an increase of 31 percent.

MISSION-RELATED OCCUPATIONS/PROMOTION POTENTIAL

Question. What are the main mission-related occupations of your agency? What efforts are you making to assure representation of women in these occupations, which generally have the best promotion potential?

Answer. The main mission-related occupations listed below have been identified as those which, from the entry-level, lead to career development opportunities and

higher grades in the Department. The Community Planning and Development Specialist, Housing Management Officer, and Attorney positions are targeted for affirmative action efforts in 1980 in HUD's Federal Equal Opportunity Recruitment Program plan. Community Planning and Development Specialist; Accountant; Attorney; Housing Specialist; Loan Specialist; Realty Specialist; and Housing Management Officer.

Skills Survey

Question. We know that many women in clerical positions hold college degrees. What have you done to assure that you are fully utilizing your personnel? Have you conducted a skills survey?

Answer. Although we have not conducted skills surveys, our Federal Women's Program makes every effort to provide a network of information and opportunities, such as workshops, which will aid their advancement. Federal Women's Program activities throughout the Department are monitored in quarterly reports to Headquarters. Quarterly reports identify the participation of women in training, Special Employment Programs (including the Upward Mobility Program), and Federal Women's Program activities.

Competitive Staffing Systems

Question. The Office of Personnel Management is introducing a model competitive staffing system which will give your agency more flexibility and authority in the hiring process. Do you think that your employment profile for women will improve as a result of this new freedom?

Answer. With the establishment of Special Examining Units in HUD as part of the model competitive staffing system and the ability to use targeted recruitment for locating candidates, we except that the net effect will be greater numbers of highly qualified candidates from all minority groups, including women, with the end result of a higher proportion of minority selections than in the past.

Affirmative Action Goals

Question. Did you achieve your affirmative action goals for women last year?

Answer. Yes, we achieved and exceeded our Departmental goals for women last year.

WOMEN (PERMANENT FULL-TIME)

	Percent of opportunities—fiscal year 1979	
	Goal	Actual
GS–12 and above	15.2	16.8
GS–5 to 11 (nonclerical)	0	51.0

Improve Women's Employment and Advancement

Question. In his memorandum to heads of departments and agencies, dated November 17, 1978, President Carter stated that he expected to see "significant improvements made in your department or agency as a result of your *personal* initiatives" (emphasis added). What have you *personally* done to improve women's employment and advancement in your agency?

Answer. I have personally met with the Women's Caucus at HUD to discuss with them their concerns on HUD policies affecting women. As a result of that meeting, I identified a Special Assistant to be my representative for all women's issues. In this Administration, my principal staff members have used our network of Federal Women's Program Managers in an advisory capacity on several issues affecting women. For example, Federal Women's Program Managers have assisted in implementing our Women and Mortgage Credit Project. I have actively supported our Child Care Center, which is sponsored by the Women's Caucus. While HUD Regions and Headquarters have always observed Federal Women's Week, this year, in order to increase emphasis on this observance, all components of HUD will celebrate

Federal Women's Week at the same time and I will personally participate in these activities.

Federal Women's Program

Question. What are you doing to assure that your supervisors and managers recognize and are held accountable for their responsibilities to the Federal Women's Program (FWP)?

Answer. The department has established affirmative action hiring goals for women, as well as minority groups, in the HUD Operating Plan. These goals are tracked monthly by the Under Secretary in Executive Management Reports (EMR). Periodic EMR meetings are held with key Department and Field executives in which they are held accountable for accomplishing their program and affirmative action goals. The Department also encourages the use of affirmative action accomplishments as a criteria in the Executive Performance Appraisal System for the Senior Executive Service.

Grade Levels: Women Versus Men

Question. What is the median grade level for women in your agency? For men? How does this compare with the government as a whole?

Answer. The median grade level for women in HUD is GS-6; for men it is GS-12. We have contacted the Office of Personnel Management and they do not have median grade data for the government as a whole. However, data on average grades is available.

The average grade level comparison between HUD and the total Federal government is as follows:

AVERAGE GRADE LEVEL

	Men	Women
HUD	11.39	6.97
Federal Government	10.02	6.05

Question. How are you implementing the Office of Personnel Management's policy statement on sexual harassment?

Answer. The Secretary has issued a statement to all employees endorsing the Office of Personnel Management's (OPM) published policy against sexual harassment and informing employees of the avenues available for surfacing complaints, should one be subjected to such harassment. In addition our orientations for new employees, managers and supervisors provide information on the Department's policy and administrative procedures concerning sexual harassment.

ACHIEVEMENTS IN WOMEN'S EMPLOYMENT

Mrs. Boggs. I would like to ask you now, however, to tell me what you have personally done to meet the requirements of the President's memorandum to heads of departments and agencies in November, 1978? We said that he expected to see a significant improvement made in your Department or Agency as a result of your personal initiatives in women's employment and advancement.

Secretary Landrieu. Mrs. Boggs, I think we are happy to brag about what we believe is the best record in the government. We have made some extraordinary progress in this Agency. The figures I am looking at say during fiscal year 1979, permanent full-time female employment increased by 442 positions. It went from 7,269 to 7,711. As a percentage of total employment it went from 45.5 to 47.9 percent.

More important was the 16 percent increase in the number of females in GS-12 and above positions. The increase was from 879

to 1,020 positions, which is a 141 position increase. The total percentage in the Department went from 14.3 to 16.8. That is GS-12 and above.

We have at the Assistant Secretary level two outstanding women, Mrs. Jane McGrew, who is our Gneral Counsel and an excellent lawyer and, of course, Dr. Shalala. We have any number of Deputy Assistant Secretaries who are women. This shows you how the thing goes. Today I swore in two Deputy Assistants. Mrs. McGrew's deputy is also a female and Dr. Shalala has three deputies. And I had the pleasure of swearing one of those deputies in about four weeks ago and she, too, is female.

So I think we are making great strides in that area. We have a very active and aggressive program to make certain that we are opening our opportunities in an affirmative action way for both women and minorities. The big problem in this system is moving that career service employee group. That is the toughest one of all to crack but we are constantly pressing on it. We think we are making pretty good progress. Mr. Bill Medina is particularly proud of the success that his shop is having.

Mrs. BOGGS. Thank you very much, Mr. Secretary.

HOUSING PAYMENTS FOR ELDERLY

Mr. BOLAND. There is an addenda to Mrs. Boggs' questions on the housing for the elderly and handicapped. This budget calls for about a $7.1 billion program in housing payments for fiscal year 1981. That is correct, is it not?

Secretary LANDRIEU. That is correct.

Mr. BOLAND. Fifty percent of the housing payments program goes to housing for the elderly.

Mr. KLIMAN. I believe it is approximately 40 percent.

Mr. BOLAND. As I looked at it, it looks to be around 50.

Mr. Sabo?

Mr. SABO. Thank you, Mr. Chairman.

Let me join all others in welcoming the Secretary. It is nice to be working with you again. I have several questions.

HOUSING TAX EXPENDITURES

The first one is one I would like you to answer for the record, similar to one I asked last year. Would your Agency supply for the record a summary of the number of people who benefit from tax expenditures in the housing area and what the total cost is to the Federal government of those tax expenditures?

The reason I ask the question is because of what the answer was in 1979. The total tax expenditures for mortgage and real estate tax deductions were $13.8 billion. Total tax expenditures in 1979 for housing were $15.7 billion. That compared to a total HUD budget of $9.2 billion, about $6 billion more. If we simply took in the mortgage tax expenditures and switched that to budget authority, it would dwarf Section 8. I think that is a useful thing for us to keep in mind as we visit about these programs.

HUD INPUT TO TAX POLICY

It leads me really to my first direct question. I am curious, to what degree does HUD work with the Treasury in developing tax policies which have a direct impact on housing. I ask that because I think there are changes that could be made that are useful. I think Treasury took us down a terrible route, and I don't expect any particular comments from you, with their suggested changes in the use of tax exempt bonds for single-family units.

I am hoping the Senate will change that policy.

Secretary LANDRIEU. We do meet with them and discuss issues. I must say I do not think we have had a great influence on affecting the tax policy. I think in all fairness that while we have a voice in it, that it is the principal responsibility of the Treasury Department and, obviously, their voice ought to be given substantial weight in comparison to ours. They are dealing with overall tax policy in this Nation.

I did cause Secretary Miller to wince the other day when I suggested to him that we may ultimately come to permitting renters to deduct rent from their income taxes as we permit home owners to deduct interest payments. I was not facetious in that, and this is not the Administration's position so please understand that. But in trying to solve the problem of rental property and how to produce it, you can approach it from any number of ways.

There is either the rent subsidy system or the interest reduction method to the builder, or another way is to put more money in the hands of the renter either through an income transfer or through permitting him a tax reduction which has not been done before. I understand the impact of it. I don't know the dollar impact but I understand what that means.

I must say that it was not warmly embraced. I was not offering it as a suggestion right now but as a long-term thing as we discuss these issues.

HOUSING TAX EXEMPTIONS

Regarding giving housing tax exemptions, we certainly have a voice in that policy. We were not the prevailing voice but we were certainly a voice. I would say that even within HUD there is severe difference of opinion as to whether it is wise—separate and apart from our affecting any immediate tax exemption—is it wise to use that system because of the impact it will ultimately have on the savings and loan associations or on the traditional tax exempt bonds out there? There are just so many things we do not know about.

Larry Simons feels it is a costly way of doing it not only because of the loss to the Treasury but also because of the servicing nature of it and the points that have to be paid to the financial institutions.

I want to thank you for raising that. You could not have said anything more important for the Nation to understand that there are enormous subsidies out there in housing and the greatest subsidies do not go to the disadvantaged but are rather going to the middle and upper income Americans.

BENEFICIARIES OF DIRECT AND TAX EXPENDITURE SUBSIDY

Mr. BOLAND. It is an enormous subsidy under the program that Mr. Sabo mentions but it serves an enormous number of people. How many people are simultaneously served under the subsidized program?

Secretary LANDRIEU. Three-and-a-half million.

Mr. BOLAND. How many do you think under the program we are talking about here?

Secretary LANDRIEU. Eighty-six million.

Mr. SABO. I think the number who itemized were less.

Secretary LANDRIEU. We are trying to find the universe.

USING TAX LAWS AS HOUSING STIMULUS

Mr. SABO. It was a little over 23 million taxpayers in 1978 who itemized mortgage payments and local real estate taxes. I guess my judgment is there are some changes that should be made. I am working on a bill to try to incorporate some tax changes into legislative language which I think would be useful in terms of the housing supply in this country. Some of my proposals involve tax reductions and some might limit tax deductions.

In my judgment, we should encourage down buying. Existing law requires that an individual pay capital gains taxes if he sells his home and buys another at a lower price (or "buys down"). In my judgment, it makes no sense to tax a person for a buying down gain. I also think there could be pluses to encouraging people to save for larger down payments by exempting from personal interest up to $20,000 or so of the interest of a savings account if it clearly goes for the purchase of a home.

On the other hand, I think there could be a strong case made to limit some of the speculative buying by limiting the interest deduction to the first hundred thousand dollars or so of a mortgage. This amount is substantially more than the average mortgage, but still provides some limit to the Federal support for rapidly escalating costs which is provided through this type of tax deduction.

As we get these proposals formulated we will send them to the Department for any reactions you might have.

TAX REVENUES FORGONE BY TAX EXPENDITURE

Secretary LANDRIEU. You may be interested, Mr. Congressman, the figure I was going to give you is that the current figure is $21 billion—Al says nearer $23 billion.

Mr. SABO. In comparison to a HUD budget of less than $12 billion?

Secretary LANDRIEU. I would like to comment briefly on your point about forcing people to trade up. There is no question in my mind that the whole system encourages the absolute maximum leverage and buying of houses beyond the need.

I am not saying it is not nice if one can afford to live in circumstances one can afford. But historically, our policies have encouraged the buying of the largest possible house with the greatest amount of leverage.

STIMULATING PRIVATE SECTOR MULTIFAMILY HOUSING

Mr. SABO. Clearly our policy goes beyond being neutral. It encourages high housing expenditures. What is the Department policy for greater private sector involvement in multi-family housing? Have you any current proposals?

Secretary LANDRIEU. I would not characterize them as proposals. I have just been discussing this with Mr. Simon on the contrary side. I am just learning about housing; I do not know everything in the world about it. As I begin to learn more about it, I begin to get more ideas; I am sure I will be disabused of these ideas, but being as opinionated as I am—the staff realizes I do not change my mind even when confronted with the facts—but I think, for instance, that because we have looked at these programs as low-income programs, programs for the poor, by the establishment of entry limits and by the regulation of rents, we have created problems for ourselves.

For instance in FHA, I still do not know why we set and control rents on FHA-insured properties. I understand why we control rents and subsidize properties, but for a builder who wants to apply for FHA insurance and who builds without subsidy and just has FHA insurance, it seems to me we should not be in the business of controlling those rents.

Mr. Simons has good reasons why he feels we should, and he knows more about it than I do. But I cannot find a basis for us controlling those rents, yet we do. The amount of manpower we have to exercise in this restraining influence, it seems to me, is very severe.

I think what we ultimately will do is give subsidies without control on rent. If the private sector will not buiild units for the rental market, we have to make it attractive for them to do it. We sought to do this thus far through tax incentives which in my judgment is not the best way to go, because they make the money on the front end and there is not really a great incentive for management and maintenance thereafter, and preservation of assets.

It seems to me we would be better off, and I am not advocating changing that aspect of it as of this moment, but it seems to me we would be better off by granting an interest reduction to the builder and let him charge what he wants, what the market rate will bear.

Some say you are giving a subsidy; therefore, the beneficiary of that ought to be the individual renting the house. But we are trying to make that serve the individual. We would ultimately be subsidizing the housing and letting the builder make the profit on it. Then when we have built enough housing, then we simply stop the program. That is the way to stimulate production on the private side.

I think there will always will be need for the subsidized program, because the private sector will not build for the poor. It is too difficult to manage, you can't get your money out of it, they will only build for the poor with subsidies. But I would remove the income limits and let that be driven by the 20 to 25 percent of income be offset by the market rate of that unit.

Also, we could begin to develop a unit that would be good, solid, clean, but certainly does not border on luxury. In this way, traditionally, the marketplace will operate where the person has the option for a more quality unit. Those are some ideas.

I think we are a long way away from getting that, but as much as I can do to stimulate a kind of debate and discussion of that approach, I want to try to do. For the time being, I think it is feasible to continue along the lines we are, but I do not think it will service us throughout the 1980s and 1990s.

RESPONSIBILITY FOR INDIAN HOUSING

Mr. SABO. One final question, Mr. Chairman, which relates to a question I have particular interest in and visited with you about before. I am curious if HUD is developing an urban Indian housing policy. In my judgment, there are peculiar and particular Federal responsibilities in this area.

Secretary LANDRIEU. Mr. Congressman, just today, I had asked the Under Secretary if he would not take on, in addition to his thousands of other duties, primary responsibility to make certain that we are doing as much in that area as we should. I have not been satisfied that we are fulfilling our mission with respect to Indian housing, not to say anything of the urban Indian housing. I met with the Indian urban group some time ago and frankly we find it difficult to get a handle on that because it just does not fall within the traditional categories with which we are used to dealing. Where we have the Indian housing reservations, I know why we have not been effective in that area. I think we are sensitive and concerned and are working toward it, but I do not know of any urban Indian housing that we have built—I guess maybe you can help us out. We are having a tough time finding out what urban Indian housing is. If you go back to the concept of the extended-family thing and the cultural thing, it could be in the design of housing. But our housing in urban areas has been for all people.

Mr. SABO. I guess I understand that, but there are particular Federal responsibilities which relate to the American Indian which go beyond general housing responsibility and so often they end up focusing on reservations. Many American Indians today live in urban areas, not on reservations. When we recognize the fact that substantial numbers have moved into urban centers, those programs do not apply.

We do have special programs in urban areas in education and health so in a variety of other services we pinpoint them specifically, but we fail to do so in housing. I have no simple answers to how to solve it.

Secretary LANDRIEU. If you will meet with Victor, I am sure he will be delighted to sit down and talk with you. The subject is timely, I wish I could tell you we have a grand record; we do not. We do think we are doing significant things generally, but there is room for improvement.

Mr. SABO. Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Stokes?

HUD RELATIONS WITH LARGE URBAN AREAS

Mr. STOKES. Mr. Secretary, it is a pleasure to welcome you before our Subcommittee.

I would like to begin by referring to a statement you have in your formal presentation on the first page where you say—"I have come to HUD with a new perspective on how it should operate."

I would be interested in any comments you might have to amplify that statement, particularly regarding how you see HUD relating to large urban centers and the major housing problems confronting those cities.

Secretary LANDRIEU. Thank you, Mr. Congressman. I am of course flattered by my speechwriter's confidence in my perspective but let me try to justify his confidence.

I think one of the things that I sense is that in the Washington environment, there is a great tendency to draw everything into Washington. It is not a new-found idea, it has been expressed often, and there is reason for that. I think the responsibilities are heavy. I think the retribution is swift and quick when programs are not appropriately administered. The very nature of the survival system within the government is one that is taken from the military—one foulup and you are no longer captain. The career system that operates here encourages the system of building staffs, the larger the staff, the more important the job, and I am not talking about field staff, but Washington, D.C. staff. So the tendency is to pull everything into Washington. The danger of pushing everything out is that you extend the supply line and the greater danger you have of error and lack of consistency across the country. So, there is a kind of dilemma that we face.

LOCAL DECISIONMAKING

I, personally, opt for about as much local decisionmaking as one can have, with the regional arm of HUD, the regional managers and administrators dealing with those areas on an ad hoc basis, within broad policy guidelines. We are working to fulfill the mandate of Congress by dealing with the areas and recognizing regional differences. Our problems now stem from trying to apply regulations which apply nationally when in fact this Nation is made up of so many different States and all the many general-purpose governments under that so when you try to develop national regulations and apply them blindly from Washington, you have some aberrations. So, I am trying to develop a system in which we make decisions at the lowest competent level and those are driven by clearly stated policy which is an interpretation of the congressional acts that govern us. Otherwise, in my judgment, we are not going to solve the urban problems of this Nation, or the suburban problems either, that are beginning to arise throughout the country. That in a way, Mr. Stokes, is a broad statement of the perspective.

At a staff meeting today we got into a lengthy discussion, which was healthy, about the timing of government action. I remember when Carl was mayor and we were traveling the country together; to us a week was an eternity. You were faced with either a riot or a flood, as happened in Mrs. Boggs' district last week. Government has to respond quickly, and the individual citizen is at the step of

his mayor immediately. We have the capability to respond quickly to emergencies, but we are not geared to respond quickly in other areas. We have developed a good emergency program, but if you broaden that to include all programs of Federal government it is nothing to wait 6 or 8 months to get a response from the Federal system. Then, when you think of the multiplicity of Federal agencies which are impacting each other, it becomes somewhat understandable.

Mrs. Boggs and her marvelous great husband before have been involved with the Mississippi Bridge, which we have been building down there, in one way or another, for the last 16 years. We have yet to drive the first piling on that bridge.

Mrs. BOGGS. Mary will do it.

FEDERAL/LOCAL COOPERATION

Secretary LANDRIEU. My daughter will see that it is done.

We cannot bring about any dramatic changes, but eventually the attitudes will shift to more responsiveness to local needs by the Federal government. We have to make partners out of the mayors and county executives out there. There is nothing more frustrating to a local official than to have a Federal agency release an audit or a letter demanding an accounting which is all properly structured in government legalese, but which when interpreted in the press looks like absolute condemnation and the whole bunch at city hall are going to jail, when in fact it is just an ordinary inquiry as to audit costs, et cetera. However, many times the wording of those letters is much too raw. Before it is finalized it seems calls and correspondence could be made and we could prevent the premature release of documents and information.

I think we are making great strides. I think Mrs. Harris started it, and we want to encourage it. We are doing it with outreach programs in cities. Cleveland, as you know so well has been distressed, and it has had some political turmoil. Irrespective of the politics of that city, we offered that administration all the help we could from this Agency. We are willing to move a whole team in there to help straighten out their programs. That seems a more healthy approach than playing the "gotcha" approach as when someone steps in a hole and breaks his leg and then you tell him, "There is a hole there." The kind of attitude we are trying to develop in the Department is to help beforehand.

STATUS OF CITIES

Mr. STOKES. You mentioned Carl when he was mayor. I recall when Carl refused to run again. One of the statements he made in his announcement of that fact was "What honor is it for me to preside over a bankrupt city?" I know some of the things there plagued him as they did me. For instance, I walk through a congressional district that I have represented now for 12 years. In terms of housing, part of that congressional district looks like war-torn Germany. It is no honor for me to say I represent that congressional district. The public housing problems today are very much like they were when Carl and I grew up in public housing projects in Cleveland. The only thing is that today there is much

more crime in those areas. Some of the projects are almost nonhabitable and, still, very little housing is being built in the inner city itself.

I happen to sit on the District of Columbia Appropriations Subcommittee, also. I was amazed to learn recently that here in the District of Columbia the average cost of a home is $108,000. What happens to the poor people in cities today? There is no way for them to buy a $108,000 home. If you look in the major cities, you still see the poor being relegated to the worst housing. As a result of those environmental conditions, you see crime. That is why I wanted to hear some fresh views from one who has had the kind of experiences you have had and to hear the perspective that you can bring to the Federal government.

Secretary LANDRIEU. We have a report which will be coming out shortly and which is being discussed in the Department right now. We have a mandate to report on the status of the cities. The data suggests that cities are worse off today—this is a very broad statement, I do not mean to preempt the report—than they were in 1970. I feel that is not so and we are trying to figure out why I feel differently than the statistics. Do not misunderstand me, I think there are still tremendous problems out there which have not been solved and I think it is an illusion to suggest that we will solve the problems of the cities. There will be different problems which arise, but what we will do and what we are doing, I think, will make life a little better and make condition better.

Typically the way cities have developed, there is a natural birth, growth, and deterioration, and that is a continuing process. For those of us who go back to our old neighborhoods, we see they are dilapidated and not what we remember as kids, yet many distressed areas have come back quite strongly. Our memories also play tricks on us. Things never were as good as we thought they were; it is just that we had a different tolerance for our environment and kind of enjoyed it.

FRENCH MARKET—NEW ORLEANS

I tell a story about the rehabilitation of the French Market only a couple of blocks from Mrs. Boggs' house. It was falling down and we had to restore it, but because of the restoration, which was beautifully done, the use had to change. It did not change as dramatically as some of my critics said I had changed it. Years ago, you could buy wild ducks, fresh chicken, and fish. Before the rehabilitation they had one fish market left and much of the old marketplace, fresh fish and meat, had dried up as a result of deep freezing, health ordinances, and other things. In answer to my critics, I said, "When was the last time you went down to the French Market and bought a fresh duck?" If you bought a duck and put it on your table and told your wife you want duck tonight, she would slap you in the face with it.

If you look at "Saratoga Trunk" with Gary Cooper, you could almost see and smell the market. Daniel Hall has done a marvelous thing, but it is not the kind of thing it once was. But in any event, we are constantly upgrading the cities.

CONDITIONS IN TODAY'S INNER-CITY NEIGHBORHOODS

While people in the cities are much better off through food stamps and such, society is not as happy and I do not think neighborhoods are the same, even though we have better living conditions. I remember the slums of New Orleans where City Hall is and here where HUD has helped in rehabiliation; some neighborhoods are coming back which were 20 years ago declining. The point I am making is that despite the fact people have inside plumbing today and we have air conditioning, television, and telephones, and all those niceties, neighborhoods are not the same as in years past. When a neighborhood deteriorates and those things which make living in a neighborhood interesting living to a child and a young person, when those things change, the enjoyment has left. Unfortunately that has happened to us in too many cities across the country. I am optimistic about it, Mr. Congressman, it has come much slower than anticipated, but I think there will be a great rebirth. There are few cities more beautiful than Cleveland, but few have been as distressed. Saint Louis is one of my favorites, and that city has been more distressed than many, if you look at its deterioration of downtown and loss of business revenues.

Ken Gibson in Newark would tell you things are not great, but my heavens, you know, there is some reason for optimism rather than the total despair that existed before. Unfortunately as we go into recessions and even worse periods of great inflation it erodes more quickly, the municipal tax base, than it does of virtually any other institution around, because of the fixed nature and nonelasticity of the revenue bases. But I am optimistic about it. More resources would help, but I think there is a new sense that cities are good places to live, and instead of fleeing we have to make them better.

Mr. STOKES. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Stewart?

CONDITIONS IN CHICAGO

Mr. STEWART. Mr. Chairman, most of us I imagine could talk a half day and visit the various housing problems we have in our community. I was sitting here listening to Congressman Stokes talking about the wasteland in Cleveland and I hope he will never have the opportunity of coming through Chicago. He may be glad to return to Cleveland to find the living conditions as livable as they are.

Mr. STOKES. I have been there, too.

Mr. STEWART. Some of the sections of Chicago in 1950 were being demolished and the land is still vacant. Many places have been rebuilt for sale or rent. The average moderate income family cannot purchase a house because of the price, and they cannot pay the $300 or $400 a month rent, so they are drifting around. But that is a problem they eventually work out some way or another, mortgage their souls or whatever, but we in Chicago and other large places have people who could not do that. From what I understand Chicago has one of the largest public housing authorities.

Secretary LANDRIEU. One of our best customers.
Mr. STEWART. Thank you; God bless the others.

MANAGEMENT REVIEWS OF PHA'S

It is my understanding your Department has a policy which requires a management review every six years. Is that the policy of your Department?
Mr. SIMONS. That is correct, Congressman.

MANAGEMENT REVIEW OF CHICAGO PHA

Mr. STEWART. You say that is correct. May I ask you a pointed question. When was the last time that we had a management review of the Chicago Housing Authority? If you don't have that information I would like you to supply it for the record.
Mr. SIMONS. I just wanted to confirm it. There is a management review going on right now which would cover one-third of the units, and we will continue with one-third of the units for the next two years.
In three years, starting now, all units will have a comprehensive management review.
Mr. STEWART. How long has the Chicago Housing Authority been under your authority?
Mr. SIMONS. I think from its inception.
Mr. STEWART. What would that be?
Mr. SIMONS. I do not know the date the Chicago Housing Authority started.
Mr. STEWART. Eighteen or twenty years?
Mr. SIMONS. About 40 years ago would be a reasonble assumption.
Mr. STEWART. It is my understanding that the Chicago Housing Authority has not had a complete management review in over 15 years. Is that a fact or not?
Mr. SIMONS. I cannot answer the question. There have been management reviews, in fact, consultant reviews. I will be happy to provide for the record a complete record of all the reviews the Department has completed in the last 15 years.
Mr. STEWART. I would appreciate that.
[The information follows:]

SURVEYS AND REVIEWS OF THE CHICAGO HOUSING AUTHORITY SINCE 1965

Department records indicate that the last Comprehensive Management Review of the Chicago Housing Authority was completed in 1962 with the last Occupancy Audit performed in 1964. The Chicago Area Office is currently conducting a Management Review, including an Occupancy Audit, of the elderly projects owned by the Authority. Since 1965, three Maintenance Engineering Surveys have been conducted and the last Utilities Survey was done in January 1979. The Area Office has completed 51 Initial Engineering Surveys for new projects opened during the last 15 years. On-Site Modernization Joint Reviews are made as required by the type and amount of modernization work involved. Fiscal Audits were completed March 1, 1979 for the two-year period ending December 31, 1977, and August 27, 1976 for the two-year period ending December 31, 1975. In addition to these required reviews, a Security Review and Procurement Practices Review were conducted at the Authority in 1972 and 1975 respectively.

COMPLETE MANAGEMENT REVIEWS

Mr. STEWART. I am talking about a complete review. Do you have in place now a system by which you may be able to make these reviews and make them every six years?

Mr. SIMONS. Staffing capabilities now give us the ability to make them every six years. There are many authorities—and I do not know if Chicago falls into this category—who have not had reviews within that time period. Those are being caught up. We have had two problems: one of catching up on those who have not been reviewed in a timely period, and getting to the six year cycle for the comprehensive review. We do other reviews more frequently.

Mr. STEWART. I understand that. I am raising the question because it is my understanding, and I may be wrong, that for the most part the housing authorities in most of the cities are in serious financial trouble.

The income from the tenants plus the level of funding is not sufficient to meet the operating costs in the current year.

Mr. SIMONS. We have housing authorities—I think there are approximately 25 to 30 throughout the country—where the Performance Funding System, which is the system used to establish the amount paid to them by the Department, is not sufficient to take care of their needs.

A year and a half ago the Department instituted a major study of the Performance Funding System which provides the basis for allocating operating subsidies and, as a result of that study, we will make changes in the system. These changes will most likely be implemented for the 1982 budget which will restructure, to some extent, the manner in which the authorities are funded.

The preliminary data does indicate the Performance Funding System as now structured works a hardship on the order, larger housing authorities and I would think Chicago would fit into that category.

Mr. STEWART. I raise the question here because if that is true and if we are not getting—I am talking about Chicago—the management review in the manner in which you have indicated, maybe that is where the big problem is, in management.

From information that I can get, and as you, I am sure, will find as you go into this management review, there are a lot of things that are left to the imagination of individuals who may or may not understand exactly what they are doing in management.

This government cannot continue to pour money down a hole unless the management of public housing is brought up to standard. We must see to it that funds are spent for the purpose for which these funds were appropriated. We must also make certain the services and goods for which this Congress is appropriating money are being provided.

Mr. SIMONS. I fully agree that the Department has a responsibility for monitoring the management of the public housing authorities. We have stated that frequently and have taken steps to do that. In addition, we monitor those budgets annually and measure them against estimated costs.

I have no particular knowledge of the details of the Chicago situation. A consultant was sent in there and I will be glad to

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provide that report which indicated areas for improvement in the handling of funds. It is my understanding steps are being taken to make changes along those lines.

Mr. STEWART. Thank you, Mr. Chairman.

[The information follows:]

CONSULTANT REPORT ON THE CHICAGO HOUSING AUTHORITY (CHA)

The following is the summary of a report by Albert Ramond and Associates. The report covers the Maintenance Improvement Program of the CHA wherein objectives were to (1) develop and install maintenance control systems and (2) provide training in human relations skills for supervision of the CHA's maintenance teams.

I. INTRODUCTION—PURPOSE, SCOPE, OBJECTIVES, RESULTS, PROJECTED BENEFITS

A. Purpose.—Program purpose was to improve the effectiveness of the Maintenance Department operations and controls for the Chicago Housing Authority, (C.H.A.). Facilities of the C.H.A. are comprised of:

Over 40,000 apartment units for maintenance services;

Serviced by 19 "area maintenance centers" plus a Central Maintenance Services Department;

Organized into three conceptual "area groups";

All supported by 19 local administrative management groups and by central office administration groups.

B. Scope.—The Maintenance Improvement Program focused on two specific areas:

Development and installation of maintenance control systems;

Maintenance management training for effective administration.

In the first focus area, control systems developed included:

1. Work order control system for, order flow counting classification, code marking, and sorting, and filing.

2. Feedback Communication and Reporting System, for measurement, review and analysis of performance trends in maintenance.

3. Charted "benchmark jobs" with engineered time standards for routine maintenance jobs, for supervisory guidance of craftsmen.

4. Work Measurement System—for daily and weekly evaluation of craftmen's performance efficiency on standard work.

5. Preventive Maintenance checklists and cyclical schedules for regular inspection and routine service to key equipment and major building facilities.

6. Basic outline of Material Control System and procedures for inventory control.

7. Formal Planning and Scheduling System—with procedures for advance planning of weekly maintenance needs, and for preparing and controlling daily and weekly craft work schedules to improve effectiveness of maintenance operations.

In the second focal area, management development training was provided for more effective administration of day-to-day supervision of the maintenance teams. A variety of methods were used to assist C.H.A. management toward improvements in supervisory skills in human relations, and in management organization. Topical areas included:

For maintenance management

1. Tough-minded management for results in maintenance organization and control.

2. Human relations skills in giving orders.

3. Using measurements and indexes to check work and evaluate performance.

4. Human relations in guiding and counseling employees toward greater effectiveness and efficiency of operations.

5. Planning and scheduling techniques in maintenance work to provide best use of resources available.

6. Using systems and procedures to help in controlling costs and improving operations.

For general management

7. Effective Time Management for better results.

8. How to capture and report maintenance data to support programs for improved maintenance.

C. OBJECTIVES

Objectives for this program included the following:

1. Improve operating effectiveness and results from maintenance team effort by 5 to 15 percent.
2. Standardize and unify the control systems for C.H.A. maintenance teams.
3. Develop and encourage a sense of team spirit and cooperation in the groups.
4. Improve the management skills and practical action controls of the maintenance supervisory teams in the 10 major groups.
5. Reduce labor costs and time required for regular routine and emergency maintenance.
6. Increase available man-hours of current crews for special work.
7. And, thus, improve the overall quantity and timeliness of maintenance services for the residents of C.H.A.

D. SYNOPSIS OF RESULTS

Review and evaluation of this report with attached exhibits, plus evaluation of actual achievements of the C.H.A. maintenance teams in many real but unquantified factors, indicates significant progress toward full realization of potential gains of effectiveness and accomplishment of objectives established for this program.

For the 10 major groups

1. A checklist of basic steps for maintenance controls (per Exhibit V-29) shows departmental compliance at: 30 percent before program in July; 56 percent compliance in September.
2. Exhibit V-30 shows comparative maintenance performance trends for July (before program), vs. August and September (during program). Data available per date of this report shows the following:

Backlog Jobs Down or stable in 6 of 10 major groups

New Jobs Written (that is, the number of new service order demands) down or stable in 8 of 10 major groups

Jobs Done increased or stable in 7 of 10 major groups

Craft Hours reduced for August in 5 and stable in 4 of top 10 groups (total men down from 421.8 July to 397.0 August)

Budget Overruns for 10 major groups in "craft labor used" declined from +47 percent in July to +38.5 percent in August, a decline of 8.5 points over July.

Average "Hours per Craft Job Done" index shows favorable overall decline from 3.02 to 2.83 hours per job with 6 of 10 recording declines 2 stable and 2 with increases.

Measured Work Efficiency—on routine work (as roughly evaluated from sample data) indicates a favorable gain of efficiency of about 10 percent on routine work. (Up from about 60 percent in July to about 70 percent in August)

3. Overall productivity gain in August is about 6.29 percent over July and 5.4 percent over base period. Estimated productivity improvement in September is in about the same range of 4 to 7 percent.
4. Dollar impact of gains in productivity at 5.4 percent per year on 448.5 men in 10 major groups only=equivalent output of 24.2 men per year with dollar value at $12.00 per hour on 2,080 hours/year or $604,506 per year at $11,625 per week.
5. At this rate of productivity gain, the program would be fully repaid in about the 10th week of the 13 to 15 week program. Thereafter it would be producing positive benefits to C.H.A. and to the residents of C.H.A. facilities.

E. PROJECTED BENEFITS POTENTIAL

Operations analysis-and-pilot program results achieved by C.H.A. maintenance teams during time period of this project, both indicate significant benefits may be accrued by C.H.A. from implementation of programs and recommendations from Albert Ramond and Associates.

Full implementation and continuous strong follow thru in maintaining compliance with the programs installed and the recommendations made by A.R. & A. are estimated to yield net benefits to the Chicago Housing Authority and its residents in a range from $1,513,000 to over $2,940,000 per year (See Exhibit 1-1).

This full implementation would require an addition of 8 administrative personnel in maintenance plus one additional computer person. The cost of these additions would be a salary expense of about $120,000 to $140,000 in maintenance and $25,000/year in data processing. A one-time cost of approximately $24,000 would be incurred for training these people.

TROUBLED PHA'S

Mr. BOLAND. How much money do you have in the budget for troubled Public Housing projects this year?

Mr. SIMONS. That is $52.6 million which is for those larger PHAs, specifically for those projects which have suffered deficiencies in reserves.

Mr. BOLAND. That is in the supplemental. What about performance funding? You haven't been very successful in that program, have you? How many years does that go back?

Mr. SIMONS. It goes back to 1975.

Mr. BOLAND. That hasn't been very successful, has it?

Mr. SIMONS. It depends on the definitions of success.

Mr. BOLAND. Or would you say if you didn't have it you would have a lot more projects in trouble?

Mr. SIMONS. It has worked a hardship with certain categories of projects and that is the reason we are doing a total evaluation of it.

1981 BUDGET OUTLAYS

Mr. BOLAND. This question concerns the outlay impact in the 1981 budget. You have indicated that reductions in outlays will amount to about $197 million in fiscal 1981. Is that correct?

Mr. KLIMAN. $197 million, that is correct.

Mr. BOLAND. With your expanded Section 235 program which hopes to produce a hundred thousand units, the outlays there will amount to $67 million. Is that correct, in 1981?

Mr. KLIMAN. If the initiative passes and we continue the revised Section 235 program at the 18,000 until level in 1981.

Mr. BOLAND. You hope it does pass so in reality what you will be coming up with is a figure of reduction of only $130 million in outlays for 1981?

Mr. KLIMAN. Presumably, assuming all other outlays remain the same.

Mr. BOLAND. I notice you mentioned you were taking your fair share of the reductions. That fair share is a lot less than either NASA or the National Science Foundation has been required to take. If my memory serves me correctly, it also, percentagewise, is less than the VA is taking in fiscal year 1981.

I am not really sure whether the reductions are a fair share of the reductions that the Administration has asked for in 1981.

Secretary LANDRIEU. Mr. Chairman, we were told by OMB, while it was not precise, that every agency was asked to take a proportionate share of controllable cost reductions. It is my assumption we have taken a pro rata share in our controllable costs.

The problem with us is that we do have very large budget authority—not as HEW or Defense—and as you know, very small outlays.

Mr. BOLAND. I suppose it is a lot more difficult to take reductions in particular programs that touch so many lives in America if you compare it with some of the actions this Committee deals with.

The Committee will stand adjourned until 10 o'clock tomorrow morning.

THURSDAY, APRIL 24, 1980.

HOUSING

WITNESSES

LAWRENCE B. SIMONS, ASSISTANT SECRETARY FOR HOUSING, FEDERAL HOUSING COMMISSIONER

CLYDE McHENRY, DEPUTY ASSISTANT SECRETARY FOR HOUSING, DEPUTY FEDERAL HOUSING COMMISSIONER

THOMAS SHERMAN, ACTING DEPUTY ASSISTANT SECRETARY FOR PUBLIC HOUSING AND INDIAN PROGRAMS

MILTON FRANCIS, DEPUTY ASSISTANT SECRETARY FOR SINGLE FAMILY HOUSING AND MORTAGEE ACTIVITIES

CARL RIEDY, EXECUTIVE ASSISTANT TO THE ASSISTANT SECRETARY FOR HOUSING, FEDERAL HOUSING COMMISSIONER

ANTHONY S. FREEDMAN, ACTING DEPUTY ASSISTANT SECRETARY FOR POLICY AND BUDGET

ALEXANDER J. PIRES, DEPUTY ASSISTANT SECRETARY FOR MULTIFAMILY HOUSING PROGRAMS

PAUL WILLIAMS, DIRECTOR, OFFICE OF MANAGEMENT

ROBERT M. GAIR, BUDGET OFFICER

OFFICE OF THE SECRETARY

VICTOR MARRERO, UNDER SECRETARY

JOHN W. KOPECKY, OFFICE OF GENERAL COUNSEL

ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

HOUSING

Mr. BOLAND. The Committee will come to order.

We are delighted to have with us today the Assistant Secretary for Housing, the Federal Housing Commissioners, Lawrence B. Simons.

He is joined by Clyde McHenry, Deputy Assistant Secretary for Housing, Deputy Federal Housing Commissioner; Thomas Sherman, Acting Deputy Assistant Secretary for Public Housing and Indian Programs; Milton Francis, Deputy Assistant Secretary for Single Family Housing and Mortgagee Activities; Anthony S. Freedman, Acting Deputy Assistant Secretary for Policy and Budget; Alexander J. Pires, Deputy Assistant Secretary for Multifamily Housing Programs; Paul Williams, Director, Office of Management; Robert M. Gair, Budget Officer. Also, we are delighted to welcome Victor Marrero, Under Secretary, John W. Kopecky, Office of General Counsel, and Albert J. Kliman, Departmental Budget Officer.

We are delighted to have you, Mr. Secretary, and delighted to have you in the hot spot, particularly one who has a rather cool personality.

Why don't you proceed with your statement.

Mr. SIMONS. I would suggest we put it in the record.

[The statement follows:]

GENERAL STATEMENT

Mr. Chairman and members of the Committee, I am honored to make my annual appearance before you today as I start my fourth year with the Department. Today, we will discuss our budget request for Fiscal Year 1981 and report on our progress in managing the Department's Housing Programs since I last appeared before this Subcommittee.

SECTION 8 AND PUBLIC HOUSING DEVELOPMENT

The Department's Fiscal Year 1981 budget proposes the release of $1.5 billion in contract authority and $31.9 billion in budget authority for the Public Housing and Section 8 Housing Assistance Payments programs. In addition, the budget also proposes the release of $46 million in contract authority and $1.3 billion in budget authority to permit taxable financing for the Public Housing units estimated to be approved in 1981.

With the authority requested, the Department expects to be able to provide 300,000 units of subsidized housing for lower income families and individuals, including 258,000 units under the Section 8 program, 38,000 units under Public Housing and 4,000 units under Indian Housing. The actual number of units reserved will vary depending on what happens in the next several months with regard to interest rates and inflation as well as the housing mix contained in locally prepared Housing Assistance Plans and the extent to which localities choose to participate in the new Comprehensive Modernization initiative. Further, I want to stress from the outset of my testimony that we have made considerable efforts this year to assure that our Budget estimates are as realistic as possible.

Cost estimates for Section 8 continue to be trended, but for the first time estimates for Public Housing have been trended to reflect expectations as to inflation at the time the Budget was prepared. We also have included an estimate for amendment funding for those prior year reservations not trended. This contrasts with past years when failure to allow for amendments caused actual reservation levels to fall short of the Budget estimates.

In addition, we are proposing a number of changes which are designed to display the costs of the Public Housing and Section 8 programs more accurately. For Public Housing, beginning in 1980, we are projecting prototype costs two years ahead in order to reflect estimated development costs at the time of construction. This trending of prototype costs, comparable to the trending of Section 8 rents, means that most Public Housing contracts will not need amendments in future years in order to accommodate normal inflationary costs during construction.

The Public Housing costs also reflect a shift from 40 to 30 year contract terms which will save budget authority, and as mentioned earlier, this Budget also includes $1.3 billion to cover the cost ot taxable financing for the Public Housing units to be reserved in 1981.

The Budget also includes a separate line item for fees to PHAs which administer the Section 8 existing and moderate rehabilitation programs. These costs are now paid from project reserves, but are not reflected in the reservation amounts. As a result, a project's reserve is depleted before the end of the contract term, thus accelerating the need for amendments. By including a separate line item, we are not changing the policy on fees, but we are assuring that the fees actually paid are reflected in the Budget.

COMPREHENSIVE MODERNIZATION

The most significant programmatic initiative in the 1981 Budget is our new Comprehensive Modernization proposal. Under this initiative, local Public Housing Agencies would be given the option of allocating up to 50 percent of the contract authority made available to them for Public Housing development to use instead for modernization and rehabilitation of existing projects.

The condition of the Public Housing inventory is of serious concern to this Department. While the vast majority of projects are fundamentally sound, preliminary results of a complete survey of the program indicate that approximately 5 percent of all Public Housing projects contain a disproportionate share of serious

deficiencies. These "problem projects", which we currently estimate account for approximately 10 to 15 percent of all Public Housing units, and comprise in total some 120,000 to 180,000 units, are mainly large, inner-city, family projects.

The degree of deficiency in these "problem projects" varies. We estimate that roughly half of the problem projects or as many as 90,000 units will require substantial architectural and design changes as well as repairs which may cost as much as $25,000 per unit. The remaining 90,000 problem units should require major upgrading costing an average of $8,500 per unit. Thus, the total price tag for these most seriously troubled projects may reach as high as $3 billion over a period of years. This is still considerably less than the cost of replacing those units. In addition to the cost of rehabilitating these problem projects, additional modernization needs could add an additional $1.5 billion in modernization costs. This additional $1.5 billion includes $1 billion estimated to be needed for maintenance and repair of the approximately one million basically sound Public Housing units and the $500 million that may be required to bring these units into compliance with Section 504 of the Rehabilitation Act of 1973. This estimated total of $4.5 billion in capital cost would require approximately $400 million in contract authority.

It is clear that with our current level of modernization funding, Public Housing Agencies will not be able to improve conditions in problem projects in a comprehensive and substantial way. Yet, we have an obligation to ensure that these properties are made decent, safe and sanitary and to do so as quickly as possible. We propose to allow PHAs to undertake these improvements by using up to 50 percent of the development authority provided to them for Comprehensive Modernization. This will allow the local governments to structure the program according to their own needs and priorities.

Depending on the level at which local PHAs decide to fund Comprehensive Modernization and the amount of authority that the Department determines is to be used for this program, completion of the initiative should take between four and six years. We propose to begin the program in fiscal year 1980 by allocating $20 million in regular modernization contract authority for this purpose and by seeking removal of the $50 million limitation on the use of 1980 authority for modernization.

PUBLIC HOUSING MODERNIZATION

In addition to whatever amounts may be used in 1981 under the new Comprehensive Modernization initiative, the Budget proposes to continue the regular Modernization program in 1981 at a level of $50 million in contract authority and $1 billion in budget authority which will support an estimated $545.5 million in capital improvements to Public Housing projects.

PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

An appropriation of $862 million is requested for 1981 for Public Housing Operating Subsidies. This includes $833 million of PHAs that are covered under the Performance Funding System and $29 million for PHAs not under the formula. The evaluation of the Performance Funding System, which was begun in 1978, is to be completed in 1980. It will provide an evaluation of the formula system and an assessment of the financial condition of PHAs operating under the formula which should lead to major revisions of the program in the 1982 Budget.

HOUSING PAYMENTS

In the Housing Payments account, the Budget includes a request for an appropriation of $7,127 million to meet contractual commitments for housing subsidy payments for an estimated 3.5 million eligible units covering a variety of programs, including Section 8, Public Housing, Section 235 Homeownership Assistance and Section 236 Rental Housing Assistance. As you know, we have a legal commitment to make these payments which result from subsidy contracts that have been entered into since inception of each program as well as those which will be entered into during 1980 and 1981.

HOUSING FOR THE ELDERLY OR HANDICAPPED

The Budget also proposes approval of an $830 million net lending limitation for the Section 202 Housing for the Elderly or Handicapped program. Beginning in 1981, this program will come under the Federal Credit Control System and the appropriation language will limit gross lending, including the reuse of an estimated $65 million in recaptured loan authority. Within the net lending total, at least $50 million will be for housing designed expressly for the nonelderly handicapped.

LOAN AND MORTGAGE INSURANCE PROGRAM

An appropriation of $268.6 million is requested in 1981 to cover the cumulative unrestored actual losses incurred in 1979 under the General Insurance and Special Risk Insurance Funds. However, the estimates for the Mortgage and Loan Insurance programs assume a gradual improvement in the economy during 1981. Because of this, as well as the benefits to be derived from the Flexible Subsidy program and the introduction of the proposed Temporary Mortgage Assistance Payments program, estimated claims and the HUD inventory of assigned mortgages and acquired properties are expected to decline, multifamily property sales are expected to increase, and a net repayment of Treasury borrowing is expected to occur.

The revised 1981 Budget contains slight reductions in outlays resulting from lower administrative expenses and the implementation of two new user fees: a registration fee on mortgagee main and branch offices and a new single family subdivision processing fee. The revised Budget also would place the FHA Fund under a limitation on commitments for mortgage insurance of $34.2 billion in 1981.

TROUBLED PROJECTS (FLEXIBLE SUBSIDY)

The revised Budget proposes an appropriation of $31.1 million in 1981 for the Troubled Projects Flexible Subsidy program. Combined with an anticipated $12 million to be transferred from the Rental Housing Assistance Fund and an estimated $65.9 million in carryover funds from 1980, the request will permit the use of a total $109 million for this program in 1981. The estimated carryover from 1980 includes a proposed deferral of $10 million to be submitted as a part of the revisions to the 1981 Budget.

SECTION 235 HOMEOWNERSHIP ASSISTANCE

The estimated level of activity under the Section 235 Homeownership Assistance program has been subject to several changes. First, the revised 1981 Budget reflects the elimination of a specific set-aside of 7,000 units previously earmarked for assisting families displaced from areas experiencing neighborhood revitalization.

More recently, the Administration has announced its support for a Congressional initiative to permit the Section 235 program to be used temporarily to provide increased home purchase opportunities for moderate-to-middle income households and limited support for the housing industry. The proposed legislation would raise the current Section 235 mortgage limits, increase or eliminate income limits, provide a higher interest rate and eliminate the 40 percent limitation on the number of homes in any subdivision that are eligible for subsidy payments. The program changes would be temporary, expiring no later than the end of fiscal year 1981. The regular Section 235 program would continue to operate during this period and the new program would be in addition to normal operations.

We have recommended that any legislation enacted by the Congress include the following provisions:

- Mortgage limits of $50,000 or up to $60,000 in high cost area;
- Either no income limits or income limits no lower than 150 percent of the median income in an area;
- A subsidy to lower the interest rate on a mortgage to 11 percent, and use of a Graduated Payment Mortgage mechanism to bring the first year's mortgage payment down to an effective rate of 8 percent; and
- A requirement that purchasers pay at least 20 percent of income towards mortgage principal, interest and property taxes which also is applicable to the regular Section 235 program.

With these features, the program would permit families with incomes as low as $24,000 to purchase homes in the $50,000 to $60,000 range. Depending upon interest and mortgage rates, we expect to provide 90,000 to 100,000 units under the new Section 235 program, while producing 4,000 to 7,000 additional units under the regular, lower-income Section 235 program.

ADMINISTRATIVE EXPENSES

Finally, the revised Budget includes $250.6 million for Housing's Administrative Expenses. This represents a $2.5 million reduction from the original 1981 Budget, primarily as a result of lower personal services costs resulting from the freeze but also due to slight reductions in the Departmental request for automated data processing and equipment. The revised request will support 7,911 permanent positions and 8,347 staff-years in 1981, or a decrease of 268 permanent positions and 306 staff-years from the estimated 1980 levels. As indicated in the revised Budget, that

portion of the staffing reductions relating to the President's limitation on Federal civilian hiring has been applied on a pro-rata basis, and the actual reduction in staff-years may differ considerably from the estimate.

Mr. Chairman, that concludes my opening remarks. I would be happy to answer any questions that you or members of the Subcommittee might have.

Data Updates

Mr. Simons. I would like to also point out that within certain programs—for example, the Comprehensive Modernization Program—the figures are subject to change, because they are the result of an ongoing study. We will be happy to supply you with updated figures as we receive them.

Otherwise, after yesterday's hearing, the Housing portion of the budget was well presented and I am happy to answer any questions.

1981 Budget Request

Mr. Boland. Thank you very much.

The budget for 1981 requests the release of $1,553,700,000 in new contract authority and $33,196,631,000 in additional new budget authority. That request will support 300,000 subsidized units that are broken down, 258,000 for Section 8, 38,000 for Public Housing, and 4,000 for Indian Housing.

Reduction in 1980 Units Supported

Last year, you indicated that the request in the 1980 budget could support "up to 300,000 units." On pages C-4 and C-5 of the justifications, you point out that you actually are supporting only 240,000 units in 1980—a reduction of almost 20 percent. The explanation of these reductions appear on page C-5 and C-6 and C-7. It appears that the latest reduction in the number of units reserved was caused by the revised cost estimate which suggests that a total of roughly 36,000 units, listed on page C-6, was lost, because of increased costs of Section 8 and Public Housing units.

Let me ask on what inflation rate is the 300,000 units projected for 1981 based?

Mr. Simons. The cost estimates for 1981 are based on a 9.9 percent inflation rate.

Mr. Boland. And whether or not the 300,000 units projected for 1981 can be obtained?

Mr. Simons. We feel very strongly the 300,000 units can be obtained for a number of reasons.

First of all, as you notice, we have identified as separate line items amendment money for the first time. Last year's budget proposed up to 300,000 units with a note that amendments would reduce this number.

We also have made adjustments in the existing housing program, identifying separately PHA administrative expenses to give a more realistic picture of the money available for the support of additional units.

Finally, we have trended our costs based upon the 1979 costs, which was part of a Departmental initiative to bring us to what we considered more efficient management in the Section 8 and in the

Public Housing programs. This represents an attempt to bring down and control the cost to the maximum extent possible.

In 1979, we used a benchmark approach. to project increasing costs over 1978. The inflation rate in 1979 was around 13.3 percent. Our increase in costs, 1979 per unit subsidy over 1978, was less than 10 percent.

In 1980, we expect to implement additional cost containment measures, and you will see we project that overall the 1980 number will be less than the inflation rate.

Mr. BOLAND. So the conclusion is that the budget estimate for 1981, will support the 300,000 units that you projected?

Mr. SIMONS. That is our conclusion.

HIGH COST OF ASSISTED HOUSING

Mr. BOLAND. On page C–10, the justifications detail the average unit cost estimates for the various pieces of the Section 8 and Public Housing programs. I believe those numbers represent the average annual unit cost of various types of Section 8 units. For example, a 30 year State agency new unit is estimated to cost $5,450 each year for 30 years—less whatever the tenant provides from his own income. Is that correct?

Mr. SIMONS. That is correct.

Mr. BOLAND. Can the government, Secretary Simons, really in your judgment, support and really afford to subsidize the low-income individual at these incredibly high costs—when the middle-income American, who is paying most of the taxes can't even afford to buy a new home?

Mr. SIMONS. When you say incredibly high costs, we have some questions as to what the incredibly high cost means.

We believe that the program is designed to provide housing for low income people, and when we do provide new construction and new opportunities of housing for them, we do it in as efficient a manner as possible. We want to be sure that this program will be a valid, and sound program, a vital element in the ongoing effort to house these low-income people.

These numbers indicate that the construction costs and the operating expenses of those projects are no more or no greater than what they would be if built and operated under these conditions by anyone. The problem is that today this is what it costs to build and subsidize new housing for low-income people.

We believe that we have managed the program as effectively as possible. I am sure that there is room for improvements and we are continuing to make those improvements, but we have made every effort to bring costs under control.

HOUSING OPPORTUNITIES FOR ALL

Mr. BOLAND. One of the reasons that prompts that question is the feeling up on the Hill. When you look at it, isn't that the real reason that we find votes in the Senate Budget Committee that took place two weeks ago, which would have eliminated all subsidized housing programs.

Mr. SIMONS. That is correct, Mr. Chairman.

I think, looking at the housing policy of this country, there are many questions about what can be done for housing opportunities for all Americans. With respect to the single family field, you are well aware of what the high interest rate situation does to those opportunities. The fight against inflation will bring down those interest rates and will increase those opportunities.

In fact, the Senate has passed and the House Authorization Committee has proposed a bill for stimulating single family housing. What we are talking about when we talk about assisted housing is basically multi-family housing. We have witnessed a complete drying up of the private sector as far as providing multi-family housing opportunities are concerned. We have discussed this in past years. The policy of this Administration is that, before we address rental housing opportunities in the rental area for higher income levels, we have a certain minimum level to fulfill with respect to the low-income groups.

The Administration does not believe it would be fair to the low-income households to start taking away from them at this point, especially since aid for housing for low-income households has continued to shrink from nearly 400,000 units estimated in 1977 down to the approximately 240,000 that will be reserved in 1980. The budget submitted by this Administration will bring the level of assistance back to what is considered a minimal level of help for the low-income groups. Due to the budget restraints, we did not feel it would be proper at this time to expand the program beyond that level.

SECTION 8 PIPELINE

Mr. BOLAND. Last year the Committee had a discussion with you with respect to the Section 8 pipeline in the new start activity. The Congressional Budget Office had made some estimates and you disagreed with them—however, the bottom line is on page 235 of the hearings—we indicated that the CBO's estimates were that there were about 880,000 units in the pipeline at some stage. You were queried whether the 880,000 units in the pipeline was too high, and you responded that it was much too high.

But on page C–22 of the justifications, you have placed a table in the record that indicates what the current pipeline status looks like. It appears that based on your figures, there are a total of 710,696 units in the pipeline at the end of fiscal year 1979.

Now, last year you indicated 880,000 was much too high. Is 710,696 too high—it appears to be very high.

Mr. SIMONS. The 710,696 is not a very high number when we consider all the elements. We have a pipeline for Section 8 new construction which basically is approximately one year's reservations.

We started 153,251 units in Section 8 new construction last year, which is almost equivalent to the amount we reserved.

Now, the pipeline is made up of projects under construction, and projects under reservation and that are awaiting construction start.

Now, each year we may have those reservations coming toward the end of the year. I would say that the 710,696 figure reflects, the total pipeline; but to characterize it as high would not be fair,

because the actual pipeline as of March 31, 1980 of construction not started in Section 8, is 165,563 units.

Now, that is a very small amount when you consider the total.

SECTION 8 STARTS

Mr. BOLAND. Now, on the same page you are estimating that you will have 681,088 units in the pipeline at the end of 1980. We understand that new starts under the Section 8 program have been lagging substantially, which gives rise to a doubt if you will be able to reduce your pipeline to 681,088 at the end of 1980.

Mr. SIMONS. I assume that what you mean by lagging is the number of starts this year?

Mr. BOLAN. Yes.

Mr. SIMONS. In 1979 and 1978 we produced new starts in high record numbers. This year we are faced with some unusual problems in the financial markets and high interest rates. There are some problems out there which we are dealing with and which we feel we can deal with successfully.

The latest information we have from the field when we had our people in last week indicated that they expect to reach their goal of 140,000 Section 8 starts. Although it will require a lot of work and overcoming a lot of problems caused by financial markets, we will expect to reach that goal.

Mr. BOLAND. Now, I am looking at a table here which indicates that through February 1980 that the total new starts in the Section 8 was 15,151. Is that correct?

Mr. SIMONS. That is correct.

Mr. BOLAND. Do we have a figure for March?

Mr. SIMONS. It is 20,439. It is lagging behind last year.

Mr. BOLAND. You have a long way to go, 120,000.

Mr. SIMONS. We had a long way to go last year also. As I said, the problems are exacerbated by what is happening with financial markets. Our information is, though, that we will reach that goal.

CONSTRUCTION FINANCING

Mr. BOLAND. We understand that the President has put a hold on the use of tax-exempt interim financing for Section 8 projects, and that that has complicated the new start problem. Is that correct? Explain the tax-exempt interim financing for Section 8.

Mr. SIMONS. The problem is the tandem financing. In today's short-term interest rate market, construction loans are going from 20 to 22 percent. The FHA insurance commitments only allow for about 13 percent the way they are structured. That would leave us with a situation where these projects will not be going forward because of the cost of construction financing.

We are working within the Administration now, and we have two options and we will decide on one of them, either one of which would move the tandem programs forward. The other would permit tax-exempt construction loan financing, which would reduce the cost of the program because the interest rate would be below the 13 percent.

The other option would be to reprocess these jobs and take a more realistic view of the construction loan interest rates. This

approach would require amendments increasing the amount of contract authority to cover that added interest cost. We will be making a decision very shortly about which way to go, but whichever method we choose, it will enable the tandem pipeline to move.

REDUCTION IN 1980 STARTS ESTIMATES

Mr. BOLAND. On page C-21, we note the current estimate for new starts under the Section 8 program is 140,000 units, and public housing is 40,000 units.

What was the original estimate for new starts in fiscal year 1980 in those two areas?

Mr. KLIMAN. The original estimate of Public Housing starts was 50,000, and the original estimate for Section 8 starts was 180,000.

Mr. SIMONS. We have accelerated our Section 8 pipeline. If you compare our original 1980 estimate with the current estimate, you will see that the pipeline of unstarted reservations is decreasing.

We have accelerated the Section 8 starts and we have exceeded both our 1978 and 1979 starts goals in Section 8. There has been a shrinkage in the amount of units reserved; therefore, we had to reduce the projected starts for 1980.

The Public Housing starts have been reduced, not because of those factors, but because it has taken us just a little longer to accelerate the Public Housing starts than we had originally projected.

Mr. BOLAND. Give us a figure on the new starts that you have achieved through the first six months of this fiscal year.

Mr. SIMONS. On Public Housing?

Mr. BOLAND. Right.

Mr. SIMONS. Almost 5,000 units of Public Housing. This is running ahead of last year, when we produced about 22,000 units, and we expect to achieve this year's goal also.

EXCESSIVE RENT BURDEN

Mr. BOLAND. One of the factors that HUD uses to determine the housing needs of this country is whether a family or individual is paying an excessive rent burden which is defined as over 25 percent of family income.

With today's high cost both for rental and home ownership, is the "25 percent of family income" for housing still a reasonable mark?

Mr. SIMONS. In my opinion you cannot compare the 25 percent of income that low income families are paying for their shelter with the percentages people are paying for their shelter in the higher income brackets. People in high income brackets are paying more because they have, one, the tax benefits, the interest and real estate tax deductions and, two, the appreciation in equity investment. The reason people are paying so much for home ownership, is because part of that is reflected as part of savings rather than housing expense. When you talk about low-income people, what they are paying is purely for shelter.

SECTION 8 UNITS UNDER MANAGEMENT

Mr. BOLAND. Under cumulative reservations and completions, the justification indicates that through 1979, approximately 898,441 units have been completed or put under management by the Section 8 Program. Approximately how many of those 898,000 plus units are new construction?

Mr. SIMONS. I would be glad to supply that for the record, but I think it is around 200,000 units.

Mr. BOLAND. Supply that for the record, and also break it down with respect to the Section 8 portion for the elderly and how many for family housing.

Mr. SIMONS. Yes, sir.

[The information follows:]

DISTRIBUTION OF SECTION 8 CUMULATIVE COMPLETIONS

Section 8 cumulative completions as of September 30, 1979 by development method for elderly and family households are as follows:

	Total	Elderly—in units	Family
New construction	170,678	126,321	44,357
Substantial rehabilitation	23,096	10,609	12,487
Subtotal, new and rehabilitated	193,774	136,930	56,844
Existing housing	704,667	211,120	493,547
Section 8 cumulative completion as of September 30, 1979	898,441	348,050	550,391

INSUFFICIENT EMPHASIS ON PUBLIC HOUSING

Mr. BOLAND. As you know, the Subcommittee has for a number years—and I personally felt that the Department has not placed enough emphasis on Public Housing programs—we have talked about the advantages and disadvantages of both programs.

Tell me in your own words, Mr. Secretary, what you think the disadvantages and advantages of the Public Housing program are as compared to the Section 8 program?

Mr. SIMONS. We can go into a whole range of advantages and disadvantages. The Section 8 program has an advantage with regard to siting. The ability of private developers to obtain private sites is a more effective method than using Public Housing Authorities. However, it depends upon the capacity of the local Public Housing Authorities. I support fully the Public Housing concept. However, it cannot be the single source of providing housing in this country.

You have a variance in capacity from area to area. Those areas that do have good Public Housing Authorities are able to produce the kind of housing mandated by the Congress. If we have an area that does not have that type of Public Housing Authority, you would have to use other alternative means for getting the housing.

There are advantages in that Public Housing Authorities, in many cases, have better management controls because of their experience in managing low-income family units, but you have the

problem with trying to produce the units and the cost of production of the units in other areas.

Mr. BOLAND. I suppose it could be said that to meet this part, the Section 8 has really been a single source, for all practical purposes?

PRODUCTION CAPACITY OF LOCAL AUTHORITIES

Mr. SIMONS. I think the Department has committed itself to funding Public Housing and working very intensely with Public Housing Authorities to help them bring back their capacity to produce housing.

I can remember our initial discussions, and this is my fourth year. When I first arrived, the problem was to take the Public Housing Authorities which had been turned completely from production of housing due to the moratorium and the policies at that time and have them rebuild their capacity for production. I am happy to say the figures reflect we are having success in that area.

SHIFT TO SECTION 8

Mr. BOLAND. One of the arguments advanced for the Section 8 program by former Secretary Lynn was that—we were able to do away with Public Housing.

We will wrap all of the units into the Section 8 program and Public Housing program would be ended. That, of course, has not happened. I frankly don't think it will or can happen.

Mr. SIMONS. Let me assure you that this Administration's view is not the same as Secretary Lynn's.

STIGMA OF PUBLIC HOUSING

Mr. BOLAND. I have been sitting on this Committee for some years now. I can recall the days when this Subcommittee had a different membership and had real problems trying to get a Public Housing program through.

I supported it at that time and also supported the Section 8 program when it was advanced a few years back.

One of the reasons for the opposition to Public Housing was some of the problems that developed as a result of it.

It was characterized by one of the Administrations as an absolute mess. The fact of the matter is—how many units in Public Housing now, about 1,200,000?

Mr. SIMONS. Yes, sir.

Mr. BOLAND. Close to 5 million people, so it hasn't been a mess. Some of the projects have been total disasters, of course, but that has not come about as a result of the program itself. As a matter of fact, it comes about as a result of poor management and poor planning.

A lot of the Public Housing programs throughout the United States are fine programs and they are working very well now. They are getting old, and they need modernization and rehabilitation, and they are getting it in this budget, as I understand.

Mr. SIMONS. That is correct.

Mr. BOLAND. One of the problems I have with Section 8 is it does not provide enough housing for family units. That has been a complaint on the part of a number of people who are interested in

providing family units, units with more than just two or three bedrooms, depending on the size of the family. Is that a fair judgment?

Mr. SIMONS. This Administration realized that Public Housing had been stigmatized in prior years and has made strong efforts to remove that stigma from the concept of Public Housing, starting with the Public Housing Urban Initiatives program. This program deals with the problems of trying to rehabilitate the oldest most troubled projects.

As you pointed out, the Comprehensive Modernization program attacks that problem with a potential commitment of greater resources. We are committed to making Public Housing a successful form of delivery of housing.

MEETING FAMILY NEEDS

With respect to the question of family housing units, we have had a problem. When we look at the Section 8 program, in the initial days, developers took the easier route by building elderly housing. I am happy to say in 1979, 56 percent of Section 8 new construction units were for families. That is an increase from 1976 when we only did 42 percent, so we are moving very, very rapidly towards using Section 8 also as a producer of family housing. This is one of the goals we are measuring very carefully. We will continue to do this and we are continuing to get greater and greater acceptance of the program.

Mr. BOLAND. I presume the statistics will show how successful your efforts have been in the Public Housing area.

I would like to have supplied for the record the number of new units for Public Housing which have actually been started in 45 of the larger cities over the past 3 years.

Mr. SIMONS. Yes.

[The information follows:]

Public Housing Starts by Major City

New construction and substantial rehabilitation construction starts under the Public Housing program in 45 of the largest U.S. cities during the three year period, FY 1978-80, follows by size of city:

City	1978	1979 (In Units)	1980 a/
New York, N. Y.	...	1,969	...
Chicago, Ill.	...	...	...
Los Angeles, Ca.	...	...	...
Philadelphia, Pa.	706	...	207
Houston, Tex.	...	...	42
Detroit, Mich.	...	...	...
Baltimore, Md.	144	253	593
Dallas, Tex.	...	...	...
San Diego, Ca.	...	...	...
San Antonio, Tex.	...	281	...
Indianapolis, Ind.	...	...	...
Washington, D. C.	...	55	...
Honolulu, Hawaii	...	50	...
Milwaukee, Wis.	...	...	...
San Francisco, Ca.	...	...	...
Phoenix, Ariz.	200	...	157
Memphis, Tenn.	...	...	...
Cleveland, Ohio	...	...	...
Boston, Mass.	...	14	...
New Orleans, La.	22	...	...
San Jose, Ca.	...	...	...
Columbus, Ohio	...	152	...
Jacksonville, Fla.	...	...	...
St. Louis, Mo.	70	...	...
Seattle, Wash.	90	...	...
Denver, Colo.	...	80	...
Kansas City, Mo.	50	...	...
Pittsburgh, Pa.	...	...	...
Atlanta, Ga.	240	...	...
Nashville-Davidson, Tenn.	...	...	...
Cincinnati, Ohio	...	590	...
Buffalo, N.Y.	...	60	...
El Paso, Tex.	68	24	...
Minneapolis, Minn.	...	...	...
Omaha, Neb.	...	...	76
Toledo, Ohio	...	36	...
Oklahoma City, Okla.	101	...	...
Miami, Fla.	102	108	...
Fort Worth, Tex.	...	...	...
Portland, Oregon	...	...	26
Newark, N. J.	...	165	...
Louisville, Ky.	...	...	...
Long Beach, Ca.	...	...	...
Tulsa, Okla	...	...	...
Oakland, Ca.	...	...	...
Total	1,793	3,837	1,101

a/ Construction starts in 1980 are through March 31, 1980.

SECTION 8 INVESTIGATION

Mr. BOLAND. I want to ask a series of questions at this time with respect to the Section 8 investigation that was prepared by the Committee's Surveys and Investigations staff. We provided the Department with a copy of that report.

I think overall that investigation indicated that the Department is doing a good job in this area. Programs that are as difficult as this to handle, of course, give rise in a number of areas to problems that develop. The Department has in many instances moved to correct whatever deficiencies there have been, that they agree to, that were pointed out by investigations.

LESS THAN FULL SECTION 8 SUBSIDY

On page 5 of the report and also on page 21 of the report, some of the developers indicated to the staff that the availability of Government National Mortgage Association, GNMA, tandem financing for production of Section 8 projects using less than a full subsidy is an effective way of increasing housing stock. They are able to construct five projects, each with a 20 percent subsidy, whereas previously, they could only build one 100 percent subsidized project. As stated by one developer, the main problems to be faced in the 1980's will be a lack of housing stock, not subsidy availability.

While the Committee realizes that the 20 percent subsidy will not work in every locale, what is HUD doing to promote construction of projects using less than the full subsidy? Should there be incentives for developers who are willing to assume the risks inherent with this type of subsidy?

Mr. SIMONS. Well, the risk is really one that the Federal government ends up with, because those tandems are all insured projects. Therefore, upon the determination of the marketability of the 80 percent of the units which represent market rate units, the Department makes and assumes the risk, because we are insuring the mortgage. We do encourage and we believe in the 20 percent Section 8 project.

We are witnessing, as the 7½ percent tandem rate is held constant, more and more rent levels in areas rising to the point where the marketability of market rates units constructed at the 7½ percent mortgage becomes increasingly feasible.

We do give a preference in our regulations for processing on the 20 percent Section 8's. We are encouraging them more and, as I said, it is slowly happening; but it is only happening at the rate which the market can absorb the non-section 8 units.

STATE AGENCY PARTICIPATION

Mr. BOLAND. What is your overall opinion of the study? Have you had a chance to look at this report?

Mr. SIMONS. I have seen the executive summary of it, yes. I might add, I met with your staff and found them very cooperative, and I think it was a very constructive exercise.

Mr. BOLAND. One of the areas that has been looked at is the relationship between the HUD Area Offices and the State Housing

Finance Development Agencies. The report indicates that this is an area that needs a little more attention. The report indicates that area office officials are confused concerning their responsibilities with regard to monitoring HFDA administrative practices. Some HFDA's have complained that: (1) it is difficult to get a definite response to questions from the Area Offices (2) the Area Offices' processing time is too lengthy; and (3) the high turnover of personnel in Area Offices creates problems with regard to continuity. In addition, a senior HUD official stated that HUD's regulations regarding monitoring of HFDA's were not well thought out.

Mr. SIMONS. There are two questions, two issues raised here. Let me discuss HFDA's first.

We are working on a new monitoring approach to HFDA's. We have been monitoring fairly well on the back end, that is, the compliance with the income testing and certifications. There was confusion as to what our monitoring responsibility was with respect to what we would call the front end of the operation. We are putting out new regulations covering the HFDA's in order to clarify this.

The Section 883 regs which went out on an interim basis will be going out in final shortly. In those regs we are also making some changes at the suggestion of the State agencies which will develop minimum criteria with which they must comply in developing a selection procedure. In addition to that, we have sent out from Headquarters teams to do monitoring on the front end of the process, and out of that team work of monitoring the front end we will develop a handbook so we can standardize the monitoring responsibilities of our offices with respect to the HFDA's.

STAFF AND TRAVEL CONSTRAINTS

Frankly, there are staff constraints, very serious ones, that we are facing throughout the Department, and the question raised is that in view of the lack of growth in the staff to meet the growth in program size that is occurring, how much can we increase our monitoring? As we look at the housing numbers on staffing, you will see we are doing more and more and that staffing has remained relatively constant.

We also have problems with travel funds this year because we have taken a cut in this area and the Department is operating under severe administrative constraints in trying to comply with the goal of maximum efficiency.

HOUSING STAFF REDUCTION

Mr. BOLAND. What is the reduction in staff personnel in this function for fiscal 1981?

Mr. SIMONS. About 300 staff-years for housing programs.

Mr. BOLAND. If there are staff constraints, why has housing taken the largest cut in staff in fiscal year 1980?

Mr. SIMONS. I would not say housing has taken the largest cut in staff. We have made a change in policy in delivery of our single family programs. We are utilizing HUD-approved private fee appraisers for all home appraisals which will allow us to reduce staff in an area where we feel the work can be done much better by the

private sector, and we are utilizing those positions elsewhere. The entire Department is under severe staffing constraints.

Mr. BOLAND. Well, that particular recommendation is not being universally received with acclaim, is it?

Mr. SIMONS. There will be some dislocation of staffing and personnel in certain areas, no question about it.

Those areas that have been doing a high amount of single family housing will go through that, but those are relatively few areas compared to the totality of the program. This also addresses the objective of trying to use the personnel only where they absolutely have to and try to move responsibility to the private sector.

CONSTRUCTION COST SAVINGS

Mr. BOLAND. That is another area we will get into later.

On pages 29 and 30 of the investigative report, let me ask whether it is presently the policy of HUD to improve the quality of subsidized housing by not allowing a portion of construction cost savings in the New Construction and Substantial Rehabilitation programs to be retained by the builder.

Mr. SIMONS. The policy of the Department is not to have an incentive on the construction side, to lower the cost of construction by giving back to the builder savings in construction costs. Savings in construction costs can be used to offset other allowable costs within the project, but we do not have an incentive program and I, personally, do not think it would work well for the Department.

PROJECT AMENITIES

Mr. BOLAND. Additionally, HUD's policy is to allow certain amenities, such as swimming pools, to be included in the Section 8 projects, if those amenities can be found in 75 percent of the market rate apartment projects in the same area. Of course, the effect of these policies is to unnecessarily increase the cost of Section 8 by increasing the contract rent necessary to support the mortgage loan. I guess one could say that this latter policy could result in the construction of subsidized housing which might very well exceed the definition of "modest."

Mr. SIMONS. I think the Department is in a dilemma with respect to this issue. We have made amendments to the regulations which now state that there may not be amenities beyond those found in moderate income housing.

The original intention of Section 8 was not to build housing to be identified as a special type of housing for poor people but be identified as typical of housing for moderate income people. The requirement on amenities now is that 75 percent of the moderate income projects within that area have those amenities. We are following that procedure. However, the tensions are very interesting. If we are trying to encourage 20 percent Section 8's, do we strip those down to a minimum which would hurt the ability to get to market rate tenants or do we include the higher amenities.

When you look at the actual cost of a swimming pool in relation to the total cost of a $3 million project, you are really talking about a very, very small amount of money. It's a very tough decision for the Department to make and the people in the field to make. I

think the guidelines out in the field are good, but they must exercise judgment because they are looking at projects with respect to each different location. There is no way that you can generalize. I remember years ago when I built apartment houses; you included a swimming pool like you did a wall oven. The cost was minimal when we went from free standing ranges to wall ovens, which we don't use anymore. The swimming pool was just like putting a wall oven into moderate-income apartments.

If we hope to see the program succeed in the long run, we cannot build housing which would become outdated and outmoded within a relatively short period of time.

TERM OF HAP CONTRACT

Mr. BOLAND. On pages 30 and 31, the new regulations extend the term of HAP contracts from 5 to 20 years. This was done to preclude the possibility of having to replace units committed to the program every five years, thereby increasing the cost of the program.

That does, does it not?

Mr. SIMONS. That is correct.

Mr. BOLAND. Some developers indicated that the 20 year HAP contract would be meaningless, since a decision to convert a subsidized project to market-rate apartments or condominiums would be based on economic factors and not on limitations resulting from the contract.

The report indicates that HUD has not adequately explored sanctions available to preclude such contract violations. HUD believes that loss of GNMA tandem financing and civil suit by HUD for damages could be used. Although disbarment from further participation could be used, this sanction would have very little meaning in these cases.

Has HUD's General Counsel looked into the questions of sanctions for violators of the 20-year HAP contract? What areas have they explored in this regard?

Mr. SIMONS. With respect to the insured Section 8 projects, the mortgage cannot be prepaid without the permission of the Secretary, which in effect gives us an absolute control over anybody wanting to convert our projects and put them into a condominium or cooperative form. We have discussed with the General Counsel the question of GNMA and the question of sanctions.

Let's suppose an insured project with tandem slipped through. My own personal belief is that we would be entitled to damages for the amount of the GNMA tandem subsidy. The real issue deals with those projects that are not using the GNMA tandem subsidies; those which are dealing with tax-exempt financing in one form or another. We will have General Counsel examine this, and whether or not we can recoup the amount of the subsidy or some part of that subsidy which enables those projects to be built. Again, you have a deterrent in these cases under the bond programs because in order to qualify for those bonds the projects must have certain low income characteristics also. Therefore, the trustees of the bond indentures would not be willing to let these projects be converted.

INFLATED FAIR MARKET RENTS

Mr. BOLAND. Now, in some States developers in the new construction program start with 110 percent of the fair market rent (FMR) and calculate project replacement cost on that basis. Is that correct?

Mr. SIMONS. Well, I think the program is supposed to work the other way.

Mr. BOLAND. How would you say it?

Mr. SIMONS. After calculating the operating cost, the debt service and everything else, the rent needed to support that project would turn out to be 110 percent of fair market rent.

Mr. BOLAND. The report indicates that the HFDAs perpetrate this abuse of the FMR by submitting written justifications for these inflated rents to HUD. The director of one Area Office said, "They (the State HFDAs) are very eloquent in their justification of the higher FMR's and always get them approved." This results in projects with amenities not normally associated with subsidized housing, such as rooftop gardens. Other States begin with a modest building design and request a contract rent which is only adequate to support construction. The effect of the policy to accept HFDA justifications of inflated contract rents is to unnecessarily drive up the cost of the Section 8 program.

Mr. SIMONS. We were aware of this problem and as we look at our new regulations for the Section 8 and the State agencies, the State agencies will be required to cost certify, not on the basis of fair market rents, but cost certify on 110 percent of comparability which is usually a lower rent. That coupled with the amenity controls in the Section 883 regulations would give us the ability to control and have some sort of a rational criteria for the handling of these requests to increase the Fair Market Rent.

CONSISTENT USE OF HIGHER FMR

Mr. BOLAND. What is your response to the report indicating that some developers and State HFDA's consistently use 110 percent of the FMR to determine project replacement cost?

Mr. SIMONS. That is a matter of how people figure the job.

Mr. BOLAND. Well, does that necessarily drive up the cost of the program?

Mr. SIMONS. It may or may not drive up the cost of the program. What happens in some cases, in order to see whether or not this job is feasible, a developer will say here is the maximum rent I can get. You back that out and come to development costs. The question is, can he build this job for that development cost? That is the gross way that it is approached in the financial phase.

When a project goes into processing with the Regulations that we now have in place, the FMR is only one control on what a project actually does cost. For instance, with the FHA insured programs, those projects are cost certified from dollar one. What we do is determine exactly what design is permissible, what are the costs for that design and come back to the bottom line again.

You are talking about two different stages in a developer's processing—one being to determine whether he thinks he can feasibly do the job and the second is when it is actually done.

Mr. BOLAND. Isn't this an area that ought to be looked at a little more closely by HUD?

Mr. SIMONS. We have watched it and we are aware of the problem. It was brought to our attention 18 months ago, and we have tried to close the gap on it by going to the processing stage which said, one, here is the amount of amenities you can have, and, two, this is the type of building you can have. We have created a design criteria and specification criteria and what that costs is all we are going to give.

DEVELOPER SELECTION

Mr. BOLAND. On pages 16 and 17, the report indicates that State HFDAs who administer "set-aside" subsidies for Section 8 New Construction and Substantial Rehabilitation Projects, (1) do not use uniform selection criteria in choosing project proposals, (2) allow selections to be based on an internal decision of a selection board which may consist of only HFDA officials and, (3) do not in some cases have a definitive well-documented selection process.

All of these factors, of course, increase the potential that outside influences or political favoritism may play a role in the subsidy awards process. This situation developed not too long ago in Rhode Island where people in political life and others used their influence to have friends selected as developers for Section 8 housing projects.

What about this?

Mr. SIMONS. I think, to understand the problem, we have got to look at the history of the HFDA's. When Congress created them, they intended to give them as much flexibility in the delivery process as possible.

Mr. BOLAND. I think that is fine. It is necessary.

Mr. SIMONS. HFDA's are created by the State laws, and it has been our feeling that the State laws would govern the propriety in the handling of these agencies. As this matter was brought to our attention and knowing that all of these agencies are supposed to be regulated by the States, we put out for comment a set of regulations which left this area silent. We did not specify anything about the developer selection, because we felt that each State agency is regulated by its own State Legislature.

Mr. BOLAND. But spending the Federal government's money?

Mr. SIMONS. Which was a little inconsistent with the original intent.

DEVELOPER SELECTION CRITERIA

What has happened is that the State agencies themselves have come back to us and said, we would like to have you put in the regulations a minimum criteria for developer selection.

Mr. BOLAND. Did Rhode Island or New Jersey come back and make that suggestion?

Mr. SIMONS. New Jersey came and suggested that, and we are putting criteria into the regulations. The final version of the Section 883 regulations will have minimal criteria for developer selection, so that the developer selection process will have to meet some minimum criteria.

Mr. BOLAND. Well, so you are establishing a minimum criteria?

Mr. SIMONS. Right.

DEVELOPER PROFITS

Mr. BOLAND. Profits realized by developers from the sale of tax shelters in a Section 8 housing project are based on the size of the mortgage. Is that correct?

Mr. SIMONS. That is correct.

Mr. BOLAND. The greater the mortgage, the greater the return for the developer?

Mr. SIMONS. I would characterize it in this manner: the greater the amount of the syndication, the more he receives from the syndication.

Mr. BOLAND. Well, it is easier to syndicate?

Mr. SIMONS. The question is whether it results in greater profit. Profit is something we determine from job to job.

Mr. BOLAND. Parallel to this, higher contract rent subsidies are required to support debt service on that mortgage. The contract rents subsidies are based on a percentage of HUD's Fair Market Rent (FMR). Is that correct?

Mr. SIMONS. That is correct.

FMR INCREASE DUE TO AMENITIES

Mr. BOLAND. The contract rent can be applied up to 120 percent of the FMR in some cases. Projects with added or superior amenities are approved to justify the higher contract rents. Is that correct?

Mr. SIMONS. Again, it goes back to what we discussed before the statement that there are incentives to have a higher mortgage is absolutely correct.

The Department has been aware of this and as you look at the management of our programs, you will see what we are trying to do is determine what is needed—what the amenities and the entire project should be—not letting it be driven in a wanton way. The whole Section 8 program has been designed to minimize the effects of the tension created by the perceived desire to have a greater mortgage. We realize this. We understand this could be a possible motivation; but we also feel because of the way we manage the programs, this is minimized. The field offices understand what their role is to be. As you look at the results in regard to cost increases, you see them increasing at rates well below the inflation rates, rather than seeing it run in an uncontrolled way. Your Surveys and Investigation staff which conducted a very helpful exercise—I met with them twice myself—came to understand the kind of things that are built into trying to operate a program like this. The Department has been constant in its view of what its role is and what it can do to mitigate this adverse force so as to minimize the cost of the program.

REPLACEMENT COST

Mr. BOLAND. The report goes on to say, "Projects with added or superior amenities are approved to justify the higher contract rents. Developers acknowledge that debt service capability of the

guaranteed net rental income projected on FMR's establishes 'replacement cost' for their project proposals."

Mr. SIMONS. Replacement cost is established when you take part of the contract rent for operating expenses and the rest goes to what they call debt service. If you cap out the amount available for debt service and calculate the mortgage that debt service supports, it comes out as the replacement cost. It has to work backwards as well as forwards.

COMPETITION FOR NOFAS

Mr. BOLAND. Syndication of a project—would this indicate a narrow range of replacement costs which gives rise to the question of whether such a process can result or does result in the kind of cost competition between developers which is necessary for the most economical use of housing subsidies?

Mr. SIMONS. When we announce NOFAs, the competition is very, very keen.

Mr. BOLAND. I did not get that impression—sometimes the competition is not too keen and they have to advertise.

Mr. SIMONS. Depends on what they are advertising for. It may be that it is not possible to respond. But generally, we are seeing this year tremendous responses to the NOFAs, because of the shortage of money and the desire of people to get involved in the program.

Mr. BOLAND. What about a few years ago when the starts were a million nine, 2 million? What about the response in NOFAs at that time?

Mr. SIMONS. It varied from area to area. Two years ago the program was relatively new.

Mr. BOLAND. What about last year?

Mr. SIMONS. There was fairly good response.

Mr. BOLAND. You have great response now, because the housing industry is in a critical condition.

Mr. SIMONS. I know the conclusion which can be drawn from that assumption, that is, since the industry has slowed down in construction of single-family housing, families have turned to multi-family housing. The multi-family field has been slow and has been so for a long time. We have seen a softness in those starts since 1977 and I do not feel we are now filling a vacuum and when activities pick up, there will be lack of interest in the program. I believe we are dealing with a more fundamental problem as to multi-family housing. If private multi-family rental housing should again be stimulated and come on line, then that kind of assumption could possibly be made. But, at the present time, it is a very difficult assumption to make.

The competition on cost is one of the elements used in the selection process. You have to determine siting, design, cost, and management capacity. There are about six or seven items used in that selection process. Cost is one of those items. The difficulty is that everybody does not bid on the same site.

DEOBLIGATION OF FUNDS

Mr. BOLAND. What about paper reservations? We have talked about these for some time. This Committee over the years has

voiced its concern over paper reservations. The report indicates on page 14 that the paper reservation problem seems to have gone away. I know that paper reservations and deobligation are not the same, but there is a relationship.

How much was deobligated in fiscal year 1979 in the Annual Contributions for the Assisted Housing account? I would like to have the answer both in annual contract authority and in budget authority.

Mr. SIMONS. Budget authority was roughly around $7 billion.

Mr. BOLAND. What about contract authority?

Mr. SIMONS. Much of that was public housing contract authority; $249 million was deobligated in total.

Mr. BOLAND. Why was much of the public housing deobligated?

Mr. SIMONS. In order to get that program moving, we had to take funds from those jobs which had been hanging for many, many years and not going anyplace. We took that money and reallocated it out to keep those projects going.

This money had been reserved back in 1976, some of it, and those jobs were not moving anyplace. There were site problems and a lack of ability to move the program forward. Since we have made a commitment to that program, those jobs which had no hope of going forward were cancelled, the funds deobligated and given out to housing authorities which were ready to proceed.

Mr. BOLAND. Did you say the amount was 8 billion? Is that a pretty high figure in your opinion?

Mr. SIMONS. On the Section 8 side, we have a fallout of between 6 and 8 percent a year. We cancel 6 to 8 percent of the jobs outstanding. When a section 8 reservation is made, all the developer has to come in with is a proposed site and schematic drawings. There is a long way to go in the sense of firming up the whole thing. We feel this is an excellent record.

On the Public Housing side, the reservation is made without a specific site. So, we had Public Housing Authorities seeking to get sites. We are in the process of changing the regulations and these new regulations will be effective next year. We will be encouraging site-specific reservations similar to the Section 8 program, which has resulted in a lot of starts and minimized cancellations. By applying the same technique to the Public Housing Authorities, we expect to see the Public Housing programs move as quickly as the Section 8 programs. In the past, these reservations were made without a specific site. As a result, we had long delays while people were out looking for sites. Where those proposals seem to be hung up forever, we have taken the funds back and have reallocated them to those housing authorities that are ready to go forward.

The ultimate test and result is that housing is built and not just out there for reservations. The process will have to include some deobligating or canceling of reservations for those jobs that do not make it.

Mr. BOLAND. What is the deobligation rate to date?

Mr. SIMONS. I will supply that for the record.

Mr. BOLAND. Fine. Also supply how much of the deobligations in 1979 were a result of obligations in 1978.

[The information follows:]

Section 8 and Public Housing Recaptures in FY 1980

The following table shows the level of Section 8 and Public Housing recaptures through April 30, 1980, recaptures for the comparable period in FY 1979, and recaptures for the entire twelve months of FY 1979. The rate of recaptures under Section 8 in FY 1980 is behind that of FY 1979, while Public Housing recaptures have increased significantly. As noted in the testimony, Public Housing construction activity in past years has not met established goals and the increase in recaptures under this program in the current year reflects steps taken to remedy this problem. A major review of the Public Housing pipeline was undertaken early in 1980 in order to determine which projects were likely to reach construction start within a reasonable time. Projects which did not meet this standard were cancelled and the authority recovered was used to fund other Public Housing projects which showed a higher potential to reach construction start promptly.

Annual Contributions for Assisted Housing
Amounts Recaptured, 1979 and 1980

	RECAPTURES IN FY 1980 THRU APRIL	FY 1979 RECAPTURES RECAPTURES THRU APRIL	FY 1979 RECAPTURES TOTAL RECAPTURES
	(Dollars in Millions)		
Section 8:			
Units	18,551	22,653	47,271
Budget Authority	$2,188	$2,860	$6,386
Public Housing:			
Units	4,668	1,444	10,318
Budget Authority	$636	$122	$1,533
Total:			
Units	23,219	24,097	57,589
Budget Authority	$2,824	$2,982	$7,919

Using only the automated accounting system for the Section 8 and Public Housing programs, it is not possible to provide the data needed to determine how much of 1979 recaptures were from reservations made in 1978. However, using the separate Section 8 Management Information System, the Department was able to identify project cancellations during 1979 by the year of initial reservation.

As the following table indicates, 43 percent of all projects cancelled in FY 1979 were initially reserved prior to FY 1978. Moreover, the average period of time from initial reservation to project termination for all projects terminated in FY 1979 was slightly over 18 months. Even for projects reserved in 1978, the average period from reservation to cancellation was 13 months. For a typical Section 8 project, construction start should occur between 8 to 12 months after reservation. Thus, the 13 month average for projects reserved in 1978 indicates the cancellation of projects which had been in the preconstruction pipeline too long and which were terminated when satisfactory progress was not being made.

Projects Terminated in FY 1979
by Year of Initial Reservation

	Number of Projects
Projects reserved prior to FY 1976	18
Projects reserved in FY 1976	70
Projects reserved in FY 1977	284
Projects reserved in FY 1978	496
Total project terminations, FY 1979	868

PUBLIC HOUSING CANCELLATIONS

Mr. SIMONS. Let me make one comment.

We are continuing to deobligate or culling the pipeline in Public Housing this year. As we move to the site-specific regulations, we want to have the resources there to show we are committed to these jobs going forward. So you may see on the Public Housing side, a relatively high cancellation rate. On the Section 8 side, we feel we have that down to a fair minimum and that should fall to a fairly constant figure.

You understand, when you are dealing with a program, we are asking someone to invest in land, plans and specifications, and you have to give him something that he can rely on.

Mr. BOLAND. No doubt about it.

Mr. MCHENRY. We have already recaptured in the neighborhood of 4,600 public housing units. We are in the process of having our field offices look at a computer printout of projects which have been in the pipeline for a long time and we are asking them to tell us when these are going to start or cancel them out. It has a programmatic purpose, these cancellations; and the intent is to move the program along.

SECTION 8 AMENDMENTS

Mr. BOLAND. Yesterday, the Secretary stated that HUD anticipates $60.5 million in contract authority to amend Section 8 contracts to fulfill underfunded obligations on existing housing contracts as well as to permit new construction.

Does this item represent funds needed to meet annual operating cost increases in Section 8 existing housing which were funded from previous years' contract authority?

Mr. SIMONS. I think $53.7 million does not represent increased operating cost. That represents construction cost increases, all of which are allowable within our regulations, for changing project size when the job is finally going to start.

The $6.8 million on the existing side indicates the trending up of the existing rents. We renew the contracts at higher levels.

Mr. BOLAND. Do you know whether or not the Congress can expect annual requests for costs to meet these increases?

Mr. SIMONS. On the new construction side, you will be seeing annual requests for funds to meet those which we are controlling and managing in as efficient a way as we can. On the existing side, we will be minimizing the number of amendments needed for existing housing. There will still be amendments needed in following years. But one problem we found there is the existing practice of including the annual administrative expenses in the reservation amount. This caused a drain in the reserves which are available for offsetting amendment needs as the rents on existing units increase.

COMPREHENSIVE MODERNIZATION

Mr. BOLAND. On page C–17, the justifications describe modernization of Public Housing for which $50 million of contract authority was made available in 1980 and $50 million is requested in 1981.

Mr. SIMONS. That is correct.

Mr. BOLAND. On page C–19, the justifications briefly describe the new Comprehensive Modernization program which is proposed as an appropriation language change in the 1980 supplemental and in the 1981 bill. Under this initiative, certain localities and Public Housing Authorities would be given the option of diverting up to 50 percent of the contract authority and related budget authority made available to them for Public Housing development for use in the modernization and rehabilitation of existing housing projects.

The justification points out that the funds would be used to modernize and restore Public Housing units that currently are not inhabitable and also would permit the maintenance and continued availability of units that otherwise might deteriorate.

UNINHABITABLE PUBLIC HOUSING UNITS

Approximately how many units do you estimate nationwide are uninhabitable in Public Housing?

Mr. MCHENRY. About 13,000.

Mr. BOLAND. Out of what total?

Mr. MCHENRY. Out of the million two hundred thousand. We mean units which are boarded up because they have been condemned and are not currently undergoing modernization. That is an estimate.

ALTERNATIVE PROPOSALS FOR COMPREHENSIVE MODERNIZATION

Mr. BOLAND. The Authorization Committee in the House has proposed a complete revision of the Public Housing modernization concept. We have not had an opportunity to look in any detail at what they are proposing—but I wanted to ask you if you have seen their proposal and could you tell us how it is different from what you are suggesting.

One of the major concerns that we have with this proposal is that it makes no sense at all to spend all this money on modernization in units that will quickly become vandalized for lack of security. What is your reaction to that?

Mr. SIMONS. We are familiar with the proposal and studying it ourselves to see how it would fit in with the policies of the Department.

Mr. BOLAND. Can you indicate briefly how it is different?

Mr. SIMONS. They are raising the level of modernization to a specific amount, placing all the resources on a line item for modernization, rather than taking part of the resources out of the development side.

Secondly, they are also taking away the local option—which was an integral part of our plan. We had been talking to the housing authorities and have determined that there were some housing authorities which felt this was their priority. Under our proposal it was within each housing authority's option to indicate how the money would be spent. The other plan basically eliminates the local option.

PUBLIC HOUSING SECURITY

Mr. BOLAND. Do you have any idea how much vandalism has contributed to the necessity for modernization? The reason I ask, what is the sense of getting into an expensive modernization program if the proper security is not provided in Public Housing?

Mr. SIMONS. As you know, we are running an anti-crime demonstration program now trying to go further and further into the question of security. We are also working with HEW to make possible creative programs which take resources from more than one area. Our problem is very simple: what we are allowed in operating subsidies is not sufficient in all cases to fund the type of security many of the Public Housing Authorities would like to have. So, we are in a situation where we are supplying funds which they feel are inadequate for security purposes.

We do address, however, through the modernization program, the physical plant changes needed for security. To summarize, there are two pieces to this issue: the hardware piece and the software piece. Our proposal addresses the hardware piece.

Mr. MCHENRY. In our proposal and the House bill, they do address the need for housing authorities to improve their management capacity to have strict enforcement for tenants who are violating the regulations and to enforce current eviction laws. In both our proposal and in the House bill, it says that if you do not do that, once you get the first batch of modernization funds, you cannot be considered for future funds unless you have made these improvements.

UNITS REQUIRING COMPREHENSIVE MODERNIZATION

Mr. BOLAND. It appears to me, the comprehensive modernization of 13,000 units is a very small figure.

Mr. SIMONS. We are not proposing for just the vacant units. There are many units built years ago which have to be brought up to standard. So, it is a lot more than the 13,000.

Mr. BOLAND. What is a lot more?

Mr. SIMONS. We are in the process of estimating that figure and we will provide the data—but we have done a survey where we have tried to find those chronically depressed projects due to physical deficiency. At the present time, we have identified at least 86,000 units in that category.

[The information follows:]

PUBLIC HOUSING UNITS REQUIRING COMPREHENSIVE MODERNIZATION

Based on a recent analysis—Evaluation of the Physical Condition of the Public Housing Stock—by Perkins and Will, it is estimated that about 86,386 units, located in 604 projects of Public Housing require Comprehensive Modernization.

PHA ABILITY TO ABSORB MODERNIZATION FUNDING

Mrs. BOGGS. Mr. Chairman, I know that last year, the Secretary said she was unable to effectively utilize the modernization money they already had. Has this changed due to the House authorization bill which says you must modernize? Last year Secretary Harris

said that the Public Housing Authorities were hard-pressed to effectively utilize the modernization money they already had.

Mr. SIMONS. I think the difference here is in the type of modernization we are proposing. We are seeing improvements now in the classic modernization spending. The program we are talking about now, the Comprehensive Modernization program, will be carried on through the development side because this is basically rehabilitation where they have the development capacity.

TENANT PARTICIPATION IN MANAGEMENT

Mrs. BOGGS. On the security and maintenance side, Mr. McHenry, there are the tenant organizations and the pilot programs to use this resource. There are boards of directors among the tenants in the housing projects.

Would these efforts help in security maintenance and security measures if they were extended?

Mr. MCHENRY. As you know, Mrs. Boggs, we have run a demonstration on tenant management in several areas, one, of course, is New Orleans. We have found in some of those projects, tenant management has made a dramatic improvement in the management, in the reduction of crime and vandalism. The study is not over and we are not at this point prepared to say that tenant management is a cure-all, but it is something that could work in certain places and certain authorities are exploring it.

We are also encouraging housing authorities, whether they have tenant management or not, to involve tenants more actively in management through tenant councils and organizations. We require that in our Comprehensive Modernization program. We require it in the anti-crime program, the Urban Initiatives program, and the House proposal also mandates tenant involvement. So, it is something we think is essential.

Mr. BOLAND. Mr. Coughlin, do you want to pursue this?

Mr. COUGHLIN. No thank you, Mr. Chairman.

Mr. BOLAND. As you know, the House bill mandates modernization. Should we go along with that?

Mr. SIMONS. We are looking at the bill and will be glad to get back to you on that.

Mr. BOLAND. If 50 percent is used for Public Housing in that area, I take it that would amount to about $118 million. Is that correct?

Mr. SIMONS. It would be about $96 million.

Mr. MCHENRY. Mr. Chairman, that is the maximum. We would not expect that much to be used.

PHA MANAGEMENT DEFICIENCIES

Mr. BOLAND. How many local housing authorities are there?

Mr. MCHENRY. About 3,000 had low-rent public housing as of September 30, 1979.

Mr. BOLAND. Some of them leave a lot to be desired, do they not?

Mr. MCHENRY. There are some which have severe management problems, yes.

Mr. BOLAND. One of the problems is, you are asking us to permit the use of new Public Housing contract authority for the modern-

ization of units which many of these housing authorities and local housing authorities have not been able to manage to date.

How many of the 3,000 would you consider deficient in management?

Mr. McHENRY. I am not prepared to give you an answer on that. We have identified a group of, I think, 27 housing authorities which are having severe financial problems. We know that some of these have management problems.

Also, there is a problem with some of the larger urban authorities. Some preliminary results from a study we have indicate, frankly that these authorities are underfunded, and many of the problems result from that. I do not think that we would do justice to the housing authorities if we attempted to lay all the blame for the problems on management.

INADEQUATE PHA STAFFING

Mr. BOLAND. I would agree with you that one of the problems is that they are underfunded, perhaps a minor problem. But in some areas, politically inadequate staffing may be a problem.

Mr. SIMONS. We do find some problems of inadequate staffing.

Mr. BOLAND. What is the difference between political and inadequate?

Mr. McHENRY. There are some which are not governed by local civil service. We have found in some instances through our own investigations, that staff were not qualified. Again, that is not widespread, Mr. Chairman.

BOSTON HOUSING AUTHORITY

Mr. BOLAND. One of the housing authorities under considerable criticism is the one in Boston. As a matter of fact, the court put it under receivership about 2 or 3 years ago. There was criticism of the Boston Housing Authority, and no effort was made by the authority itself, or perhaps even by HUD, to do what it could to correct the deficiencies which were pointed out.

Mr. SIMONS. That case has been in litigation for years. Once something gets into litigation, the Department gets involved.

Mr. BOLAND. Correct me if I am not right: If I recall, it was tagged as one of the worst housing authorities in America.

Mr. SIMONS. It was characterized that way.

Mr. BOLAND. Did you agree with that characterization at the time it was made?

Mr. SIMONS. Well, let me answer it this way. Due to the court findings on it, I would agree that the findings indicate that it was a poorly managed housing authority.

Mr. COUGHLIN. Mr. Chairman.

Mr. BOLAND. Yes.

CAPACITY TO UTILIZE MODERNIZATION FUNDS

Mr. COUGHLIN. I do not know what has happened in the past year. Last year when we wanted to increase modernization funds, and I quote from page 266 of the testimony last year, Mr. McHenry said:

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"The problem is that we feel the $37.5 million being requested is about all that we and the PHA's can manage in one fiscal year."

Then I asked: "Can't some procedures be instituted to decrease this processing time?"

And your answer was:

> We have a responsibility to be sure that the money is spent properly. We have a monitoring function we must perform. We have looked at our processing. We will streamline our processing to whatever extent possible, but we cannot give up the responsibility that we have to be sure that the money is used properly.
>
> We are continuously looking at our processing. But as Mr. McHenry said, the key to it is the capacity of our staff and the local housing agencies. We think we are making progress in that area because the figures show the modernization funds are being used more rapidly than in prior years.

You are saying in the past year this has occurred?

Mr. SIMONS. No. Mrs. Boggs already asked that question, and my answer was that the Comprehensive Modernization would be done from the development side. The concept of modernization we were talking about last year was different. We are now talking about substantial rehabilitation, level II, where we address the total habitability of the unit. In that respect, it is very much like the development of a new project.

The modernization program that we were discussing last year was more on the management side.

Mr. MCHENRY. As housing authorities were using dollars for development, we staffed our field offices to do that development. Our staff is there, and the housing authority staff will also be available to shift from new production to comprehensive modernization. The regular staff is there to oversee the money that would be diverted from new development to modernization through the local option mechanism.

Mr. COUGHLIN. Thank you, Mr. Chairman.

SANCTIONS AVAILABLE

Mr. BOLAND. Do you think HUD should have more authority over local housing authorities or would you shy away from that?

Mr. MCHENRY. HUD has a great deal of authority over local PHAs.

Mr. BOLAND. Is this authority exercised?

Mr. MCHENRY. The sanctions that we have, Mr. Chairman, are rather severe. We can find the housing authority in breach of the annual contributions contract and take all their money away; this hurts the tenants. We could take over the housing authority and run it ourselves, which is difficult to do. The problem is, the real sanctions we have are difficult to impose because of the severity of the sanctions.

Mr. BOLAND. Would you rather not impose the sanctions that you have because of the severity?

Mr. SIMONS. Basically, we have only two sanctions.

Mr. BOLAND. You could stop the money——

Mr. SIMONS. Then you are punishing the tenants.

COMPREHENSIVE MODERNIZATION IMPACT ON PRODUCTION

Mr. BOLAND. You are proposing contract authority in 1981, for 38,000 public housing units—exclusive of 4,000 Indian housing units. How many of the 38,000 units will not be developed if the authority is given to permit the diversion of 50 percent of the development authority for the Comprehensive Modernization initiative?

Mr. SIMONS. If all 50 percent were used, you would lose about 19,000 of the units.

Mr. BOLAND. What would be the adverse impact upon the PHA program?

Mr. SIMONS. I think we look at it as having a positive impact. As we discussed before, one of the problems is that of gaining public acceptance.

Mr. BOLAND. What you are doing also is making less units available.

Mr. SIMONS. Yes, that will be for a period of about 4 or 5 years, but at the same time, we will be removing one of the fundamental problems of acquiring sites and gaining community acceptance.

COST OF SERVING TOTAL NEED

Mr. BOLAND. Mr. Coughlin, have you any questions?

Mr. COUGHLIN. Yes, Mr. Chairman, I have some questions which are a followup.

I guess what concerns me as I look around at our assisted housing programs, I see some very outstanding elderly housing programs, which are heartwarming, I see some very expensive family housing in scattered sites, and the rest of the program is a disaster. I see high-rise and family housing in Philadelphia which is empty, and I see other projects which are not worthwhile. And I have raised questions before as to where this program goes in the universe where we are talking about assisted housing.

The Chairman indicated earlier that the average cost was $4,500 a year. If you multiply that by the 14.8 million families which HUD estimated needed assistance outside existing formulas—and that is from Secretary Harris' testimony last year—that would mean that we would roughly have an annual housing cost for this program alone of $67 billion. Am I correct?

Mr. SIMONS. All I know right now is that we are spending approximately $5.5 billion in outlays in 1981 to help 3.3 million families.

Mr. COUGHLIN. But the universe HUD would propose to assist of 14.8 million families, if you assisted all the families which under your criterion needed assistance, we would be talking about a $67 billion program.

Mr. SIMONS. If you assisted them all under new construction, the total would be $67 billion annually.

Mr. COUGHLIN. And you are assisting about 3.3 of the 14 million families this year?

Mr. SIMONS. In 1980, we will be assisting about 9 million beneficiaries.

Mr. COUGHLIN. Are we assisting families faster than new ones being added to the rolls?

Mr. SIMONS. I do not know whether we are or not. My guess is that the 300,000-unit level will assist at a more rapid rate than there are those coming into income deprivation.

Mr. COUGHLIN. You think people are coming into the eligibility range faster than they are being assisted?

Mr. SIMONS. No. We will be happy to have PD&R supply the data.

[The information follows:]

CHANGES IN HOUSING NEED

According to estimates of need from the 1970 census and subsequent Annual Housing Surveys, the number of income-eligible households with conditions of housing defects, crowding, or excessive cost burdens has remained fairly constant since 1970, but there has been some shift from problems of housing quality and overcrowding, to problems of excessive cost burdens. Federal housing programs have helped to upgrade the quality of housing and to provide adequate space for eligible households, but general economic conditions have forced many nonassisted households to devote a larger share of their household budgets to maintaining their housing standards. At the same time, the number of substandard or overcrowded units occupied by lower income households remains substantial—in excess of 5 million. Whether the level of assistance we are providing will continue to contribute to improvements or fall short of additional needs will depend upon the overall state of the national economy and upon conditions in the housing markets generally.

FUTURE FUNDING NEEDS

Mr. COUGHLIN. What can Congress expect in the next 10 years in the way of HUD-subsidized housing requests?

Mr. SIMONS. You raised in your opening statement the whole question of U.S. housing policy and how it is being perceived. Historically, you have to examine what that policy has been. We started in 1937 with the Public Housing program designed to aid and assist people who could not afford market-rate housing. Since that time, we have had many programs over the years of various types. We have reached a point where we are, as far as low-income people are concerned, delivering housing to them in two programs which I believe are as effective as possible.

If we are to make a commitment toward housing for those people, there must be a subsidy available to support that commitment. I think there are major questions to be faced as we look down the next 10 years as to whether or not we only help the stock of housing for low-income people, through improving on that stock itself, or approaching it in a more expensive way, through additions to the supply.

Construction programs are expensive in the sense of what they cost. If you are to put somebody in new construction, it has to be costly. However, they are not expensive in the sense money is being wasted. I feel the management we have tried to bring into these programs has met and continues to meet the challenge we face.

What you are raising is the question of what we do with total housing policy for low-income people, and how to get that housing if the private sector is not producing. We have to stimulate the private sector in such a way as to make that housing available as a lasting item in the community.

If we do not adequately house them and provide a means by which that housing can remain responsive to community needs, we

run into the problem that I found when I came to this Department—a tremendous community deterioration due to the fact housing was not being supported in a way so that it could be maintained properly for the community's needs.

So the choice we have coming to us is whether or not there are other ways to take pressure off the supply side of housing which would help us in delivering housing opportunities to low-income people, the means by which we place people into low-income housing. The question is, will this be the only program? And it is. In the 1980s, we should look to programs which will respond to this type of pressure.

HOUSING PRIORITIES

Mr. COUGHLIN. Last year Mrs. Harris testified that the highest priority should be to eliminate substandard housing and dangerous overcrowding. Paying more than 25 percent of one's income for shelter was, in her view, not as critical.

Do you share these priorities?

Mr. SIMONS. It is very difficult to try to do that because of the allocation process.

Mr. COUGHLIN. How can it be done?

Mr. SIMONS. Through the allocation process.

Mr. COUGHLIN. How can the allocation process be changed?

Mr. SIMONS. The fact someone may be suffering from income deprivation is just as important as other considerations.

To create priorities for substandard housing would be a difficult program to administer.

Mr. FREEDMAN. The elderly tend to pay a higher rent for their income. So if you were to put a preference on substandard, you would be cutting down the eligibility of the elderly for these programs.

Mr. SIMONS. We also have a preference in the law for people in substandard housing, which is a preference, not a mandate.

INCREASING RENT/INCOME RATIO

Mr. COUGHLIN. Should we increase the 20 percent for rent to 30 percent or some higher figure?

Mr. SIMONS. I do not believe this is a response to the problem. When you are talking about poor people, 25 percent of their income is a substantial amount; the view is that it should not be raised to a higher percentage.

Raising tenant contributions under the section 8 program would add nothing in the way of additional units and saving money because of the way we are now budgeting for them.

Mr. COUGHLIN. Should we reduce the percentage of median income level which a family earns in order to reduce the universe of those eligible for assisted housing?

Mr. SIMONS. Today, if you did that, you would be exacerbating another growing problem, and that is, what do you do with people over 80 percent of median income?

I think those people are also beginning to find it very different to find housing opportunities. There are very limited government programs for those people. As you reduce the percentage of median,

you are adding to that group which is now presenting potential problems for us. What I am saying to you is, perhaps if you had a program with some means of helping people between 80 percent and that level is which is hurting right now, you would then have an opportunity of reducing the 80 percent level for the assistance. But since there is no alternative, I feel the 80 percent is a reasonable level.

Mr. COUGHLIN. A reasonable level for obtaining assisted housing under Section 8 or other programs?

Mr. SIMONS. That is correct.

Mr. COUGHLIN. You do not feel the result of having two people with equal incomes living side by side, one being subsidized by the Government and the other not, is a bad result?

Mr. SIMONS. As the Secretary said, this is a result viewed as an impediment to any program. You would have to have a lottery where one person receives a subsidy and another does not.

IMPACTED AREAS

Mr. COUGHLIN. Yesterday, I raised some questions about the site selection criteria of HUD. The Secretary authorized me to say that he telephoned me this morning. I had raised a question about the 40-percent figure for impaction, as to whether that was a matter of law or regulation, and he authorized me to say it is *not* a matter of law or regulation, it is a matter of HUD internal policy.

Mr. SIMONS. That is correct.

Mr. COUGHLIN. I take it that also goes to the definition of an area; it is really a matter of HUD internal policy, and not a matter of law or regulation?

Mr. SIMONS. Yes, sir.

SITE SELECTION CRITERIA

Mr. COUGHLIN. It has been indicated that HUD was undergoing a review of its site-selection procedures because of the results which have been obtained in a number of areas, and I wonder how soon you expect that review to be completed.

Mr. SIMONS. The Under Secretary is here. He can answer it better than I can.

Mr. MARRERO. If I may, I have been coordinating the staff work on this. It is a very extensive effort we have undertaken because it is so complicated and involves so many people, not only in HUD but on the outside. We have tried to be very thorough about it and consider not only the views of HUD, but, also those on the outside, such as the Conference of Mayors and the housing people. We are considering the views expressed by all those, plus the views of the staff, and from the Secretary. We do not have a timetable for completing the work, but we expect it will be within the next few months.

Mr. COUGHLIN. I would take it that consideration would be given then to not restricting Community Development Block Grant funds, for example, based on noncompliance with a site-selection procedure which is now under review.

Mr. MARRERO. We have not formulated the full extent of the policy changes that might evolve. We are totally open-minded as to

the full implications. But we have not formulated what it would entail.

CITY OF PHILADELPHIA

Mr. COUGHLIN. My concern is, if you take the City of Philadelphia, where Community Block Grant funds are indeed being withheld because of concerns about this site selection procedure, I would hope they would not be withheld if the site selection matter is under review.

Mr. MARRERO. As the Secretary said, that City is special for a number of reasons and the withholding of the grants does not only relate to site selection. It is a complicated issue.

Mr. COUGHLIN. We also realize there is a new Administration in Philadelphia, with which we want to work.

Mr. MARRERO. Secretary Landrieu has gone out of his way to cooperate. He has had more discussions with Mayor Green than any other mayor that we have dealt with during the time the Secretary has been in office. We have set up a special task force to deal with the problems of Philadelphia, to offer the assistance of HUD and to look at the issues, not from the point of view of being adversaries with the kind of friction we have had in the past, but in being constructive and solving the problems. That has been the approach since the Secretary has been in office and I think we have made substantial progress. As you know, the Secretary has released a portion of the administrative funds which the city required to continue its Community Development program, and I think you will see more progress in time. We certainly are moving ahead with good faith and we have seen evidence on the part of the city that there will be more progress.

NEW CONSTRUCTION VS. EXISTING

Mr. COUGHLIN. I would like to touch a minute on the question of new construction versus existing housing as it applies to meeting site selection criteria in particular.

I guess I became confused as to if an area must accept a certain quota of assisted housing, why it makes any difference as to whether that is new construction or existing units?

Mr. SIMONS. It would not make any difference providing the existing housing opportunities are there. If they have the existing housing opportunities, no one is forcing them to take new construction.

Mr. COUGHLIN. So a community is not forced to have new construction if they can show existing units?

Mr. SIMONS. That is right.

CHELTENHAM TOWNSHIP

Mr. COUGHLIN. Then I have to ask one question which is parochial. In Cheltenham Township, Pennsylvania, much pressure has been brought to produce some Section 8 units. As an old township, close to the City of Philadelphia, I am sure you can appreciate that there is very little developable land left. What does exist is priced in the stratosphere. The township offered to find existing units if HUD would certify them for Section 8. HUD has demanded new

construction and suggests that the township subsidize the cost of the land.

That is not consistent with what you have just said.

Mr. SIMONS. I do not know if Cheltenham is in a category by itself. I would be happy to check on the case for you, Congressman, and report back. I am not familiar with the details.

Mr. COUGHLIN. I would appreciate that, because I think this is common in many parts of the country and the decision whether you use existing housing or new construction should pretty much be up to the local community.

[The information follows:]

HOUSING NEEDS OF CHELTENHAM TOWNSHIP

Under the Community Development Block grant (CDBG) program, participating communities are required to prepare local Housing Assistance Plans (HAPs) which identify, among other items, the communities' long-term housing needs and their short-term goals for meeting a reasonable proportion of the identified needs. In order to continue to receive funding under the Block Grant program, communities must provide evidence of acceptable progress toward meeting the goals that they themselves have established in the three-year and annual housing goals.

In its 1976 HAP, Cheltenham Township, Pennsylvania identified a three year goal of 223 units of Section 8 housing, including 100 units of new construction. Its 1979 annual goal includes the same 100 units of new construction and 20 units of existing housing. Since 1975, a total of 4 units of existing housing, which were funded by the separate Montgomery County (Pa.) Housing Authority, were used within Cheltenham Township. There have been no Section 8 units approved directly for the Township under either the Section 8 existing housing or new construction programs. Because of this, the approval of the latest HAP was conditioned upon the receipt of an acceptable application for 50 units of family and 10 units of large family housing under Section 8 new construction. These reflect the goals first established by the Township in the 1976 plan which have been repeated without success in each annual plan submitted since the original goal. In order to assure funding, a set-aside of Section 8 contract authority has been established for $332,000 in fiscal year 1980 for use in Cheltenham Township.

All parties concerned agree that the cost of land is an impediment to making new construction feasible in the community. However, while the Township had identified the need for new construction in 1976, no action had been taken until the Department threatened to hold up subsequent CDBG funding in 1980. While the community held discussions with several interested builders, no Notification of Fund Availability (NOFA) was advertised, and no serious attempts to find a solution to the land cost problem was evident until the Department acted. The Township recently has requested assistance in writing down the cost of land from Montgomery County, and the County's initial response has been favorable. Cheltenham Township has been invited to submit a proposal to the County for further review. The Township issued a NOFA inviting developers to submit proposals for the Section 8 units on April 25, 1980.

It should be stressed that HUD's action in holding up additional CDBG funding is not arbitrary, and the Department is not forcing the community to accept new construction that is not needed. The need for new construction to meet the needs of families and large families has been recognized for a long time and there are a number of means available for dealing with the problems of high land costs, including the use of Block Grant funds. The Department only acted when required to do so by the continued inaction of the community toward meeting the goals they themselves had established.

ALLOCATION OF A PORTION OF THE NEED

Mr. SIMONS. I do not know whether this has arisen, but unfortunately, where we get down to the smaller communities, in dealing with the allocation process, there may be other considerations.

Mrs. BOGGS. May I ask something?

Mr. COUGHLIN. Yes.

Mrs. BOGGS. If the community identified a need and availability of places for new housing units, would the old stock inventory hurt their chances of getting allocation for new construction?

Mr. SIMONS. Within an allocation area, they could get a proportion of new, and a proportion of rehab and existing units.

The program deals with so little money for so much, then the allocation areas break down to suballocation areas. It is then put into a larger allocation area. That is exactly the situation I suspect exists with regard to Cheltenham, where some disparities may arise because of that. But basically, the communities will get a proportional amount for each of their needs. It is determined on the basis of the proportionality they set forth.

Mrs. BOGGS. It seems last year, Larry, when we were having a discussion about rehabilitation, the Secretary did say there would be some communities with a need or an availability that could be hurt on new units if we put too much money into rehab and modernization.

Mr. SIMONS. When we look at the resources available for the existing housing, the resources for that vary from community to community. The Department has consistently advocated using HAPs as the controlling factor. Otherwise, you would be creating an artificial impediment in the proportionality determined by those communities.

ADMINISTRATIVE ALLOCATION OF PUBLIC HOUSING

Mr. COUGHLIN. As I understand it, HUD has an "administrative" allocation of Public Housing units which it insists on producing. It is also my understanding that the needs of communities are supposed to be developed locally and recorded on the HAP. Should a community rather have Section 8, could Public Housing funds be so spent?

Mr. SIMONS. The Public Housing funds and Section 8 funds are not fungible. The way we allocate the funds is based upon the local housing authority's option. So it will get part of the assisted housing allocation and is required to do it in the Public Housing mode.

What we have been doing for the past year, realizing the various delivery programs cause problems, is to have gone through a consulting process with the local governments in trying to decide which would be the most efficient development tool to meet their needs. We do want to build Public Housing and we cannot say everybody can elect against it. However, we want to give Public Housing to those communities which want it; and those which want Section 8, get Section 8.

Mr. COUGHLIN. Should those not be fungible?

Mr. SIMONS. One has tax-exempt financing; the other does not. The one has a "pilot" impact—local property tax payments—the other does not. So, they are not identical programs. They serve the same purpose but are not identical delivery makers.

As I discussed with the Chairman earlier, there are pros and cons to each one.

Mrs. BOGGS [presiding]. Mr. Sabo?

INDIAN HOUSING

Mr. SABO. I am curious why the reduction from 6,000 to 4,000 units in the Indian reservation housing?

Mr. SIMONS. Basically, in making up the estimates we came to the conclusion that the 4,000 units, while not representing the need for the Native Americans, was the level within the capacity of present limitations.

Mr. SABO. It was 6,000 last year. What is in the pipeline?

Mr. SIMONS. 6,000 has been committed. In fact our Indian housing starts last year were about 5,000. There appears to be a pipeline clog.

Mr. MCHENRY. There are about 19,000 units in the pipeline now. We estimate another 5,000 starts of Indian housing this year. Based on that, it was felt 4,000 would be an adequate level for new reservations.

RENT INCREASES

Mr. SABO. On Section 8 Public Housing, what happens to rents? It seems to me rents should not go up as quickly as CPI.

Mr. SIMONS. They do not.

Mr. SABO. What portion of the total cost is paid by the renters?

Mr. SIMONS. They pay 25 percent of the income—I think the most recent average income is around $4,300 a year for Section 8 and $3,900 for Public Housing participants.

Mr. SABO. For the elderly, I think their Social Security payments are going up 13 to 14 percent this summer, and I would think that this increase in income would result in them paying a higher portion of their rents.

Mr. SIMONS. The Federal government will take part of that back. The last time Social Security went up, I think in 1977, we had an increase in Social Security, but we did have the benefit of being able to reduce the subsidy accordingly.

Mr. SABO. Is that reflected in the budget request this time?

Mr. SIMONS. No, because the data was developed 2 years ago and started going into the pipeline 2 years ago. It will be reflected when we develop the estimates for next year. So when we come in for 1982, we will be able to reflect that increase.

Mr. MCHENRY. For the elderly we only recertify income every 2 years. If we were to have a Social Security increase this year, there would be some families we would not pick up because they have just been reexamined.

Mr. SABO. So they can go 2 years without a rent adjustment.

Mr. SIMONS. Right. Also, in the Section 8 program we will pick that up when we complete the certifications, but that would go into the project reserve. The Section 8 subsidy payment in any one year is governed by tenants' contributions.

Mr. SABO. What happens to Section 8 rents? Do they go up slower?

Mr. SIMONS. Much slower, because they are controlled by a formula for annual increase. Much of the rent is determined by debt service. I think the average increase is about 6 percent.

Mr. FREEDMAN. About 7 percent was the annual adjustment.

Mr. SIMONS. For Section 8 new construction projects, rent is set when they are built and occupied. The annual adjustment factor is running about 7 percent. That is picked up by the reserves which comes out of the tenants' contributions. On the existing housing side, you will see that number growing in the budget, because that becomes the rent level needed to give people existing housing opportunities. Those are picked up each year, and there is a rent increase each year of again about 7 percent.

MOBILE HOMES

Mr. SABO. I am not sure what you call them, but mobile homes—as any rate they are not mobile anymore, are they eligible for the 235 program?

Mr. SIMONS. With regard to Section 8, we do have a subsidy for the rental paid for the mobile home pad. We have a subsidy program which was enacted by Congress in 1978.

With respect to mobile homes, I would rather call it manufactured housing. We are trying to encourage manufactured housing to the maximum extent possible. Today if it meets our minimum standard under our regular Section 203 program, it is eligible for the long-term financing insurance.

Mr. SABO. Do many of them meet it?

Mr. SIMONS. More and more meet our standards. We are looking at all our minimum property standards with industry representatives to see which ones need to be changed in order to create a wider range of eligibility. We will try to accommodate them within the standards for heating efficiency, habitability, and safety. I have spent a lot of time with that industry. This type of housing must be removed from the chattel mortgage form of Title I. If it is moved into long-term mortgages, minimum rates would be possible. They are trying to accomplish that. We are trying to work cooperatively with the industry to see what impediments we have in our minimum property standards preventing this. Although this industry is suffering like others, their numbers are holding up very well. I see this as a fine resource for low-cost housing.

Mr. SABO. Thank you.

Mrs. BOGGS. Thank you, Mr. Sabo.

Following through on that, if manufactured housing is a good answer to providing adequate, attractive low-cost housing for those who need it, why do we stick to the mobile type arrangement? Could we not have manufactured housing that would be different in its structure and so on?

Mr. SIMONS. You mean different from the mobile home?

Mrs. BOGGS. Yes.

Mr. SIMONS. It serves a different purpose. In looking at mobile home parks where they are regarded as chattels, the difference is that the property is owned by the developer and the home itself is the only thing the person buys. He can remove it from that site if he wants to. The classical requirement in mortgage financing requires some relationship between the land and the structure. We are seeing many instances where instead of people coming in and buying just the home on the lot, they will buy the home and land underneath it, making them available for mortgage-type financing.

ANTI-CRIME DEMONSTRATION

Mrs. BOGGS. How much of the modernization money is used to promote the anti-crime demonstration?

Mr. MCHENRY. $21 million of the money in the anti-crime demonstration is modernization funds. The balance is coming from Labor Department, $8 million, HUD community development fund is about $2½ million. This is a local government contribution which amounts to around $7 or $8 million in that program, as well.

Mrs. BOGGS. How does this program seem to be going?

Mr. MCHENRY. Thus far—it got off to a very slow start because it was a very complicated program. Local governments as well as our office do not have much experience. At this point, the program seems to be going very well. By far, the majority of the cities have now had their final plans approved and they are beginning to staff up. The preliminary report we submitted last month was just that, because we do not have any experience to say whether any of the techniques tested are in fact working. When we reported this time, we simply gave a progress-type report. We hope to report in more depth in the next report.

FLEXIBLE SUBSIDY

Mrs. BOGGS. What are the primary uses of troubled Projects money? Is there a pattern of the kind of assistance required in the flexible subsidy?

Mr. SIMONS. Basically, it is for comprehensive assistance including physical repairs and replacement repairs. Part of it also is being used to increase Rent Supplement contracts.

So, there are two purposes, but the primary purpose is for comprehensive assistance.

Mrs. BOGGS. Do you still want to regard this as a short-term program?

Mr. SIMONS. Yes. The money is supposed to be spent for physical need so as to bring the projects up to standard.

RELIABILITY OF ASSISTED HOUSING ESTIMATES

Mrs. BOGGS. Mr. Stokes?

Mr. STOKES. Thank you, Madam Chairwoman.

Mr. Secretary, I am pleased to see the $6 billion increase for subsidized housing in the fiscal year 1981 budget. I suppose that, aside from defense, this is one of the few activities in the Federal budget which received a real increase. Last year, we were told that the increase was sufficient for 300,000 units. In actuality, only 240,000 were provided. I would like to know why such a low number of reservations were achieved.

Mr. SIMONS. Last year, in the budget there was no special line item for amendments. Also there was a change in the new/existing unit proportionality, and the inflation factors caused a shrinkage in the number of units which could be supported under the program.

Mr. STOKES. Will your fiscal year 1981 budget request be sufficient to fund 300,000 units?

Mr. SIMONS. We believe so, because we have identified the amendments as a separate line item, which I think is a major step forward. I think our estimates are very sound, and we expect a minimum change in units supported because of proportionality. Trying to estimate costs in this economy is difficult, but based upon the program modifications we have made, we feel our estimates are realistic at this point.

DEMAND FOR PUBLIC HOUSING

Mr. STOKES. Yesterday, you heard some of my concerns about Public Housing which I expressed in an exchange with the Secretary. Also, you have been to Cleveland and you are familiar with the public housing conditions there.

In last year's testimony, you indicated that 24,194 families were on waiting lists for Public Housing. My question is, are we making any progress in of meeting the large public demand for Public Housing?

Mr. SIMONS. I think we are. The progress is being made in two major areas. One is in dealing with the quality of the stock. This year's budget proposal indicates we want to make major efforts to do this. Secondly, we see the starts increase. Last year we had over 22,000 starts in Public Housing; this year, we expect to see 40,000. We are seeing the Public Housing authorities understand that Public Housing is here to stay. It is a program that the Department has geared up for. We will continue to make programmatic improvements which will enhance the delivery of new Public Housing units.

There are two strategies: one, of enhancing and continuing our commitment to new construction, and the other, showing our commitment to the older stock. This will go a long way toward removing the impediments to Public Housing which are so prevalent today.

Mr. STOKES. My followup question is why are you requesting funds for only 42,000 units as compared to last year's request for 50,000?

Mr. SIMONS. This is a pipeline question. As you know, we have consistently reserved over the years at the 50 to 60,000 unit level and the production has been slow in building. We felt this reservation level would not impede our production of these units. For 1980, the contract and budget authority will only produce about 38,000 units. Actually, we are asking for an increase over what we estimate will be reserved this year.

PUBLIC HOUSING WAITING LISTS

Mr. STOKES. Will you provide for the record the number of families currently on the Public Housing waiting lists or number of people?

Mr. SIMONS. All right.

[The information follows:]

NUMBER OF FAMILIES ON WAITING LISTS FOR PUBLIC HOUSING

For fiscal year 1977, the latest survey information available, the data indicates that 200,759 families applied for admission to Public Housing. Of this total, 44,800

families were housed, 31,765 applications were rejected and the remaining 124,194 families were placed on waiting lists.

REHABILITATION OF PUBLIC HOUSING

Mr. STOKES. I was also pleased to hear your proposal to allow Public Housing Authorities to opt for rehabilitation of existing Public Housing units, instead of building new ones. This has been one of our concerns in Cleveland where the Cairo project is totaling over $68 million. Can you give us some of the specifics regarding this new proposal?

Mr. MCHENRY. Mr. Stokes, we are proposing to allow Housing Authorities, based on their option in consultation with the local government, to divert up to half of new development authority for Comprehensive Modernization of older stock. We would require a management improvement plan to do the kind of rehabilitation of that stock which would assure that projects would not need additional modernization for at least 20 years. We would make certain policy changes to include new energy conservation measures, or rehabilitation for the handicapped. That is generally the proposal. We are talking about substantial rehabilitation. Also, all their security needs would have to be built in.

IMPACT OF MAXIMUM UTILIZATION

Mr. STOKES. How much of the available contract authority in the fiscal year 1981 budget do you estimate the PHAs will use for modernization? What effect will this have on additional Public Housing units to be provided in fiscal year 1981?

Mr. SIMONS. If all 50 percent is used, it would permit the use of $96 million. If the maximum were used, it would reduce by about 19,000 the number of public housing units.

Mr. STOKES. Is this reflected in your estimate that 38,000 units of public housing will be provided in the fiscal year 1981 budget?

Mr. MCHENRY. If the maximum—all 50 percent—were shifted from the 38,000 units which we are proposing, then we would only get 19,000 units.

We do not expect utilization to the maximum extent, Mr. Stokes. I cannot give you a number, but we do not think it will be utilized to that extent.

PUBLIC HOUSING SUPPLEMENTAL

Mr. STOKES. You propose a $52.6 million supplemental appropriation for Public Housing Operating Subsidies. I know a number of PHA's are dissatisfied with the present formula and believe it inadequately provides for operating costs.

Tell us why the Department decided to request a supplemental appropriation.

Mr. SIMONS. As you know, we have a major study of the Performance Funding System underway which has revealed inequities in dealing with larger older metropolitan housing authorities. Rather than making a partial change in the funding system at this time, we wanted to make a change that would take care of the most probable universe and have the plan restructured by next year. So this is more or less a stopgap move at this point to take care of

those housing authorities which have been hurt by the system, but we are not ready to change the whole system. Rather than letting them wait until the system is revised, we will have to do something to bring them back into a situation where they will be able to survive until 1982.

ALLOCATION OF SUPPLEMENTAL FUNDS

Mr. STOKES. Are you able to tell us at this time how the supplemental appropriation will be distributed among the PHAs?

Mr. MCHENRY. It is targeted for only 10 housing authorities that are now in a deficit reserve position. Those 10 had deficits at the end of our last fiscal year, and we wish simply to take care of the deficits. It adds nothing to their reserves, but simply cures the deficit, allowing them to continue operation until we make changes in the Performance Funding System.

Mr. STOKES. Are those the housing authorities with the most severe financial positions?

Mr. MCHENRY. There are others which are under stress, but did not have deficit positions.

Mr. STOKES. Will you provide for the record the other public housing authorities which you consider to be in financial stress?

[The information follows:]

PHA'S IN FINANCIAL STRESS

Of the 30 financially troubled PHA's (defined as those PHAs with operating reserve levels of 20 percent or less), all have management problems of some sort. However, these PHA's are not necessarily poorly managed. The causes of these problems range from management turnover brought about by local political changes, PHA's with uncontrollable expenses that increased disproportionately to income (such as utilities and insurance) and PHA's with aged projects requiring maintenance and repair costs not fully absorbable by PHA operating budgets.

The 30 PHA's are as follows:

1. Atlanta, Ga.
2. Boston, Mass.
3. Bridgeport, Conn.
4. Chicago, Ill.
5. Cleveland, Ohio
6. Columbus, Ohio
7. Detroit, Mich
8. East St. Louis, Ill.
9. Elizabeth, N.J.
10. El Paso, Tex.
11. Fall River, Mass.
12. Honolulu, Hawaii
13. Houston, Tex.
14. Jacksonville, Fla.
15. Jersey City, N.J.
16. Kansas City, Kans.
17. Los Angeles, Calif.
18. Lowell, Mass.
19. Newark, N.J.
20. New Bedford, Mass.
21. New Haven, Conn.
22. New Orleans, La.
23. New York, N.Y.
24. Peoria, Ill.
25. Philadelphia, Pa.
26. Portland, Oreg.
27. Providence, R.I.
28. San Francisco, Calif.
29. Washington, D.C.
30. Wilmington, Del.

RATIO OF HAP NEEDS BEING MET

Mr. STOKES. What percent of local housing needs, as identified in the Housing Assistance Plans, currently is being met through the housing programs operated by HUD?

Mr. SIMONS. We would have to supply that for the record. W will get the data from PD&R.

[The information follows:]

HOUSING ASSISTANCE AS A PERCENTAGE OF NEED

Data from the local Housing Assistance Plans (HAPs) approved in 1979 still are being compiled and aggregate summaries are not yet available. Past years' HAPs have identified a total "need" of over 9 million housing units. Since not all communities prepare HAPs, even this total is somewhat understated. The latest HUD estimate of total nation-wide eligibility (using data from the Census and the Annual Housing Survey) is as follows:

Households eligible for assistance by reason of:	*Number of households in millions*
Excessive housing costs only	10.4
Overcrowded conditions	1.3
Specified physical deficiencies	5.0
Total eligible universe of need	16.7

There is obviously a considerable amount of imprecision in any estimate of national "need", and there are a number of conceptual and definitional problems of determining the need for housing assistance that are still unresolved. Nevertheless, assuming 300,000 units of Section 8 and Public Housing and 100,000 units of Section 235, the total assistance level proposed in the 1981 Budget would equal four percent of identified need using the lower HAP numbers. Using the higher HUD estimate, two percent of need would be met under the proposed funding levels. While this is obviously less than what might be considered desirable under other circumstances, the Department has consistently held that need will continue to exceed the available resources for the foreseeable future. Definitions of total need are useful as a means to allocate available resources and to establish short-term goals. However, it is the availability of resources rather than need that determines what HUD can propose in its annual Budgets.

Mr. STOKES. Thank you, Mr. Secretary.

Thank you, Madam Chairwoman.

Mrs. BOGGS. Mr. Coughlin?

TENANT RENT CONTRIBUTION

Mr. COUGHLIN. In this year's housing authorization bill, the House voted to make some Section 8 tenants pay up to 30 percent of their incomes in rent, instead of the usual 25 percent. What additional revenue would result by increasing rents by 30 percent?

Mr. SIMONS. We can give you the data on Public Housing and Section 8 from a budget standpoint. The only place it would make a difference would be on the Public Housing side. In Section 8, it would just go into the reserves.

Mr. KLIMAN. It would be a very small number in 1981. If I recall correctly, it would save a little over $4 million.

Mr. COUGHLIN. I call attention that we are not just trying to save money in 1981.

Mr. KLIMAN. What year would you like data for?

Mr. COUGHLIN. Over the long haul.

Mr. SIMONS. We have the numbers, and the run out and we will supply them for the record.

[The information follows:]

PUBLIC HOUSING AND SECTION 8 ESTIMATED RENT INCREASES

The Housing and Community Development Amendments of 1979 authorize the Secretary to require Section 8 and Public Housing tenants, other than those tenants classified as very low income (income less than fifty percent of area median), to pay up to thirty percent of income towards the payment of rent on the unit. Prior to enactment of this amendment, the maximum tenant contribution was limited to not more than twenty-five percent of income.

This increase, if implemented by the Secretary, would not affect those households already in assisted units prior to January 1, 1980 so long as they continue in occupany. The following estimates reflect the maximum expected outlay savings assuming implementation of the provision on October 1, 1980. This higher contribution is, of course, limited to those new tenants with income in excess of fifty percent of area median income.

POTENTIAL OUTLAY REDUCTION ATTRIBUTABLE TO INCREASE IN TENANT RENT SHARE

[In thousands of dollars]

	1981	1982	1983	1984	1985
Public housing	4,147	13,780	21,920	30,940	41,020
Section 8	3,480	18,984	37,596	58,205	81,415
Total, potential outlay savings	7,627	32,764	59,516	89,145	122,435

The estimated outlay savings presented for both Public Housing and Section 8 assume that tenants in the fifty to eightly percent of median income range will not be deterred from participating in the program as a consequence of the higher rent burden.

HOUSING PRIORITY

Mr. COUGHLIN. Is HUD's first priority to provide housing to the poorest of the poor?

Mr. SIMONS. The law mandates a certain priority to very low and low income persons. It requires 30 percent of the units to go to the very low-income. The data indicates that about 93 percent is going to the very low-income category.

Mr. MCHENRY. In the Public Housing program, the law also mandates that you get a mix among the low-income participants so the law there clearly states you do not provide all the housing to the lowest of the low-income group. We are required to achieve an economic mix.

Mr. COUGHLIN. When you responded to the question saying that those who receive assistance, it is basically based on a lottery—if you lowered the eligibility standard to 50 percent of median income, would that not have the effect of channeling more assistance to the poorest of the poor rather than by lottery?

Mr. SIMONS. It would depend on the funding levels that you gave us.

Basically, as you lower the income levels the universe becomes smaller. The assumption is correct.

Mr. COUGHLIN. It would be less of a lottery.

Mr. SIMONS. That would be overlooking some of the fundamental problems. There are other purposes in the law, other than just dealing with the poorest of the poor.

Mr. COUGHLIN. If the Philadelphia Housing Authority came up with a plan or strategy which did not necessarily place 50 percent in impacted areas and 50 percent in nonimpacted areas, the regional office would have discretion to approve supplements; am I correct?

Mr. SIMONS. Let us leave Philadelphia out of it. I do not think it is fair to discuss a specific housing authority.

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AREA IMPACTION

Mr. COUGHLIN. If a housing authority came up with a housing plan which did not necessarily put 50 percent in impacted areas and 50 percent in nonimpacted areas, there would be discretion to approve or disapprove such a plan?

Mr. MCHENRY. Yes, within the Area Office.

Mr. SIMONS. As we look at these standards in total, we are mandated by law to look at many, many factors in determining the siting of that housing.

You have Title VI restraint; Title VIII restraint, which require affirmative action. You have the whole question of fulfilling housing needs. The neighborhood standard must be based on some rational process where these can be balanced in a manner which can be described as a sound administrative process.

There are a couple of recent Supreme Court decisions dealing in this area. I think we are seeing some changes; maybe not changes, but final statements of the law by the highest court in this land.

DISCRETIONARY STANDARDS

Mr. COUGHLIN. And if a housing authority came up with a plan that defined "impact" as other than 40 percent minority population, that could be approved by the Area Office within its discretion?

Mr. SIMONS. We have the discretion to build within an impacted area, forgetting the 40 percent criteria.

Mr. COUGHLIN. My concern is that in many cases, housing authorities feel they are being mandated by HUD to meet certain standards which they are in one way or another led to believe are mandatory, when in fact those standards are discretionary.

Mr. SIMONS. I would agree with you. One of the reasons the Secretary has ordered a comprehensive review is that there seems to be a nonuniform application of these standards in the field. One of the purposes of this review is to try to get clear, concise instructions out to get uniform standards.

CONVERSION FROM OIL TO COAL

Mr. COUGHLIN. On the modernization program, is anything being done to convert from heating oil to coal?

Mr. SIMONS. I believe in Pennsylvania we have a program under way.

Mr. MCHENRY. We have a program under way to convert from oil to other fuels. We do not mandate that it has to be coal, but we are encouraging and are providing a set-aside of modernization funds to convert from oil-fired systems to other systems.

COOPERATIVE AND CONDOMINIUM CONVERSION

Mr. COUGHLIN. On the question of co-ops, many buildings are going condo or co-op, forcing renters out and worsening the already critical vacancy rate problem.

Does HUD have a program of low-down-payment loans to allow tenants to buy their own apartment building and convert it to cooperative housing?

Mr. SIMONS. The problem with conversions as you point out is a matter of lack of supply of rental units. In dealing with the whole problem, the fundamental question is that the Department realizes how important is the problem of a transition period where supply is not forthcoming. Right now it is under policy review in all programs to decide how they should impact in light of the current market situation. We really do not want to get involved in the private sector inhibiting private action where it normally takes place.

On the other hand, we do have a responsibility in certain areas where we have control of the process and will have to come to some decision as to what we will permit within our own control and processing. In connection with this, we are looking at the implementation of programs which will enhance the ability to perform the conversion. If you do that in an unfettered, uncontrolled manner, you may be feeding the fuels that are firing the whole thing. So what we are looking at is the potentiality of helping people but in a fairly controlled-type situation.

Mr. COUGHLIN. Do you have a problem of allowing low-down-payment loans to tenants?

Mr. SIMONS. In the cooperative area low down payments and FHA insurance, the section 203(n) program.

Mr. COUGHLIN. Is that program being used at all?

Mr. SIMONS. It is available for existing co-ops; it is a means of financing a cooperative purchase where the co-op is in being. The problem is how to provide for the purchase without exacerbating the accelerated conversion process we are seeing.

INCENTIVES TO RENT

Mr. COUGHLIN. I was horrified yesterday to hear the statement that eventually all rental housing would be assisted housing. I think the statement was made yesterday.

Mr. SIMONS. The statement was made yesterday. As we look at what is happening out there, we may already be at that stage, basically.

Mr. COUGHLIN. What can be done to counteract that situation?

Mr. SIMONS. We look at the situation we are in where homeownership has become such a desirable element for people of middle income and above that we have taken away any incentive to rent. Now doing that, the question is how do you provide some incentive for people to again rent. One of the options of course is to restructure some tax laws which is a difficult thing to do because those laws are creating housing policy whether we like it or not. What we are left with is how we handle government programs which may be counter to sound housing policy. We might implement tax laws giving the same benefit to renters as you do to homeowners, although I do not think that will produce much of a major change; and secondly, whether it is within the Government's interest to come up with a shallow subsidy to create the option for people to

rent again rather than purchase, I think it is an economic decision people make.

INCREASED ROLE FOR STATES

Mr. COUGHLIN. HUD deals mostly with localities in delivering housing and community development services. What is your opinion of an increased role for the States?

Mr. SIMONS. The States do play a major part in delivery of our programs. The State financing agencies have been supported by those programs right down the line. They are an important deliverer of these programs. Thirty-eight States have these agencies. The potential for the States' role can be seen in States where they use Statewide planning which helps in the developing of PHAs and assisted housing. The Federal funds will follow, consistent with the plans laid out by the State agencies. I think, give the money to the States then down to the localities is an interstitial layer, so they say.

REGIONAL HOUSING MOBILITY PROGRAM

Mr. COUGHLIN. What is the regional housing mobility program?

Mr. SIMONS. I will be glad to supply a full description for the record.

It is a program using existing Section 8 to provide greater mobility and opportunity for choice to the people. When Mr. Embry is here, he can answer that.

Mr. COUGHLIN. How much is in the fiscal year 1981 budget for that project?

Mr. SIMONS. Nothing specified for that now. Any funding has come from the Secretary's discretionary Fund out of CDBG Fund.

Mr. FREEDMAN. The purpose is to allow tenants to use certificates outside the jurisdiction in which it was issued. The program is to enable the individual to do this.

[The information follows:]

REGIONAL HOUSING MOBILITY PROGRAM

The Regional Housing Mobility (RHM) program is administered by Community Planning and Development (CPD). The program is funded through the use of the Secretary's Discretionary Fund under the Community Development Block Grant program. The use of funds for this type of program is authorized under Section 107(a)(8) of the Housing and Community Development Act of 1974, as amended. Seventeen regional planning organizations have received funding during fiscal year 1980, and a total of $1,859,000 has been allocated to the RHM program for the current fiscal year.

The RHM program provides funds to selected metropolitan areawide planning organizations for the purpose of promoting the inter-jurisdictional use of Section 8 Existing Housing Certificates. Under the program, these agencies undertake referral, vacancy information exchange and other housing counseling activities which serve to facilitate the movement of eligibile households from areas which have a high concentration of low income and minority persons to housing in other less concentrated areas within the community.

TAINO TOWERS

Mr. COUGHLIN. One bright spot I noticed was the opening of Taino Towers in Harlem after a 3 year delay. Was the final cost of development $50 million?

Mr. SIMONS. The project is not completed. About 25 percent is open; the rest will be completed this year or early next year, at which time we will have the final development costs.

Mr. COUGHLIN. What is it expected to be?

Mr. SIMONS. I am not prepared to say what I expect it to be in total. As you know, that project, which we started back in 1968 or 1969, was designed to build a community resource facility for a whole community, and those resources are in that project. The problem with which we are dealing right now is how to structure the financing to support that building and support the Federal government's investment.

Mr. COUGHLIN. Are the swimming pools, greenhouse and gymnasium open as yet?

Mr. SIMONS. They are not. One of the problems in dealing with that is what use can be made of that space? It was originally designed as a community resource facility. There is a theater in there and health facilities. The concept was for it to be a resource for all the community and the needs of the area were built into this project. Normally, you would find a theater or swimming pool as separate facilities.

Mr. COUGHLIN. Then it really was not a housing project.

Mr. SIMONS. No, a community resource.

Mr. COUGHLIN. Thank you very much, Madam Chairman.

Mrs. BOGGS. Mr. Stokes?

LOCAL ACCEPTANCE OF REGIONAL MOBILITY

Mr. STOKES. I have one question predicated on the question posed by the gentleman from Pennsylvania. In Cleveland, this program is causing a great deal of controversy in the black community. I wonder if you are having the same problem in other black communities around the country.

Mr. SIMONS. I do not know whether we are, but one of the interesting dilemmas is the Department's view that people should have freedom of choice, and our problem is to remove the impediments from that choice. The Regional Mobility Program was viewed as an attempt to remove the impediments from the ability to make a free choice. People may want to stay in the city or get out, and we felt there should be some opportunity for that. There is a great dialog going on now with respect to housing which I think is far different than it was 12 years ago, and that is the question of whether low-income groups have a choice to say "I do not want to be dispersed; I want to live within my area." That is one of the reasons the site and neighborhood standards are coming under review now, because that dichotomy has developed. I think the Department and the Secretary would fully support this responsibility to be fully responsive when those changes are taking place throughout the country and to see what flexibility is required and then make policy changes which should be consistent with the goals of this Government.

Mr. COUGHLIN. I think the point is very well taken, because one choice is to have approved housing where you are.

Mr. SIMONS. I agree with you. The question becomes especially critical in a program not fully funded to the needs of the people,

how do you prioritize or make that decision? You have some people say "I want an opportunity to have a greater freedom of choice," and you will have others who say, "Fix my area up; this is a great area." This is the dichotomy we are in right now. If we had sufficient funding I do not think the dichotomy would exist.

LOCAL DISCRETION IN SETTING GUIDELINES

Mr. STOKES. In conjunction with that plan, do local authorities have some discretion in setting guidelines? I pose that question because one of the officers of NOACCA, our regional planning authority, indicated to me that in order to make the HUD plan more palatable to people in our communities they had set up certain standards and guidelines relative to the program. I have not yet had a chance to check that, but is this something that local communities can do?

Mr. SIMONS. The program is being administered by the CD people, so I would suggest that you reserve that question for them.

FROM SUBURBS TO CITY

Mrs. BOGGS. Would the flexibility also apply to a case when someone lives on the periphery and wishes to come back into town to a neighborhood where he would like to live?

Mr. SIMONS. If we had the banner of flexibility, that would be so. What Congressman Stokes is suggesting is a plan designed where people usually get their assistance through central city housing authorities and allow them to use that outside the jurisdiction of that housing program, so it is a program of in-out, rather than a question of out-to-in. I do not know whether or not there are areas where that is not possible. One of the things considered in structuring was the jurisdiction of housing authorities so people in the suburbs could make the choice to come into the cities, too.

Mrs. BOGGS. Even across a river?

Mr. SIMONS. I call those the suburbs.

Mrs. BOGGS. Thank you. The Committee stands adjourned.

TUESDAY, APRIL 29, 1980.

PROPOSED SALE OF PUBLIC HOUSING OBLIGATIONS TO FEDERAL FINANCING BANK

Mr. BOLAND. The Committee will come to order.

We will turn to Tab D in the "Low Rent Public Housing, Loans and Other Expenses" section of the justifications. The justifications discuss in some detail your request for supplemental appropriation language to transfer $1,995,325,000 in unobligated budget authority from "Annual Contributions for Assisted Housing" to the "Low Rent Public Housing Loan Fund."

Will you give us a description of this request? I realize the justifications detail it fairly well, but it is a little complex, so why don't you tell us what you are doing here?

Mr. SIMONS. The 1981 budget presents a change in policy with respect to the financing of Public Housing. We are proposing to do the financing of Public Housing through the Federal Financing Bank, which represents taxable financing, rather than using tax-exempt obligations as has been the practice in the past. The request you are talking about would be to use some unobligated budget authority to begin this procedure during 1980 on some of the older projects.

There are two parts to the proposal. One, we are proposing to reserve, starting in 1981, the additional funding required to convert Public Housing to taxable financing.

The second part relates to the problem of selling our investors on notes. As you know, we are rolling over, in the private market, approximately $7 billion worth of Public Housing short-term notes which have not gone to permanent financing and we have to start to convert part of those to permanent financing. The $1,995 million proposed transfer would allow us to start converting some of those notes over to permanent financing. Mr. Kliman can tell you how much that would cover.

Mr. KLIMAN. The proposal is to take up to approximately a billion and a half dollars of notes and convert them into long-term obligations to be sold to the Federal Financing Bank.

Mr. SIMONS. And the $1,995 million would be the budget authority necessary to do that.

Mr. KLIMAN. That is correct.

Mr. BOLAND. Does that change require authorization by the Legislative Committee?

Mr. KLIMAN. No, sir. The Federal Financing Act already provides sufficient authorization for this particular purpose.

IMPACT OF NOT APPROVING FFB PROPOSAL

Mr. BOLAND. What would be the impact if the Subcomittee didn't approve the supplemental language that you propose?

Mr. SIMONS. We would have to continue with tax-exempt financing until we could get to the market with permanent obligations. This is a serious problem in today's financial market. We would, I think, need additional Treasury borrowing authority.

Mr. KLIMAN. Let me give you a rundown on it. One of the potential impacts of not doing this is stopping the Public Housing

program. The program is getting into a critical financial situation. As indicated in the justifications, right now the effective limit on the total amount of short-term borrowings that we may have outstanding at any one time is $20 billion. Without an increase in that ceiling, we will be reaching the $20 billion limitation some time in 1981.

That $20 billion is a combination of the actual notes outstanding as well as the commitments for projects yet to be financed. We will have to do something if we are to keep the Public Housing program going. It is possible under the statute to increase the limitation. The President does have the authority in the Public Housing Statute to raise the borrowing limitation which would effectively raise the $20 billion ceiling.

The situation that we face, however, is the increasing difficulty in rolling over short-term notes, both from a marketing standpoint, as well as from a pure workload and staffing standpoint. The situation is getting to the point where it is becoming more and more difficult to continue to roll over amounts in excess of a billion dollars of short-term notes each month.

At current interest rates, we have also found an inability to sell a few hundred million dollars of notes from time to time. We already this year have had to make direct loans in excess of $800 million. If that situation continues we will slowly find ourselves in the position of being up against the total Treasury borrowing ceiling of $1.5 billion. Something has to be done.

The options for permanent financing basically are to either go to the private market or to go to the Federal Financing Bank. Those are the only two options available.

The private market—and Larry Simons can probably tell you much better about the private market than I can—has not been used since 1974. Quite frankly, I do not know if there is a market out there any more for 40-year tax-exempt bonds.

SELLING BONDS TO TREASURY VERSUS FFB

Mr. BOLAND. What problems would there be for the Department if the budget authority were provided, but we suggested that HUD go to the Treasury rather than the Federal Financing Bank.

Mr. KLIMAN. The only authority in the law that currently exists is to sell to the Federal Financing Bank. I do not believe that the Treasury has the authority to purchase these bonds directly.

Mr. BOLAND. That is the problem you face. Of course, we actually could legislate that if we wanted to.

Mr. KLIMAN. Yes it could be legislated.

Mr. BOLAND. Would it make any difference if we did?

Mr. KLIMAN. From my point of view, it is irrelevant, to whom we sell it.

Mr. BOLAND. The Federal Financing Bank is off budget and there is an effort being made by this Administration to get as many items that are off budget on budget. This would accomplish that.

What about the impact of this change on the cost to the Federal government or to the Treasury?

Mr. KLIMAN. Actually it should be about even. The Treasury has given us the impact of going taxable in lieu of non-taxable. And

that shows that the payments would be at least offset by increased tax receipts.

Mr. BOLAND. So the cost to the taxpayer wouldn't be any greater?

Mr. KLIMAN. No, sir.

SOURCE OF FUNDING FOR PROPOSED SUPPLEMENTAL

Mr. BOLAND. Mr. Coughlin?

Mr. COUGHLIN. I want to see what we are doing here. This means you are going to have less assisted housing?

Mr. KLIMAN. No, sir.

Mr. SIMONS. No, the budget provides the funds necessary for reservations separately.

Mr. KLIMAN. This is a way of financing the public housing program.

Mr. SIMONS. This is a transfer from Annual Contributions for Assisted Housing.

Mr. KLIMAN. That is right. We will have about two billion dollars of budget authority without corresponding contract authority in the Annual Contributions account. There are two financial constraints on the program. If you run out of one, you cannot use the other. Therefore, we have this amount of budget authority which may not be used.

Mr. COUGHLIN. In the Annual Contributions for Assisted Housing, you have about $2 billion in excess budget authority, is that right?

Mr. SIMONS. That is correct.

Mr. COUGHLIN. You can't use it. Why?

Mr. SIMONS. There is no contract authority to go with it. We would not need this additional budget authority for new reservations, it would be for financing projects already committed.

Mr. COUGHLIN. For Low Rent Public Housing loans funding projects already committed and built, is about what you are talking?

Mr. SIMONS. Yes, sir.

Mr. COUGHLIN. And you have the contract authority there?

Mr. SIMONS. That is right.

Mr. COUGHLIN. But not budget authority for carrying on existing Public Housing projects?

Mr. SIMONS. Those which are already in the pipeline. What we have done is, we have budgeted for them on the basis of tax-exempt financing. Therefore, the contract authority is taken care of. If we now increase the cost of that financing from the tax-exempt to a taxable basis, we need only budget authority to cover that, and we would also be requesting the full appropriation to liquidate that budget authority.

Mr. COUGHLIN. So this is not providing for an expansion of the Low-Rent Public Housing projects. It is just a fund to existing——

Mr. SIMONS.This represents merely a change from tax-exempt to taxable financing for the existing projects.

Mr. COUGHLIN. And it is not cutting back on the Assisted Housing program?

Mr. SIMONS. No, sir.

Mr. COUGHLIN. Thank you, Mr. Chairman.

SECTION 235 HOMEOWNERSHIP ASSISTANCE

Mr. BOLAND. We will turn to Tab E, the 235 Homeownership Assistance program. We had some discussion on this the first day of the hearings. The table on the first page indicates 5,000 unit reservations for existing housing—condominium conversions—in both 1980 and 1981.

Last year you indicated, Mr. Secretary, that you didn't contemplate moving it into existing housing. What made you change your mind?

Mr. SIMONS. I believe there was authorizing legislation directing the Department to use the Section 235 program to help people who are facing displacement due to conversion. Under that authorization, we intend to implement the existing program.

Mr. BOLAND. The table on the first page also indicates that unit starts in 1979 totalled 8,489. Last year the unit starts for 1979 were estimated at 17,500. What happened to the number of unit starts?

Mr. SIMONS. That was merely an estimate.

Mr. BOLAND. It was an estimate, but here you have fallen off by about 8,000 starts.

Mr. SIMONS. That is correct. The estimate has fallen off by about 8,000 starts.

Mr. BOLAND. Why the decrease?

Mr. SIMONS. The 17,500 unit figure is the estimate for 1980. Last year, we had estimated, I think for 1979, 15,000 units if I remember, and there was a fall-off because the program at the four percent interest rate and the 95 percent median income had a very narrow window.

ELIMINATION OF SECTION 235 REVITILIZATION SET-ASIDE

Mr. BOLAND. The legend on the second page indicates that, as part of the 1981 budget reductions, the 1980 and 1981 programs are being revised to eliminate the special setaside of 7,000 new construction and substantial rehabilitation units in neighborhoods undergoing substantial revitalization.

Why is this special setaside being eliminated?

Mr. SIMONS. We examined the areas in the budget where we could reduce outlays. In connection with the budget review of this program, it was decided not to go forward with it at this time.

Mr. BOLAND. I thought that helping to revitalize the neighborhoods was one of HUD's top priorities?

Mr. SIMONS. We have a number of programs in this area. The revitalization goal of the program could be achieved using the existing limits. The legislation merely increased the mortgage limits by twenty percent specifically for such areas. The existing component under the older limits could go forward and be used to revitalize areas.

SECTION 235 ASSISTANCE FOR MIDDLE INCOME PERSONS

Mr. BOLAND. And the proposal that you have before the Legislative Committee is to provide for 100,000 middle income housing units. Is that correct?

Mr. SIMONS. That is correct.

Mr. BOLAND. How much contract authority is presently available for the Section 235 program?

Mr. SIMONS. I think the unused contract authority at the end of February was about $165 million.

Mr. BOLAND. How realistic is the 100,000 construction starts within the year—say by April 1981?

Mr. SIMONS. I think that is a very realistic figure.

The question is how rapidly can the program be implemented and utilized? I think there is no question it could be used within the year.

Mr. BOLAND. And how will this proposed new program affect the existing housing program? Will it take precedence over the existing housing program?

Mr. SIMONS. The existing program for displacement will continue to operate. We do not expect more than about 5,000 units out of that program.

Actually both programs will run until the money runs out and they will be running side by side.

Mr. BOLAND. What about the additional outlays in 1980 because of this new program? Also what about 1981?

Mr. SIMONS. We estimate about $75 million in additional outlays in 1981. There will be minimal additional outlays in 1980.

DEPTH OF SUBSIDY VERSUS UNITS ASSISTED

Mr. BOLAND. How many units could be provided assuming a subsidy to 11 percent with a current mortgage rate of 18 percent with the $100 million in contract authority?

Mr. SIMONS. I am happy to say that the current mortgage rate is 13 percent.

Mr. BOLAND. All right. What is the subsidy going to be? Eleven percent?

Mr. SIMONS. The Senate has proposed a subsidy down to 11 percent. The House has proposed a deeper subsidy, down to eight percent. At 11 percent, against a 14 percent rate, we estimate up to 100,000 units could be provided.

As the interest rate decreases more units could be provided because the subsidy is shallower. If it ends up with the House version at eight percent, there will be less units. I think the House version at 14 percent with an 8 percent interest rate would support around 60,000 units. This would be all we could get out of it.

Mr. BOLAND. What do you assume as an average mortgage? Fifty thousand, sixty thousand?

Mr. SIMONS. We were using an average of $50,000, I think, for calculation purposes.

Mr. BOLAND. So you are confident that with the subsidy of 11 percent and a mortgage rate of 13 percent, that 100,000 units can be built by April of 1981.

Mr. SIMONS. Assisted, yes.

SECTION 235 EXISTING PROGRAM

Mr. BOLAND. What about the existing Section 235 program? Are you continuing to operate that program?

Mr. SIMONS. The current Section 235 program is continuing to operate and it has a use in some narrow areas of the country where the building costs are low enough to permit the existing mortgage limits to operate.

Mr. BOLAND. Is that interest rate being subsidized down to a four percent rate?

Mr. SIMONS. Yes, sir.

Mr. BOLAND. Let me ask you whether or not, because of inflation, increased utility costs, and other costs, can people at that income level maintain the houses that are subsidized under the Section 235 program?

Mr. SIMONS. We are finding no problem because we are dealing with 95 percent of median income. At today's median income ranges, the default rate is very low in this program.

We are seeing the program work out successfully because, as you know, mortgagors are mandated to pay at least 20 percent of their income and, as a result, we are seeing people each year work themselves out of that program.

HELP FOR HOUSING INDUSTRY

Mr. COUGHLIN. Mr. Chairman, this may be an appropriate place to refer to the missile that I received this morning saying, "Save the Housing Industry" and ask, if you had additional money available, what is the most effective program to try to save the housing industry?

Mr. SIMONS. Mr. Coughlin, I think that the way to save the housing industry is to reduce interest rates. In our meetings with the representatives of the builders, there was general agreement that the objective was to get mortgage rates down in order to bring people back into the market. The demand and the need, were there for housing. The question of affordability, given the high interest rates, was the problem causing the concern.

Programs which will reduce the interest rate to the purchaser will be the needed stimulus for single-family housing.

Mr. COUGHLIN. That will be the Section 235 program?

Mr. SIMONS. Yes, Section 235.

Mr. COUGHLIN. That is the best program to do that?

Mr. SIMONS. In my opinion, it is the best program from the standpoint of the impact on the Federal budget and also the effectiveness of delivery at this point.

BROOKE-CRANSTON VERSUS SECTION 235

Mr. COUGHLIN. How about Brooke-Cranston?

Mr. SIMONS. Both accomplish the same thing, in a sense, reducing the interest rate. There are two major differences. Brooke-Cranston would be open to the conventional market while Section 235 is limited to FHA insurance.

On the other hand, under Section 235 your subsidy phases out as the income of the borrower increases, whereas under Brooke-Cranston the government never receives that benefit.

The homeowner gets the benefit for the life of the mortgage at a lower interest rate. From a technical viewpoint, I think Section 235 is much better structured for the purpose of stimulating the indus-

try and, at the same time, at the least possible cost to the government.

Mr. COUGHLIN. If you add additional money, you would put it in Section 235 rather than Brooke-Cranston.

Mr. SIMONS. I think so. The argument is that Brooke-Cranston would go to conventional-financed units because of the mortgage limits. As long as the limits on Section 235 are equivalent to the limits on Brooke-Cranston, then you can go FHA. There is nothing inhibiting developers from using FHA, per se.

Mr. COUGHLIN. Thank you, Mr. Chairman.

IMPACT OF INDIAN HEALTH SERVICE REDUCTIONS

Mr. BOLAND. Mr. Secretary, I would like to back up a moment to Assisted Housing.

The 1981 request, as reflected on C–1 reflects 4,000 Indian Housing units. That is a reduction of 2,000 from the 6,000 1980 current estimate.

That presumably is done as part of the effort to balance the 1981 budget. The Administration has proposed a 1980 rescission of $18 million and a 1981 amendment of $16 million—a reduction of $16 million to the Indian Health Facilities Account in the Department of Health and Human Services.

As I understand it, the purpose of this program is to construct, maintain, and repair sanitary facilities to serve Indian homes. If Congress agrees with these proposals, the 1980 appropriation will be reduced to $56.3 million and the 1981 amount to $60.7 million. The effect in 1980 alone would be to reduce projects planned from 7,130 to 4,575.

What logic is there to building new Indian Housing units if there will not be adequate sanitation facilities to serve them?

Mr. SIMONS. We are aware of the Indian Health Services' budget cut and we are meeting with HHS now to see what alternative budget resources they have to fulfill this need.

You are absolutely correct in that assumption if alternative funds cannot be developed from HHS for the Indian Health Services, there will be a reduction in the Indian Housing starts. We are examining with HHS whether there are alternative sources of funding.

Mr. BOLAND. What would be the reduction below the 4,000 estimate in construction starts?

Mr. SIMONS. The only figure I have is the 1980 figure, which is somewhere between 1,500 and 2,500 unit starts that would be lost because of the reduction.

Mr. BOLAND. What about 1981?

Mr. SIMONS. For 1981, I would roughly say around 1,500 unit starts, but I don't have any firm data on that.

Mr. BOLAND. Let me say that there is real concern on the part of this Committee in the Indian Housing area and that concern is very real. We don't want a recurrence of the situation of a number of years ago when Indian Housing units were constructed but were not hooked up for sanitation facilities. This is an area that Mr. Sabo on this Committee has gone into at considerable length in our

hearings here. He is familiar with the problem because of the number of Indians that are in Minnesota.

The Indian Health Facilities reductions I take it were coordinated with HUD, OMB, and the Department of Health and Human Services. Is that correct?

Mr. SIMONS. I would assume that they were. I have no personal knowledge of that fact. We have notified HHS of the problem and they are working on this.

Mr. BOLAND. It was a problem, but did you make any recommendation?

Mr. SIMONS. We have a recommendation that we need the money or else we are going to lose 1,500 to 2,500 units.

Mr. BOLAND. Thank you.

Mr. COUGHLIN. Mr. Chairman.

Mr. BOLAND. Yes.

REDUCED SECTION 8 RESERVATION ESTIMATES

Mr. COUGHLIN. I have some additional questions on Tab C, but I don't know whether to ask them at this time.

Mr. BOLAND. Go ahead.

Mr. COUGHLIN. These are some questions I have not had a chance to ask.

I note from the chart on C–1 that there are significant differences in the 1980 budget estimate and the 1980 current estimate. Except for Indian Housing, the current estimate is less. In the case of Section 8 contract reservations, the number of units is 48,000 less, or almost one-fifth of the total. What happened there?

Mr. SIMONS. The difference is because of inflation, changes in program mix, and the use of amendment money. All of these interacted in reducing the number of units actually to be funded.

Mr. COUGHLIN. You used the full fund but just got fewer units.

Mr. SIMONS. Basically we will have used all of the funds. Our experience has been that we have been able to reserve all of our money.

Mr. COUGHLIN. You have been able to reserve all of your money?

Mr. SIMONS. Yes.

STARTS ESTIMATES

Mr. COUGHLIN. In the fiscal year 1980 justifications we used last year, the 1979 budget estimate was significantly below the 1979 current estimate in Section 8 contract reservations, 40,000 units; Section 8 starts, 30,000 units and Public Housing starts, 40,000 units. How solid are these estimates?

Mr. SIMONS. On the starts?

Mr. COUGHLIN. Yes.

Mr. SIMONS. The starts estimates I think are fairly solid, subject, of course, to the financing situation that we are facing. The 40,000 unit starts for the Public Housing, and the Indian programs looks fairly good.

The Section 8 starts are projected at 140,000 for this year and we are still holding to that estimate. However, our last conversations with our field people indicated that there are certain problems on the financing side which could cause shrinkage in these numbers this year.

SHORTFALL IN 1980 RESERVATIONS

Mr. COUGHLIN. The last paragraph on C–4 states: "The 1980 budget projected the reservation of up to an additional 300,000 Section 8 and Public Housing units. The 1980 current reservation estimate is 240,392 units, a decline of 59,608 units, or almost 20 percent."

Why did HUD not reach the 300,000 mark?

Mr. SIMONS. In the 1980 budget?

Mr. COUGHLIN. Yes.

Mr. SIMONS. Basically because of two major reasons: One, the 1980 Budget did not have a separate line for amendments. There would be amendment needs which reduce those numbers. Secondly, inflation and revised costs account for the shrinkage from the 300,000 units. I think in the justifications we outline the differences.

Mr. COUGHLIN. Could the same situation happen this year given a larger than anticipated inflation rate and/or full use of the Comprehensive Modernization program, which would take funds for up to 19,000 Public Housing units?

Mr. SIMONS. The Comprehensive Modernization program, of course, would result in a reduction. It is one factor that we would all be aware of at this time and it is one that we could fairly well estimate.

This budget has identified separate amendment line items so that the slippage or the shrinkage in the actual delivery of the program would not be as great in 1981 as it was in 1980.

In fact, with the separate amendment line identified and since our costs seem to be in line and appear to be holding, I think our projections, at this point, are as good as we have ever had during my three and a half years in the Department. I feel confident in coming closer to the 300,000 unit level in 1981 the way the budget is now structured than I have for any previous year.

HAP MIX

Mr. COUGHLIN. The chart on C–9 shows the Housing Assistance Plan mix for 1980 and 1981. It is interesting to note that there is no change in new construction but a decrease in existing housing.

Do communities request new construction because they believe this is the program HUD wants to do and, hence, they have a better chance of having an application approved?

Mr. SIMONS. No, I don't think this is what is reflected in that chart at all. What we are showing is that there is a movement from substantial rehabilitation to moderate rehabilitation, which is under the existing program, so that our total proportion will come out as a 60/40 estimate for 1981 as opposed to our estimate for 1981, which is about 64/36. There is a movement toward the existing program, basically the moderate rehabilitation portion of the existing program, and that is causing a reduction in the substantial rehabilitation ratio. I think programmatically this is very sound.

Mr. COUGHLIN. So that the existing program is being used but, shifting in emphasis from substantial to moderate rehabilitation.

Mr. SIMONS. From finders-keepers to moderate rehabilitation.

RESERVATIONS COMPARED WITH STARTS

Mr. COUGHLIN. The chart on C–21 shows reservations and construction starts. It looks as though HUD is winning on Public Housing, going to construction on more units than are being reserved.

However, HUD is losing ground on Section 8, reserving more units than last year but going to construction on less. Is that a correct interpretation?

Mr. SIMONS. No, I think the reverse would be a correct interpretation.

Our starts on Section 8 actually have exceeded our estimates and we have reduced the pipeline for the last two years. Therefore, we are now seeing a reduction in the Section 8 starts because, one, the reservations going to the Section 8 starts are getting fewer and, two, the pipelines have been leveling out.

Mr. COUGHLIN. That pipeline is being cleared out?

Mr. SIMONS. They are being cleared out. On the Public Housing side, where we have had trouble clearing out the pipeline, we finally started last year to get some acceleration and starts will continue to grow because we have that pipeline to clear out.

BROADER INCOME MIX IN SECTION 8

Mr. COUGHLIN. Recent HUD revisions direct Section 8 new construction project managers to use best efforts to maintain tenant income level mix at 40 percent instead of 30 percent of local median income.

Mr. SIMONS. At an average of 40 percent.

Mr. COUGHLIN. Why did HUD take this action?

Mr. SIMONS. We took the action for a fundamental reason. We wanted to see more higher income-families those at about 80 percent of median rather than just very low income families, coming into a project. It gives us healthier projects and makes the management situation a much more positive one.

Mr. COUGHLIN. But it doesn't go to housing the poorest of the poor first.

Mr. SIMONS. There is the equity question. The program is not designed nor do I think the legislative intent is that the highest priorities should be given to the very poorest.

Mr. COUGHLIN. That is interesting because I always thought that was the priority.

Thank you, Mr. Chairman.

WAITING LIST FOR PUBLIC HOUSING

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. Please. Thank you, Mr. Chairman.

Mr. Simons, do you have any current figures on the number of persons awaiting Public Housing units?

Mr. SIMONS. No, but we are supplying that information for the record. I am informed that current data were not available last year since we do not keep those records. The local Public Housing Authorities keep those records.

Mrs. BOGGS. Last year the League of Women Voters had compiled a list showing the long waiting lists in various cities, and yet we were told by the Secretary that there was no need for more Public Housing units than were being supplied through the appropriation request. I just thought perhaps by this year that such a list had been compiled by the Department.

Mr. SIMONS. There is no question that there are a lot of people on a Public Housing waiting list. They represent a universe of people for both the Section 8 and Public Housing programs. It shows there is a great need for these types of programs.

We balanced our request for Public Housing and Section 8 on the basis of the pipeline delivery ability and we feel that 50,000 units is a reasonable number again this year in light of the pipeline of undelivered projects that are out there.

Mrs. BOGGS. In the use of Section 8 existing housing, to what extent do you find owner participants dropping out of the program because of HUD-approved rent levels that are lower than those of the surrounding private market? Is this a problem?

Mr. SIMONS. I do not know of it as a problem per se. I am sure that there are instances where this can become a problem. The HUD FMRs, even though we have redone them on a more current basis, are not designed to reach the total market. Our rent levels are designed to accomplish what we call fifty percent penetration, so that there will be situations showing up where the landlords may feel that they can get higher rents than we are allowing.

As the tightness of the rental market continues to occur and rents start increasing a little more rapidly than they have been, the fifty percent penetration will move up more gradually than the whole rental market.

Mrs. BOGGS. Do you anticipate that to be a problem?

Mr. SIMONS. Let me say this, Mrs. Boggs. I think that the problem is basically the availability of units. As we see vacancy rates below five percent throughout the country, there is a problem relating to the availability of vacant units regardless of what the rental rate is. I think that is most likely the major problem at this point.

SECTION 235 REVITALIZATION SET-ASIDE

Mrs. BOGGS. I am sorry that I was not here earlier when the Chairman discussed with you the setasides for the neighborhoods undergoing substantial revitalization, a program which has certainly been very helpful in the older cities. I just wondered what the change in opinion was this year because I thought that helping neighborhoods that were undergoing revitalization was one of HUD's top priorities.

Mr. SIMONS. Section 235 can continue to help those neighborhoods. The part that we are not implementing is the part with the 20 percent increase in the mortgage limits. In view of the entire budget situation, since that program would be relatively slow in being implemented, we asked for a delay on that for this year.

Mrs. BOGGS. Isn't that going to really eliminate a great deal of activity in that regard?

Mr. SIMONS. According to our estimate, it shows it will curtail about 7,000 units throughout the country.

Mrs. BOGGS. What type of impact does that have on the whole revitalization effort in those neighborhoods where the efforts will be delayed or deferred or done away with?

Mr. SIMONS. The program will continue to operate in those neighborhoods that do not need the 20 percent override so that the total impact, vis-a-vis the total need in revitalization areas, would depend upon what the costs were in those areas. Those lower cost areas will fit within the existing levels of the program, and will have an opportunity to go forward.

There is no inhibiting the use of the program for revitalization areas at the existing mortgage limits. All we have done is defer implementation of the part which would have the increased mortgage limits.

Mrs. BOGGS. However, that is vital to older neighborhoods because, as the prices of the houses escalate, people are not able to go in and do the revitalization job if they can't get a high mortgage limit.

Mr. SIMONS. I would hope that this type of program would be in use in these areas more than it has been before the revitalization takes full effect and pushes prices upward.

Mrs. BOGGS. Thank you, Mr. Chairman.

TWENTY-YEAR CONTRACTS UNDER SECTION 8

Mr. BOLAND. Mr. Sabo?

Mr. SABO. Thank you, Mr. Chairman. Sorry I am late. If you visited about this earlier, I don't want to pursue it. I looked at one of the Investigative Staff reports. One of the things the report was worrying about was the ability to tie developers down to the 20-year period. Has that been visited about yet? If not, I am curious.

My understanding of your policy is to require Section 8 developers to make commitments for 20 years and all indications are that it is very difficult to do so. I think that is a good policy, but I am concerned about its enforcement if the enforcement potential is very weak.

Mr. SIMONS. We discussed this last week I think. We are looking at the enforcement issue.

As you know, we have revised the program's regulations to keep projects in for 20 years. The issue would be raised if somebody arbitrarily refused to continue for the 20 years, and got out of the program, what could we do? We have discussed this with our General Counsel. For those projects that are using tandem, I think we could recover the amount subsidized through the tandem. There would be some recourse there.

There is another deterrent to this type of situation which I think is very strong and that is, since a lot of these projects are syndicated, when you take them out of this low income range, you lose the syndication benefit.

Mr. BOLAND. This a matter was discussed in the "Surveys and Investigations Staff report" and we discussed this report rather extensively last week. I think we discussed this last year too.

Mr. SABO. Yes.

Mr. SIMONS. We have made revisions within the program structure so that there is no possibility of getting out. Historically, when

Section 8 was created, there was a feeling at that time that we wanted to let the developers get out of the program.

As I look back on the legislative history, you could interpret it in such a way that, after five years, if the project could go without Section 8, the developer could take it out of Section 8. This Administration and Congress have changed that policy, and I think rightly so, to say you have to stay for 20 years.

DETERRENTS TO LEAVING SECTION 8

Mr. SABO. I am just concerned that you do everything to make sure it is enforceable.

Mr. SIMONS. We have a number of things helping us. Basically our projects are financed either through tax-exempt financing or through GNMA tandem financing. As I said with respect to tandem financing, and our General Counsel is looking at it, I think our ability to recapture the tandem is there. Those projects financed under tax-exempt financing most likely would lose their tax-exempt status if they tried to take them out of Section 8 or whatever the original basis was for the tax exemption.

Our 100 percent Section 8s can only get tax exemption upon that basis so that after five years, if a person wanted to take it out of the program, he would lose his tax-exempt status and there would be some serious repercussions. Then you also have the syndication problem. So there are a lot of deterrents for those projects which are syndicated and using tax-exempt financing and tandem financing. The rest of the universe is relatively small at this point.

We are looking at the matter and are as concerned as you are that we have some means of enforcement to make this policy work.

REDUCTION IN INDIAN HOUSING ACTIVITY

Mr. BOLAND. As I have indicated, Mr. Secretary, Mr. Sabo was mightily concerned with the impact of the reductions in the Indian Housing area. He has been following this, as you know, rather closely and he might want to expand upon the questions that have been directed to you.

I would like to have you comment on them, Mr. Sabo.

Mr. SABO. Thank you, Mr. Chairman.

I guess I am concerned and was involved last year in our efforts to increase Indian Housing again. I understand we have a problem not only this year with the recommendations of HUD, but also with what is happening in Interior for the auxiliary services.

Mr. BOLAND. I think it is the Indian Housing Services that has you concerned.

Mr. SABO. Yes, where they have cut the fund for sewer and water facilities.

Mr. SIMONS. As I said earlier, we have raised the issue with HEW, which is now HHS, and have presented the problem to them. The Chairman said the data indicate 2,500 fewer unit starts. We estimated somewhere between 1,600 and 2,500 fewer units.

Mr. SABO. So that would be an actual reduction in your four thousand?

Mr. SIMONS. That is right, unless we want to build houses without sanitary facilities.

Mr. SABO. Which makes no sense.

Mr. SIMONS. We agree with you and are consulting with HHS, to see what alternative sources of funding they have for the Indian Health Services.

Mr. SABO. I still have a problem with your cut from 6,000 to 4,000. There are lots of housing programs that exist but Indian housing is one where there is more basic Federal responsibility than in all our other programs. There is a unique Federal responsibility in the housing area relative to the Indian population, and my judgment is, we make a mistake and move backwards in an area that is historically and I think legally a Federal responsibility when we cut this program.

In other areas you can develop some State responsibility. On Indian reservations that is very difficult to do, so I am disappointed in that cutback, but I appreciate your follow-up with HS in terms of resolving this other problem.

PROPOSED SUPPLEMENTAL FOR HOUSING PAYMENTS

Mr. BOLAND. Thank you, Mr. Sabo. We will turn to Tab F on Housing Payments.

You are requesting $7,127,000 for the liquidation of contract authority and on F–1, the first paragraph, the summary budget request indicates that you are requesting $745,037,000 for a supplemental. You indicate that the supplemental is needed to meet unfunded liquidation requirements in 1979 of $345 million and an additional $400 million in 1980.

What caused the estimates to be so far off here? Is there a management problem in this area?

Mr. SIMONS. Let me answer it generally. Then I will let Mr. Kliman answer it in detail.

This request, as I understand it, is needed because we have accelerated the putting of people into these units. The housing program has gone more rapidly than our estimates and we now have to pick up liquidations to meet our contractual obligations.

Mr. KLIMAN. There is that situation plus another factor. Basically the supplemental requirement is related to the Section 8 program and it relates purely to estimating problems, not a management problem.

In the past, we were estimating based upon average payments over the last several years. However, this didn't take into account the circumstance of Section 8 where we must commit funds for payment based on the full amount of the reservation.

As the program expanded, we noticed that our estimates tended to be understated. We have corrected the estimating technique. It is just an estimating technique problem, Mr. Chairman. The problem has been brought to our attention and we have made a correction.

Mr. BOLAND. So your 1981 estimate is probably correct then?

Mr. KLIMAN. Yes, sir.

Mr. BOLAND. How did you cover the $345 million shortfall in 1979?

Mr. KLIMAN. Under the law, we are allowed to do certain things, including making disbursements where necessary, even though the funds may be committed to other purposes.

There is a provision in the Housing Act of 1937 which allows us to do this. We took 1980 payments money, which was otherwise committed but not disbursed, made the 1979 payment and reported the shortage.

SECTION 8 PROJECT RESERVES

Mr. BOLAND. Why do outlays not increase in 1979 or 1980 if additional liquidating authority is provided? In fact, this table shows that outlays for 1979 and 1980 are slightly less than the estimated in last year's justifications. What causes that?

Mr. KLIMAN. That is because, in the case of the Section 8 program, funds also are put into project reserves. You may recall the whole project reserve discussion on Section 8 where the money is put into the reserve to be used for future increases. That is basically where the mistake occurred.

It doesn't affect outlays. It affects the amount going to the project reserve.

FAILURE TO ENACT SUPPLEMENTAL

Mr. BOLAND. What would happen if the supplemental of $745 million were not provided?

Mr. KLIMAN. We would have a very severe problem, Mr. Chairman.

Mr. BOLAND. What is the problem that would occur?

Mr. KLIMAN. The basic problem is, we have a legal contractual commitment. Under Section 8, the Federal government has guaranteed to make the payments.

Mr. BOLAND. And you simply can't get out of the guarantee as I understand it.

Mr. KLIMAN. That is right.

Mr. COUGHLIN. Can't you meet it the same way you cover the $345 million?

Mr. KLIMAN. There is only a certain amount that one can transfer. I frankly have not made a calculation as to what would happen if the $745 million were not provided so I can't give you a direct answer to the question. We would have to re-examine the entire financial mechanism related to this program.

Mr. COUGHLIN. It seems odd that you can cover $345 million and not $745 million.

Mr. KLIMAN. We were able to cover the $345 million in 1979 with 1980 funds. As to whether or not we can cover the 1980 shortfall with 1981 funds, I haven't done the calculation to respond to the question. I can do the calculation, but I simply do not have it at this point.

Mr. COUGHLIN. Could you provide that for the record?

Mr. KLIMAN. Yes, sir.

[The information follows:]

IMPACT OF NOT RECEIVING HOUSING PAYMENTS SUPPLEMENTAL APPROPRIATION

Payments for these cash deficits currently are being funded by utilizing the 1980 appropriation as authorized by Section 5(c) of the Housing Act of 1937, as amended. If the Supplemental were not provided in fiscal year 1980, the Department would

need additional funds in 1981 to provide for the contractual payments. In reality the Department borrowed the $345 million from the 1980 appropriation to pay 1979 obligations. The Department has also projected a shortfall in 1980 of $400 million. Without the Supplemental, the Department would need to "borrow" $745 million from the 1981 appropriation, thereby causing a shortage in 1981 which would have to be made up from a 1981 supplemental or increasing the 1982 request so that funds can be restored to the 1981 appropriation. The funds must be made available since they are contractually required to make subsidy payments. The Government cannot ignore its obligation to make these payments.

It should be noted that the Housing Payments appropriations do not represent new obligational authority. On the contrary, these appropriations are used solely for the purpose of liquidating obligations incurred by the Department and authorized by the Congress under the Subsidized Housing programs in prior years. Therefore, action by the Congress in enacting the proposed Supplemental will not increase Federal obligations nor will a reduction in the Supplemental reduce these obligations.

OUTLAY IMPACT OF SECTION 235 REDUCTION

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. In the Secretary's statement on pages 19 and 20, is mention of the reduced activity in the Section 235 program in 1980 and 1981. He indicated that this will decrease the number of units under payment in 1981 by 6,000 and will translate into an outlay reduction of $9 million for the year. However, there is no impact on the amount of liquidating cash requested.

Why shouldn't the reduction in the Section 235 program result in a reduced request for the Housing Payments appropriation?

Mr. KLIMAN. It should have, Mr. Chairman, but when I called this to the attention of the OMB, they said that since it is not budget authority, they weren't going to worry about it.

PUBLIC HOUSING OPERATING SUBSIDIES

Mr. BOLAND. Tab G discusses the Payment for Operation of Low-Income Housing Projects.

You are requesting $862 million in 1981 for Public Housing Operating Subsidies. You are also requesting $52,600,000 in 1980 as a supplemental to fund Public Housing Authorities with deficiencies in operating reserves as a one-time adjustment.

We understand that the supplemental of $52.6 million will be targeted or directed to only about 10 or 15 Public Housing Authorities. Is that correct?

Mr. SIMONS. That is correct.

Mr. BOLAND. It seems that in making this request to restore deficiencies in these housing authorities operating reserves, aren't we, for all practical purposes, abandoning the Performance Funding System formula for these housing authorities?

Mr. SIMONS. We have a problem, as I have stated before, with the Performance Funding System. It's a matter of timing as to when we can make the adjustments to the Performance Funding System which will remove some of the inequities that we found. We don't want to do that until we can do a comprehensive change.

Mr. BOLAND. How long have we been under the Performance Funding System now?

Mr. SIMONS. Since 1975.

Mr. BOLAND. Well, it is approximately, five years behind us now, and it would seem that we ought to be making more rapid strides

in this area. It occurs to me that what we are doing here is rewarding inefficiency.

Is that a fair statement?

Mr. SIMONS. I would not characterize it as rewarding inefficiencies. There are Public Housing Authorities that have been hurt by the Performance Funding System and have not had adequate funding under that formula. I am not saying that every one is perfectly managed, but it is very difficult to start separating out management capability when there is lack of resources to perform that function. We find that where there is an underfunding of the operating side of the program, it makes management very difficult and leads to inefficient and poor management. It is a question of two factors playing at the same time.

EVALUATION OF PFS

Mr. BOLAND. Looking on page 10 at HUD's estimate of the supplemental, I read:

"In order to determine the accuracy and effectiveness of the current funding formula in meeting PHA needs, an evaluation of the PFS, the Performance Funding System formula was initiated in fiscal year 1978 and will be completed in fiscal year 1980.

"This evaluation will indicate what revisions, if any, should be made to the formula to meet these needs more effectively in future years."

We don't have the evaluation yet. Where is it?

Mr. SIMONS. It will be completed this year. It was being done by the ABT Associates of Cambridge, Massachusetts.

Mr. BOLAND. How do you know what you will need unless the evalution is completed?

Mr. SIMONS. Certain indications are very clear. Larger housing authorities in urban areas have been hurt in the formula. What we have seen happen and, basically, you see it in the reserve accounts, some housing authorities under the PFS are very healthy and build up their reserve accounts continuously. Others you see running at a deficit and drawing their reserves all the time.

PHA'S WITH SERIOUS RESERVE DEFICITS

Mr. BOLAND. There are some PHAs that are much better run than others. What about New York? That is one of the best run PHA authorities, is it not?

Mr. SIMONS. In my opinion it is.

Mr. BOLAND. It is by far one of the largest. Why do you have such great problems—$21 million of the $52.6 million is going to Chicago to pick up the financial deficit there and $16 million is going to Washington, D.C.

That is about $40 million of the $52 million. Why do you have such great difficulties with these large housing authorities or these PHAs? Yet New York which is I would presume by far the largest, is it not, in the number of units?

Mr. SIMONS. That is right. New York is having trouble, but New York has been able to maintain certain reserves. However, these reserves are at a very low level.

These are the worst. These are the housing authorities with negative reserves. These are the ones with an actual deficit in their overall financing.

We can add to this list, and we would be very happy to supply a list of those housing authorities that have reserve levels of 20 percent or less which we consider to be the minimum reserve level for a well-operated housing authority. If I am not mistaken, you will find New York within that list, because New York has had to cut down their reserve funds in order to keep operational.

There are differences in management, no question about that, but there are also other problems which affect it. In Chicago there are physical problems and dealing with some of these make the operation more difficult.

[The information follows:]

PUBLIC HOUSING AGENCIES OPERATING RESERVES LEVELS OF 20 PERCENT OR LESS

The following 30 public housing agencies have operating reserves of 20 percent or less:

1. Atlanta, Ga.
2. Boston, Mass.
3. Bridgeport, Conn.
4. Chicago, Ill.
5. Cleveland, Ohio
6. Columbus, Ohio
7. Detroit, Mich.
8. East St. Louis, Ill.
9. Elizabeth, N.J.
10. El Paso, Tex.
11. Fall River, Mass.
12. Honolulu, Hawaii
13. Houston, Tex.
14. Jacksonville, Fla.
15. Jersey City, N.J.
16. Kansas City, Kans.
17. Los Angeles, Calif.
18. Lowell, Mass.
19. Newark, N.J.
20. New Bedford, Mass.
21. New Haven, Conn.
22. New Orleans, La.
23. New York, N.Y.
24. Peoria, Ill.
25. Philadelphia, Pa.
26. Portland, Oreg.
27. Providence, R.I.
28. San Francisco, Calif.
29. Washington, D.C.
30. Wilmington, Del.

MODERNIZATION FUNDS USED FOR COMPREHENSIVE MODERNIZATION

Mr. COUGHLIN. Mr. Chairman, I have a question and I am not sure exactly where it fits in, and this involves the resistance of the Public Housing Authorities to taking the Modernization funds and cutting them back by about 40 percent in order to provide funding for the Comprehensive Modernization Fund.

Is that what was taking place?

Mr. SIMONS. In addition to the supplemental request for 1980 we are earmarking $20 million, out of the $50 million available during this year, for Comprehensive Modernization.

Mr. COUGHLIN. Only $30 million of that would be for regular modernization which is essentially maintaining existing housing; am I correct?

Mr. SIMONS. That is correct.

Mr. COUGHLIN. How can you maintain the existing housing on that much less than you had available the previous year?

Mr. SIMONS. If we look at the pipelines again, the modernization side and the needs, it is a question of balancing the needs. We have two needs facing us: One is for Comprehensive Modernization and the other is for regular modernization. We would like to start with the Comprehensive Modernization for which we have not had the resources or programmatic authority to do, as soon as possible

because these units are in such poor shape that they could be lost to the housing stock.

Mr. COUGHLIN. You are not then maintaining your other existing units, am I correct?

Mr. SIMONS. The level of maintenance and the level of modernization would be reduced for these units, but these funds spend out a little slower than, say, the Comprehensive Modernization Program.

Mr. COUGHLIN. The proposal that has been made, as I understand it, by the PHAs, and I am just not aware of how all this works, I must say, to distribute the $50 million of contract authority in part to continue that modernization and then to authorize the PHAs to convert 100 percent of unused Public Housing development funds into modernization, to be used for the Comprehensive Program.

What is wrong with that suggestion?

Mr. SIMONS. We are advocating using up to 50 percent of the development authority in 1981. Our proposal for 1981 is that the local housing authorities be permitted to use up to 50 percent of their development funds for the Comprehensive Modernization.

Mr. COUGHLIN. But they still would have the cutback in the 1980 funds; is that right?

Mr. SIMONS. Well, there would still be a cutback in regular modernization in 1980 funds, since a part of the Comprehensive Modernization would be coming out of this modernization authority for 1980, so it would not impinge upon the development side.

In 1981 we would be going over and taking it out of the development side. In order to put the program into place as soon as possible, we are asking for authority to start the program up this year, using some of the regular Modernization funds.

Mr. COUGHLIN. Cutting back on regular Modernization?

Mr. SIMONS. That is right. For next year, 1981, when we can do it from the beginning of the fiscal year, we are proposing to let these resources for Comprehensive Modernization come out of the development side, as well.

MANAGEMENT OF PUBLIC HOUSING AUTHORITIES

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. Mulling over some of the things you said about the Performance Funding System, did you say that the Performance Funding System has hurt some of the PHAs?

Mr. SIMONS. That is correct. When they are being underfunded, it has to hurt them.

Mr. BOLAND. Well, what is the reason for their being underfunded? Isn't poor management the basis for it?

Haven't some of these PHAs that you are funding here been run badly for years and years? Even the one in Boston, Massachusetts. I think, a few years back they said it was one of the worst run PHA's in the United States.

Mr. SIMONS. They can be referring to a number of management problems when they say "worst run." Some are fiscal and some are physical. Some problems could be in their tenant selection and

some political, so that the question of best or worst run, when you say poorly run, fits a number of categories.

I would be remiss if I didn't admit that there are management problems with some of the PHAs. Maybe some of them are on this list.

Mr. BOLAND. Is that the list in front of you?

Mr. GAIR. This is a list of the discretionary funds provided in 1979 which highlights some PHAs.

Mr. BOLAND. I will hand this back because I see Springfield, Massachusetts on there. This is the poor list.

PFS: AN ENTITLEMENT SYSTEM

Mr. SIMONS. Let me try and expand on the problem.

The Performance Funding System was established in 1975 and was basically an entitlement system. If you look at the underlying formulas and everything else, it became an entitlement system. It would be very fine if there were no incorrect assumptions in that system.

The base year question became a very serious one, and some of these larger housing authorities, I think, have been damaged by choosing a base year which was not equitable. At least the results are showing this.

We do not have a program that is structured to say: If you manage what you have properly, we will make up whatever you need.

PFS is an entitlement, so you could have a housing authority that has managed very well but under the Performance Funding System was being short-funded compared with its needs. Once that starts, then the PFS has hurt that Public Housing Authority.

I am not trying to excuse Public Housing Authorities that are poorly managed because we do have some of those. We monitor them and we are dealing with them, but in order to get housing authorities up to the management capacity that is needed, you must have a source of funding that says: look, if you are well-managed, you will have enough money to meet your expenses.

We do not have that at this point. We have to start working backwards to try and squeeze them into what would be a balanced budget. I would hope that the analysis, which will be finished this summer, will result in an 1982 initiative for a revised Performance Funding System, and I would hope that that system would give the Department the ability to create what we consider a sound management basis.

PROBLEMS WITH BOSTON HOUSING AUTHORITY

Mr. BOLAND. Does HUD assume any responsibility for the fact that the BHA, the Boston Housing Authority, got itself into such a condition that the court finally had to put it into receivership?

Was that a failure on the part of HUD to really monitor the operations of the BHA?

Mr. SIMONS. I don't think there was a failure on the part of us to monitor the operations of the Boston Housing Authority. Since this is in litigation and subject to the court at this point, the Department has been trying to cooperate with the court, with the tenant

groups and all the parties in trying to bring about a sound solution to the BHA problem. The Department has been aware of those problems but, basically, they have been in litigation most of the time.

Mr. BOLAND. Was there any indication of fraud in the operation of the BHA?

Mr. SIMONS. To my knowledge, no. I have not looked at all the IG reports.

Mr. BOLAND. Are you familiar with the reasons why it was put into receivership by the Federal District Court?

Mr. SIMONS. The District Court in Boston put it into receivership. because the court felt they were not delivering the proper services to the tenants.

Mr. BOLAND. Oh, I think it was more than that.

Mr. SIMONS. It was not being run properly as a housing authority.

Mr. BOLAND. Fine.

CONGREGATE SERVICES PROGRAM

We will turn to Tab H—the Congregate Services Program.

There were two appropriations in this area, $10 million in 1979 and $10 million in 1980. The $10 million in 1980 was added by a Floor amendment. Is this still considered a pilot program?

Mr. SIMONS. A demonstration program.

Mr. BOLAND. We have had some indication from the Labor-HEW Subcommittee on Appropriations suggesting that the program really duplicates programs under Health and Human Services.

What do you know about that allegation? Do you have any knowledge that there are services which are being performed by the Department of Health and Human Services that are being or would be performed under this particular demonstration program?

Mr. SIMONS. The nature of the services under this demonstration program are similar to services funded by HHS.

The program is not the same as any program being run by HHS at this point for the simple reason that these services are tied to specific housing projects. Funding for HUD services goes to the local level whereas most of the funding by HHS goes to the States, and then goes through a different type of delivery system not connected to the housing.

We are doing this as a demonstration program because we feel that by designing the project for specific purposes, there may be an opportunity to bring a closer coordination than the type of funding HHS is doing.

TWO-PHASE DEMONSTRATION

Mr. BOLAND. You indicate on page H-2 that the total of $20 million made available in 1979 and 1980 will be utilized in two separate phases.

The first phase would support 38 projects and require $10 million—while the second phase would address an additional 25 projects. The $20 million will only assist 2,500 individuals at an initial annual cost of $1,875 per year per individual.

To date, how much of the $20 million have you actually obligated?

Mr. KLIMAN. $273,489, through March 31, 1980.

The first $10 million should be committed by the end of this month.

Mr. BOLAND. So it is your intention to obligate the first phase, $10 million—did you say the end of this month?

Mr. KLIMAN. The end of May.

Mr. SIMONS. The selections have been made by the Department and we are going through the mechanics of making the obligations.

Mr. BOLAND. Any questions in this area?

CONGREGATE SERVICES RESCISSION

Mr. COUGHLIN. Mr. Chairman, we have approached this program in the past and I guess if there were ever an ideal candidate in times of budgetary restrictions, it would be getting another new duplicative program off the ground.

Would it really disturb you if this program were limited?

Mr. SIMONS. We are not asking for any money for 1981.

Mr. COUGHLIN. You are not?

Mr. BOLAND. Would you recommend a rescission for 1980?

Mr. SIMONS. No; I would not because the 1980 program is well down the line.

Mr. BOLAND. Why can't you find out all you want to find out with the 38 projects that the first phase would cover?

Mr. SIMONS. We have various kinds of projects; in the first phase we went to existing projects, because that would give us a faster start. We have new projects for the elderly and handicapped which are under construction, and we included some of those, too.

In the second phase of this year's program, we are trying to take some that are specifically designed for this program so that we will have the three construction types to give us an opportunity to get a proper evaluation of this type of program.

We are in the process of making the obligations now to have projects which are specifically designed to fit into this program.

CONGREGATE SERVICES ACTIVITY

Mr. BOLAND. Did you just say that there were a number of people participating in this program? I thought you said that no one was.

How much have you committed—$300,000 so far?

Mr. KLIMAN. The actual obligation so far is in the neighborhood of $300,000—$273,489 to be exact, through March.

Mr. BOLAND. What are you doing with the $300,000?

Mr. SIMONS. It is being paid out for services. Your question was designed to ask if there are any projects now working under this program.

Mr. BOLAND. Yes.

Mr. SIMONS. The answer is yes. We obligated almost $300,000 so far towards it. We have applications coming in now which have been put together for the 1980 money.

The question of participation relates to 1979 funding. In 1979 we put this out as a demonstration program, and we made selections of 38 projects to be funded from the 1979 appropriation.

We are going ahead processing those, and they will be participants in the program starting in 1980.

The existing units will come on much faster. Eight new construction projects will have to be built before the money can actually be spent. The $300,000 we have obligated already is going into existing projects, and that total will continue to increase.

For 1980, we are asking for applications again for this program. The advertisements and notices have gone out. We have submissions and we will select during this fiscal year another group of projects to participate under the 1980 funding.

NUMBER OF ELDERLY PARTICIPANTS

Mr. BOLAND. Now, the Congregate Services program, as I understand it, was to fund services for the eligible residents of Public Housing and Section 202 Housing for the Elderly and Handicapped projects.

How many Public Housing and Section 202 projects serve only the elderly and the handicapped?

Mr. SIMONS. I can get the actual amount.

[The information follows:]

PUBLIC HOUSING PROJECTS SERVING ONLY THE ELDERLY OR HANDICAPPED

As of December 31, 1977, 10,975 Public Housing projects were under Annual Contributions Contracts. Of this total, 5,029 projects were built with some or all units designed for the elderly or handicapped while 2,312 of the total projects were built exclusively for the elderly or handicapped.

COST OF ASSISTING ALL ELIGIBLE PERSONS

Mr. BOLAND. How many individuals would be participating in this program if we supplied all of the money that you request to take care of the Congregate Services programs.

What would be the total cost?

Mr. SIMONS. I don't know if all the elderly and handicapped would need the services of this program; but at $1,845 per individual, you can use that as the multiplier times the number of elderly that we are serving—that would be the need for this program.

[The information follows:]

GROWTH OF CONGREGATE SERVICES PROGRAM

It is estimated that the need for Congregate Services is approximately 100,000 individuals at an estimated cost of $184 million. This estimate is based on incomplete information, however, since the Department has not had the resources to do a thorough survey of the participants in Public Housing and Section 202 housing for the Elderly or Handicapped programs. The Department has received letters of interest about the program from more than ten times the number of sponsors who actually are able to be served under the current demonstration program with the limited funds available.

GROWTH OF CONGREGATE SERVICES PROGRAM

Mr. BOLAND. Does this appear as if it can or will become a full-blown program?

Mr. SIMONS. I don't know; the demonstration is being carried on and, from a philosophical standpoint, we are not trying to create another program here. We are trying to bring together various agencies of the government to get more effective delivery of the resources to meet the needs.

Now, when you deal with the elderly and the handicapped, you have many, many programs running through HHS which supply services and funding to those services. The question is whether or not it would be a more effective delivery system to coordinate those services with the housing needs.

That is the purpose of this program.

Mr. BOLAND. Okay, and you won't find that out until the evaluation is completed?

Mr. SIMONS. Yes.

ADMINISTRATION OF CONGREGATE SERVICES

Mrs. BOGGS. If this is a demonstration program to do what you have just outlined, who is going to run the program when the demonstration is over? The recommendations have been made and the coordinated services are already out in the field and need to be continued?

Will HHS run it? Is this a proper area for HUD to be getting into?

Mr. SIMONS. I think that the demonstration program will give us an idea of how to run this program. At the present time we are running it in cooperation with HHS. It can't be run without them. They sit on the Selection Committees and participate with us on the structuring of the program and have worked very cooperatively with us.

Whether it is an area HUD should get into or not is a question I am not prepared to answer at this time. If the demonstration is successful and shows us that Federal resources can more effectively meet the needs by coordinating the funding that comes out of HHS with the physical facility funding that comes from HUD, then a decision would have to be made as to how and who should run the program.

Mrs. BOGGS. Which departments administer the existing programs that you are now coordinating?

Mr. SIMONS. We are running the demonstration with the cooperation of HHS.

However, it is our program, being administered with their cooperation.

Mrs. BOGGS. I see.

Thank you.

FLEXIBLE SUBSIDY PROGRAM

Mr. BOLAND. Let's turn to Tab I and the troubled projects program. This activity has been impacted by the recent budget exercise. You are now proposing to defer $10 million of the 1980 funds, revising your obligation estimate from $127,599,000 to $117,599,000. In addition, you are proposing a $10 million reduction in the 1981 request from $41 million to $31 million.

Our understanding is that the $10 million reduction in 1981 is largely painless because the $41 million request exceeded the requirements to assist the Rent Supplement projects with operating deficits. Is that correct?

Mr. SIMONS. That is a fair characterization.

Mr. BOLAND. When was this program implemented?

Mr. SIMONS. This program was enacted in 1978 and finally it was implemented in late 1979.

Mr. BOLAND. And how much has been obligated under this program through the first six months of fiscal year 1980?

Mr. SIMONS. Regarding the question of obligation, I will supply that data.

Mr. BOLAND. Fine.

[The information follows:]

FISCAL YEAR 1980 FLEXIBLE SUBSIDY OBLIGATIONS

As of March 31, 1980, preliminary data for the Flexible Subsidy program received from each Field Office indicated that $53 million had been reserved of which $45 million was under contract. Funds are considered obligated when a contract is signed under this program.

Because of the lag in reporting between program offices in the field and Headquarters's Office of Finance and Accounting, the Department's official accounting records reflect only $32,113,906 in obligations of the $45 million which was under contract under the Flexible Subsidy program as of March 31, 1980.

BREAKDOWN OF OBLIGATIONS

Mr. BOLAND. Also, we understand that you are estimating $117 million in 1980. How much of that has been obligated to date?

Mr. SIMONS. We have obligated $27.7 million.

Mr. KLIMAN. That is through the end of February.

Mr. BOLAND. Okay; you are talking about the $117 million estimate in 1980 and only $27.7 million has been obligated to date?

Mr. SIMONS. The total obligated is a little deceiving because the formal obligation is at one point and there are other processes for which we "reserve" money.

We have, for physical requirements, actually reserved $53 million of which $45 million is now under contract, and there is a tentative commitment for the whole $79 million, which is in the process of being met.

For the Rent Supplement portion of the program, we have right now the requirement to renew Rent Supplement increases provided with 1978 supplemental funding, plus Rent Supplement assistance now waiting funding, a total of $28 million. The $31.6 million represents the Rent Supplement assistance which will definitely be used. The $86 million on the comprehensive side will be used, too.

Mr. BOLAND. Will it be possible to defer more than $10 million in 1980 funds?

Mr. SIMONS. Our feeling is that this is the absolute maximum we can defer because the $117.6 million that we plan to use will be obligated. Now, we have, as I said, this $79 million tentatively committed. There are already Management Improvement and Operating Plans representing $53 million which are finished and $45 million representing projects which are actually under contract for work.

The $7 million we have not put out will go to the uninsured projects. We will allocate that to the States immediately upon establishing an operational program with them so all of that $117.6 million will be obligated.

LONG-TERM REQUIREMENTS

Mr. BOLAND. HUD's final report of the Multi-family Property Utilization Task Force estimated in May of 1978 that the Flexible Subsidy program would cost $536 million over a five year period. The comprehensive needs assistance portion of the program which was designed to correct physical and financial managerial problems was estimated to cost $65,000 per project during the first year, with inflation figured at 5½ percent for each succeeding year.

The Rent Supplement assistance portion of the program was estimated to cost $300 per unit in the first year with that amount increasing at a rate of 5½ percent with each succeeding year. Projects recently receiving comprehensive needs assistance are receiving an average of $296,000—or 4.6 times the original estimate only 20 months after that estimate was made.

What about that?

Mr. SIMONS. There are a couple of reasons for it. One, of course, is the inflation factor; 5.5 was a very low inflation estimate at the time, and inflation has been much higher.

Mr. BOLAND. If you crank inflation in at the rate of 18 percent, the costs would still not be as high as you are estimating.

HIGHER PROGRAM COSTS

Mr. SIMONS. The second point is that a lot of the projects which we are doing first are the more difficult projects and, therefore, the more expensive ones. The report did show that figure as an average and not as the maximum.

Thirdly, I think that the report did underestimate the needs for this, and those numbers will change.

We had not had any real experience with the program at the time these estimates were made, and as we do it on an actual basis, our estimates will be much more realistic.

INCREASED LEVERAGE OVER PROJECT OWNERS

Mr. BOLAND. Can you supply for the record your projection of the expected total run-out costs of the program based on the five years, and whether or not you are proposing to change the regulatory agreement to provide HUD greater leverage over owners of existing projects?

[The information follows:]

FIVE YEAR RUN-OUT COSTS FOR THE FLEXIBLE SUBSIDY PROGRAM

The five year run-out costs for the Flexible Subsidy program would total $457 million. Funding for these needs would require appropriations plus an estimated annual transfer of excess receipts from the Rental Housing Assistance Fund of approximately $12 million.

5-YEAR RUN-OUT COSTS

[In thousands of dollars]

Fiscal year	Comprehensive needs	Rent supplement needs	Total
1981	69,000	40,000	109,000
1982	21,900	49,100	71,000
1983	39,000	47,000	86,000
1984	48,800	41,200	90,000
1985	64,900	36,100	101,000
Total	243,600	213,400	457,000

Mr. SIMONS. We are planning to do that, and we are in the process of doing that. Let me go back.

There was also an expansion of the scope of the work under recently enacted legislation which caused some part of that increase, because the legislation mandated energy efficient improvements. But in spite of all of this, there was an underestimate of $65,000.

It is not as great as going to $296,000, but there was an underestimate.

REVISIONS TO REGULATORY AGREEMENT

Mr. BOLAND. What about the changes in the regulatory agreement that you are proposing.

Mr. SIMONS. Those are in the process of now being put into effect. What specific changes did you have in mind?

Mr. BOLAND. For the record, list the changes that you are proposing and whether or not it is true that changes in the regulatory agreement are dependent upon owner acceptance of the revised agreement.

Mr. SIMONS. Yes, sir.

[The information follows:]

FLEXIBLE SUBSIDY REGULATORY AGREEMENT—PROPOSED CHANGES

The Department is proposing numerous changes to the regulatory agreement in order to make it more effective as a contract document as well as make it easier to enforce. The following are brief descriptions of the substantive changes that are being proposed.

1. Language is being added at the beginning of the agreement which notifies the owner that a breach of the agreement may subject the owner to criminal prosecution and be a basis for denial of future participation in HUD housing programs. This warning hopefully will be effective as a deterrent.

2. Surplus cash will be defined to make it explicit that an owner cannot take his distribution until all necessary and reasonable management, maintenance and project related services have been provided.

3. Identity of Interests will be defined to include a requirement that companies having an Identity of Interests with a project shall have their books and records made available to the Secretary upon request. Failure to comply shall entitle the Secretary to immediate possession of the project, to appoint a receiver, or any other remedy.

4. The changes will include a provision that allows the Department to reduce the rents when operating expenses have been reduced as the result of local government action or government regulated action. This change addresses the recent revisions to property tax laws in many states, such as California's Proposition 13. The Department is taking the position that such reductions must be passed on to the tenants. In cases where the owner is able to reduce expenses because of better management, they will not be required to reduce rents.

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5. A requirement that an owner must obtain prior HUD approval to self-manage the project will be included. Presently, the regulatory agreement requires HUD approval before the management agreement is executed. For a self-management case, there is no management agreement.

6. A new provision will be added that quantifies damages to HUD in cases where there has been unauthorized disbursements of project assets, mismanagement and inadequate maintenance. The most difficult issues for courts to resolve involving diverted project assets is the measuring of HUD's damages. The general rule applied by the courts is that HUD has incurred no damages if the project is financially current. This rule does not adequately protect HUD or the tenants and it allows an owner to divert funds. This provision and the changes to the definition of surplus cash will strengthen HUD's position in dealing with diversions of funds.

The revised regulatory agreement will be required to be executed by all owners of projects where agreements are entered into after the effective date of the changes. For those owners who already have executed agreements, the Department cannot demand they accept the new agreement. However, it can and will provide incentives for the owners to accept the changes. The incentive in these cases may be additional subsidy, a loan or other form of financial relief if such assistance is determined to be beneficial to the Government.

The new agreement also will be required when there is a transfer of physical assets from a nonprofit to a profit-motivated entity. HUD will be considering the application of the new agreement to other cases where the Department has the right and/or leverage to require execution of the new agreement.

FLEXIBLE SUBSIDY: GRANT OR LOAN

Mr. BOLAND. What sort of incentives do you have so that you can get owner agreement?

Mr. SIMONS. In the implementation of the program, a question arose as to the treatment of the Flexible Subsidy money, whether it was a grant or a loan.

We have an opinion now from, having worked with IRS where we have established that this is a form of loan. Being able to clarify that has accelerated acceptance of the program by the owners. Until that was clarified, there were real difficulties as to whether they would accept them. It might have been treated as income, too.

OWNER CONTRIBUTION

Mr. BOLAND. The law requires owners to provide assistance to projects in return for Flexible Subsidy funds, HUD's Flexible Subsidy Handbook indicates that nonprofit owners, such as churches, may contribute services instead of cash. Profit-motivated owners are expected to contribute cash. The handbook expects cash contributions to equal one-third to one-half of the annual amount of the subsidy received by the projects. Information from a recent review showed cash contributions from 7 of 9 contracts with profit-motivated owners, executed in Chicago and Boston, averaged only 11.6 percent of the subsidy received. The range was 2 percent to 32.4 percent. Discussions with Area Office officials by the GAO showed that those two Area Offices: "expected little in the way of cash contributions because owners are unwilling to make them in light of the extent of past loans to projects," and "could not or did not know an owner with financial capacity to use as a determinant in requesting contributions."

What about that?

Mr. SIMONS. I am aware of the report. The cash contributions include previously made contributions. The report points out that, although the actual cash contribution at the time of the Flexible

Subsidy was only 11.6 percent, the average was about 29 percent, taking into consideration previous cash contributions made by the owner to continue the project.

We are aware of the problem and now that we have the IRS clarification as to the treatment of the those funds, we will have much greater leverage with the owners in getting the additional cash contributions.

Now, this is a program which started at the end of last year. Additional training must take place, and now that we have the clarifications, we can go ahead and continue to accelerate our training in the monitoring of the program. It is a program, I believe, that will work and work well but, as all new programs, it will take some time to get it into an efficient mode.

Mr. BOLAND. What about the GAO reports which indicate that two of the owners were allowed to count as contributions loans which had been paid back to them?

Mr. SIMONS. We are checking into that.

RENT SUPPLEMENT PROGRAM

Mr. BOLAND. Are there any questions on this chapter?

We will turn to Tab J, the Rent Supplement program. The Department's proposals for this program are complex, not complex to you, but at least to me and I am sure to the Committee. Some Rent Supplement units are to be converted to the Section 8 program, some of the existing contracts will be increased and some units will receive assistance from the Troubled Projects Program.

That is correct, is it not?

Mr. SIMONS. That is correct.

Mr. BOLAND. Is it the Department's opinion that all Rent Supplement units need additional financial assistance?

Mr. SIMONS. It has been our experience that, in the preponderance of cases, the rent increases needed for the project result in an increase in need for Rent Supplement.

You have a situation where you have a constant subsidy going at a time where your operating expenses are increasing.

LEAST COSTLY ASSISTANCE ALTERNATIVE

Mr. BOLAND. Will you supply for the record what the average annual cost per unit of additional assistance provided under each of these three proposals will be, which is the least expensive?

[The information follows:]

AVERAGE ANNUAL COSTS OF EACH OF THE FUNDING SOURCES FOR ASSISTING RENT SUPPLEMENT UNITS

The Department is proposing to implement a long-term (approximately 10 years) conversion of units assisted under the Rent Supplement program to the Section 8 program. Beginning in fiscal year 1981, the Department estimates that approximately 22,500 Rent Supplement units will be converted to the Section 8 program. As a result of the conversion, it is estimated that $45 million of Rent Supplement contract authority will be recaptured. The Department is planning to utilize a portion of that recaptured authority (up to $15 million) to provide needed contract amendments to those units still under Rent Supplement contract and the remaining balance is proposed for recission.

Following the conversion of the estimated 22,500 units to Section 8 in 1981, roughly 140,000 units will remain under Rent Supplement contract. The $15 million

available for use from the converted units will support amendments for approximately 40,000 rent supplement units at $375 per unit. Rent increases for the remaining 100,000 Rent Supplement units will be supported with the use of an estimated $40 million in Flexible Subsidy funding. Using these funding sources (Section 8, recaptured Rent Supplement contract authority and Flexible Subsidy funds) needed assistance will be provided to all Rent Supplement units.

The subsidy provided to these Rent Supplement units using the various approaches described above is designed to provide the amount of subsidy which, in addition to the tenant rent share, is sufficient to provide for full payment of a "reasonable" rent on the unit, as approved by the Department. There are, however, differences in each of these programs which would complicate a straight comparison. For example, under the Section 8 program the full expected rent during the initial contract year is obligated even though only a portion of that rent amount will be actually disbursed as subsidy (balance is paid by the tenant). On the other hand, under the Rent Supplement program, only the amount required to pay rent after taking account of the tenant share is actually obligated. In spite of the differences in the various programs, the actual Federal subsidy requirement on a given unit under any of these particular programs would not differ.

To illustrate this comparability of subsidy, the following table compares the subsidy assistance on a hypothetical unit assuming the three different approaches. Since approximately 75 percent of all Rent Supplement units also receive Section 236 interest reduction subsidy assistance this has been included in the hypothetical example:

SUBSIDY ASSISTANCE

Subsidy	Conversion to section 8	Amend with rent supplement recaptures	Use of flexible subsidy
Components of rent:			
Section 236	$1,188	$1,188	$1,188
Rent supplement base	(−1,524)	1,524	1,524
Section 8	3,000		
Rent supplement amendment		375	
Fexible subsidy			375
Tenant share	(1,101)	1,101	1,101
Gross rent	4,188	4,188	4,188
Federal subsidy payment (outlay)	3,087	3,087	3,087

As highlighted in the example, the gross rent on each unit ($4,188) and the actual Federal subsidy payment ($3,087) are identical under each alternative.

CONVERSION OF RENT SUPPLEMENT TO SECTION 8

Mr. BOLAND. Beginning in 1981, the budget proposes to initiate a multi-year conversion of Rent Supplement units to the Section 8 program. Last year, HUD stated that starting the Troubled Projects program in 1979 would furnish aid to Rent Supplement units.

Why is HUD proposing yet another vehicle to aid Rent Supplement units? What is wrong with last year's proposal?

Mr. SIMONS. As you know, the legislative intent of the Flexible Subsidy program was to take care of both physical needs and the increases in the Rent Supplements. As the program developed and went through the legislative process, the feeling on the authorizing side was to limit it strictly to physical needs and not let it be used to take care of the Rent Supplement increases.

As we reviewed the situation in light of that, we felt we could best deal with the Rent Supplement problem by converting them to Section 8. From a management standpoint, this simplifies the programs we have out there.

Mr. BOLAND. Do you also expect to get improved management for the Section 8 conversion program?

Mr. SIMONS. Yes; and it will also make it much simpler for the Department to monitor. The fewer programs you have, the simpler it is to do the monitoring. We have to have separate monitoring provisions for each separate program.

Mr. BOLAND. Why should the Committee allow Section 8 funds to be used to aid Rent Supplement units? It will not increase the number of additional subsidized housing units.

Mr. SIMONS. In Section 23 conversions, we have been using Section 8 to convert those units for purposes of program simplification. We intend to do this over a long period of time.

SELECTION OF UNITS FOR CONVERSION TO SECTION 8

Mr. BOLAND. How will you determine which units should be converted first?

Mr. SIMONS. That will be determined by the amount of rent increases needed, vis-a-vis the availability of funds. I would judge those that need substantial rent increases will most likely be converted to Section 8, and those that need more modest increases will be assisted through Flexible Subsidy.

Mr. BOLAND. You estimate that 23,000 units will be converted in 1981. Is that correct?

Mr. SIMONS. That is correct.

Mr. BOLAND. Are the 23,000 units to be converted in 1981, included in the 300,000 unit figure for Assisted Housing?

Mr. SIMONS. The funding for the conversion would come out of those funds. We are converting this year about 13,000 Section 23 units to Section 8 and the cost of that conversion is relatively small relative to the total cost of the program.

Mr. BOLAND. What happens if the Rent Supplement units are not permitted to be converted to Section 8?

Mr. SIMONS. We would have a problem with the tenants in those units. Either they pay more, some of them are now paying 40 and 50 percent of their income for rent, or else they are going to be evicted and put out of those projects. If there are no resources available to them, the landlord can't raise the rent to what he needs, and these people will be put out.

SCHEDULE FOR CONVERSION TO SECTION 8

Mr. BOLAND. Now, the table on J-1 indicates that 154,000 Rent Supplement units are eligible for payment at the end of 1981.

What is your proposed time frame for converting all Rent Supplement units to the Section 8 program? How many years would that embrace?

Mr. SIMONS. About 13 years.

Mr. BOLAND. Will that include Section 236 projects?

Will Section 236 projects with Rent Supplement assistance also be converted to the Section 8 Program?

Mr. SIMONS. There is no distinction between the two.

Mr. BOLAND. Will the Rent Supplement assistance be totally withdrawn and replaced with Section 8 assistance?

Mr. SIMONS. The long-term objective would be to do that.

RENT SUPPLEMENT RESCISSION

Mr. BOLAND. The 1980 Appropriation Act contained language rescinding uncommitted balances in the Rent Supplement program in 1980. Last year's estimates of $5 million in contract authority and $200 million in budget authority has become $2 million in contract authority and $80 million in budget authority.

What caused the estimate to change?

Mr. KLIMAN. It was purely an estimate at the time, Mr. Chairman. We thought we would have $5 million in recaptured contract authority. The 1981 proposal involves a specific action which would cause recapture. That is the conversion of the Rent Supplement projects to Section 8.

Mr. BOLAND. Is all recaptured authority in 1980 being rescinded or is a portion of it being used to increase existing contracts?

Mr. KLIMAN. Any recaptures that we have in fiscal year 1980 are automatically rescinded.

Mr. BOLAND. The budget proposes to rescind an estimate of $30 million of contract authority and $1.05 billion of budget authority in 1981 out of an estimated $45 million in contract authority and $1.575 billion in budget authority to be recaptured because of the conversions to the Section 8 program. The balance is to be used to assist Rent Supplement contracts.

Why not rescind all of the recaptured Rent Supplement authority in 1981 and use the flexible program to assist Rent Supplement units in trouble?

Mr. SIMONS. Then we would need more money under the Flexible Subsidy program. Since the eventual purpose is to phase these units out, the use of $15 million to take care of the rent increases in these that are not going to be converted immediately is just a holding action which will permit us in the following year to start converting more units.

Mr. BOLAND. Does the Department propose to rescind recaptured contract authority and budget authority in this program for a number of years as the proposed conversion to the Section 8 program takes place?

Mr. SIMONS. It does.

Mr. BOLAND. Should we make the rescission permanent?

Mr. KLIMAN. The proposal that we have is to rescind the recaptured authority from a specific number of units which will result from a specific action. It is permanently rescinded.

Mr. SIMONS. As the estimates are not something that are firm, we couldn't make it a permanent ongoing rescission. We will be coming foward with a rescission each year based upon our estimates from the previous year. A lot of it will be determined by operating expenses and the situation at the time within the housing market itself.

CRITERIA IN DETERMINING TYPE OF ASSISTANCE

Mr. BOLAND. How will HUD determine which units will receive assistance from the Flexible Subsidy program and which existing contracts will be increased? What criteria would be used?

Mr. SIMONS. The Rent Supplement assistance would be for those that would have a more long-term need situation. The Flexible

Subsidy would go to those projects that have a short-term need. It would only take care of the physical needs Program. It only reflects that required for the physical needs; you do have projects where by just doing the physical work and bringing them back up to standard and creating the proper reserves for them, they are viable and continue without any additional help.

MORTGAGE AND LOAN INSURANCE PROGRAMS

Mr. BOLAND. We will turn to Tab K, Mortgage and Loan Insurance programs. The revised budget requests a limitation of $34,154,732,000 on commitments for mortgage insurance in 1981.

How will HUD administratively control the total amount of guaranteed loans?

Mr. SIMONS. We will have to create some system which will monitor the use of the commitments.

Mr. BOLAND. Will you suballocate some of those to the field?

Mr. SIMONS. It will all be suballocated to the field and monitored.

IMPACT OF CREDIT LIMITATION

Mr. BOLAND. What happens if it appears you will exceed the limitation before the end of the fiscal year 1981?

Mr. SIMONS. We would have to close the program down.

Mr. BOLAND. Would you request an increase in the limitation?

Mr. SIMONS. I would.

Mr. BOLAND. Given the current economic situation, is there any chance that that limitation will be reached?

Mr. SIMONS. Crystal balls are very difficult to use these days. The current economic situation indicates, as far as housing activity, there will be a decline.

On the other hand, we have seen the FHA proportion of the market increase whenever there is a decline, so you have the two factors going against each other.

I feel the FHA, as the housing market gets tighter and tighter, becomes a more important tool for providing housing opportunity. However, chances are this estimate will be right because in a very soft market condition, reduction in starts and, despite a higher percentage of the market, we could still keep within the limitation.

IMPACT OF HIGH MORTGAGE INTEREST RATES

Mr. BOLAND. The last paragraph on page K-2 states that estimates for the FHA funds are based on an 11.5 percent maximum mortgage interest rate which was effective at the time the budget was prepared.

Now what is it?

Mr. SIMONS. It is 13 percent.

Mr. BOLAND. Will the workload estimates go up or down as a result of the higher interest rates?

Mr. SIMONS. The workload goes up or down depending upon the number of unit applications we have, and again the same relationships exist, as I noted before. As the interest rates go up, housing activity shrinks in general, but at the same time the FHA insurance becomes a very viable and important instrument for use.

Mr. BOLAND. How does the current FHA workload compare to the workload one year ago?

Mr. SIMONS. It is down.

Mr. BOLAND. Doesn't that affect the staff?

Mr. SIMONS. As we go to the 100 percent fee, it will have less and less of an impact on the staff.

LOSSES ON SALE OF PROPERTIES

Mr. BOLAND. On the same page, the legend indicates an appropriation of $268 million is requested for 1981 to fund actual unrestored losses to the FHA Fund during 1979.

The losses in this account represent another cost to the government for assisted housing. The table on page K-24 shows that through 1981 nearly $3 billion in losses will have occurred. What is the Department doing to make sure the losses in this account are as low as possible?

Mr. SIMONS. Well, as you know, the loss is realized at the time the property is sold or disposed of by the Federal government. Our entire property disposition program is the most effective way we can minimize losses, trying to maximize the return to the government, and also maximize response to the social needs for which they were originally designed.

Our programs do that, and right now we are trying to accelerate the turning of these properties back to private ownership, especially in the multifamily area. We have proposed legislation, I think, dealing with bankruptcy situations. This will also reduce the amount we are borrowing from Treasury, which will also minimize our interest expenses.

On the single family side, the inventory has been declining very well and we are basically left there with a high percentage of what we call core inventories, the innercity properties. We are working with local governments to develop disposition programs for these properties.

1980 CLAIMS AND SALES ESTIMATES

Mr. BOLAND. The second paragraph on K-4 states that the FHA Fund outlays in 1980 are estimated to increase by $114 million—from $34 million estimated last year to the current estimate of $148 million. This is due primarily to the increase in claim payments and decrease in sales receipts.

Why the increase in claims payments and the decrease in sales receipts from last year's estimates in 1980? You may supply that for the record.

[The information follows:]

FHA Fund Claims/Sales Estimates
Changes in 1980 Estimates

Estimated claim payments for 1980 presented in the 1981 Budget were increased over the totals shown in the 1980 Budget to reflect: (a) the failure to win legislative passage for the Temporary Mortgage Assistance Payments (TMAP) program which had been proposed for implementation in 1980; (b) the utilization of higher per unit claim estimates based upon actual 1979 results; and (c) a higher level of multifamily mortgage assignments based upon increased amounts of insurance written in the recent past.

Estimated sales receipts for 1980 were revised downward in the 1981 Budget to reflect fewer multifamily sales as a result of current market conditions.

As a result of an increase in the claim payment estimates and a decrease in sales receipt estimates, outlays were revised upward as well.

The changes to the claim and sales estimates for 1980 in the 1981 Budget are as follows:

	1980 Estimate in 1980 Budget			1980 Estimate in 1981 Budget		
	Units	Average	Amount ($000)	Units	Average	Amount ($000)
CLAIMS						
Single Family:						
Direct acquisitions	23,468	$18,228	$427,775	23,979	$20,700	$496,363
Assignments	384	17,182	6,598	3,378	19,747	66,705
Subtotal, Single Family	23,852	18,211	434,373	27,357	20,582	563,068
Multifamily:						
Direct acquisitions	630	14,687	9,253	589	11,036	6,500
Assignments	9,828	13,105	128,793	12,676	13,142	166,583
Subtotal, Multifamily	10,458	13,200	138,046	13,265	13,048	173,083
Total Claims	34,310	16,684	572,419	40,622	18,122	736,151
SALES PROCEEDS						
Single Family	25,468	11,681	297,486	26,329	11,396	300,057
Multifamily	25,000	5,736	143,400	20,000	6,498	129,969
Total Sales	50,468	8,736	440,886	46,329	9,282	430,026

TEMPORARY MORTGAGE ASSISTANCE PAYMENTS

Mr. KLIMAN. The sales program lags slightly because of the rehabilitation of the units.

Mr. BOLAND. What causes the negative outlay estimate of $71 million in 1981? Why will sales receipts decrease in 1980 and increase in 1981?

Mr. KLIMAN. That represents a combination of factors, including a legislative proposal to implement the Temporary Mortgage Assistance Payments program, which will result in a decrease in assignments if implemented.

Mr. BOLAND. On pages K-16 and 17 is mention of the proposed Temporary Mortgage Assistance Payments program (TMAP). This program was also mentioned in last year's justification. What happened to the TMAP proposal last year?

Mr. SIMONS. It was dropped.

Mr. BOLAND. Is additional legislation required for this program?

Mr. SIMONS. That is correct.

Mr. BOLAND. This indicates that $6 million in 1981 will assist 3,700 mortgagors. That makes the average assistance about $1,600.

What is the maximum dollar assistance that would be given to a mortgagor?

Mr. SIMONS. The maximum dollar assistance would be the maximum amount of his monthly mortgage payment for no more than 3 years. The purpose of the TMAP program is to provide an additional resource to the government other than taking the assignment of the mortgage.

This envisions a temporary impairment of earnings ability, where there is a temporary period during which the mortgagor will not be able to meet his payments. Under the assignment program, we must take an assignment of that mortgage and go into a workout agreement of up to 3 years by which time the mortgagor is expected to resume full mortgage payments.

Assignment is very expensive, because we have to lay out the full amount of the claim and hold a mortgage at a low interest rate, and then try to resell it or dispose of it later.

The purpose of TMAP would allow us to make those payments directly to the mortagee and then, when the mortgagor was again able to make his mortgage payments, that mortgage would become current.

Mr. BOLAND. What about the revised estimate? You indicate the number of mortgagors who could be recipients of TMAP payments in 1981 has been revised from 2,500 to 3,700.

How did you arrive at this figure?

Mr. SIMONS. It is an estimated figure based on a judgment as to the number of people who will be eligible for the program and will participate in the program.

DIRECT APPROPRIATION FOR TMAP

Mr. BOLAND. Why is HUD proposing that this assistance be provided from the FHA Fund rather than a direct appropriation?

Mr. SIMONS. It would provide for the eventual repayment of that money to the Fund.

Mr. BOLAND. I thought you were going to say by using the FHA Fund there was no cost to the government. You are not saying that?

Mr. SIMONS. No.

SAVINGS TO THE FUND

Mr. BOLAND. The proposal is to spend $6 million in 1981.

Mr. SIMONS. Yes.

Mr. BOLAND. How much do you estimate will be saved by the Temporary Mortgage Assistance program?

Mr. KLIMAN. The net figure is around $43 million in savings.

Mr. SIMONS. There is a net savings in that we would not have to take assignment of $49 million worth of mortgages.

CLIFTON TERRACE

Mr. BOLAND. Last year, the Washington Post ran a series of articles on the Clifton Terrace Apartments. The allegation was that the P.I. Properties, the project manager, stole hundreds of thousands of dollars from the tenants and the government. Pages K-22 and K-23 deal with management and disposition activities in general, and the Senate Appropriations Committee's Investigations Staff report.

What is the current status of the Clifton Terrace Apartments?

Mr. SIMONS. We have foreclosed on the property. We are the owner of it and we are taking steps to have the project put in shape for disposition.

STEPS TAKEN TO MINIMIZE FRAUD

Mr. BOLAND. Have there been any indictments as a result?

Mr. SIMONS. The investigations have not resulted, to my knowledge, in any indictments.

Mr. BOLAND. I understand the Inspector General has been looking at this type of problem in general. How wide-spread has HUD found problems like this to be?

Mr. SIMONS. When you say problems like this, I assume we are addressing the problem of criminal fraud.

Mr. BOLAND. It isn't that wide-spread?

Mr. SIMONS. No.

Mr. BOLAND. What steps have you taken to reduce the possibility of another Clifton Terrace?

Mr. SIMONS. We have, as I have stated, begun a total redoing of our management system and our monitoring efforts of the management of HUD projects—not only HUD-owned but also those assigned.

We are also taking steps to initiate workout agreements much more rapidly and have tightened the whole program. I will be very happy to supply for the record and for you our latest report on all steps.

[The information follows:]

Update of Report on Improving HUD's
Management of Its Multifamily Inventory

The attached report represents an update of the March 21, 1980 submission of the Bimonthly Report to the Senate on the implementation of improvements in the Department's management of its inventory of multifamily housing projects as of April 30, 1980.

In the general area of project monitoring and servicing, all proposed reforms are on schedule. These include development and implementation of data systems, general management changes and increasing capacity and effectiveness of project monitoring.

In the area of troubled project servicing, the reform initiatives being coordinated by the Office of General Counsel are basically on target. There was some slippage in the development of a model legal complaint to secure earlier possession of HUD-held properties. This was scheduled to be completed in April, but was not completed until May 15, 1980.

Improvements in the management of HUD-owned properties are progressing as scheduled. These include improved financial management and reporting as well as policy and procedural changes.

The Report follows:

I. Project Monitoring and Servicing

1. ACTION: Remote monitoring of field office performance indicators.

   DATE: Develop initial system - May 1980
   Fully operation - July 1980

   COMMENT: A more systematic review of field office performance will enhance project monitoring, a weakness which both the GAO and Senate staff reports described. Development of the remote monitoring system of field office performance is in progress.

2. ACTION: Management review requirements.

   DATE: Develop review materials - Completed
   Communicate to field - Completed
   Fully operational - Completed

   COMMENT: Troubled projects (subsidized or unsubsidized) receive annual comprehensive reviews; untroubled subsidized projects receive annual limited reviews and untroubled unsubsidized projects are reviewed biannually. These actions are monitored through the Operating Plan to assure that all projects are reviewed. This process should enable us to prevent past problems where projects went for too long a time without attention. It will also enhance our ability to respond quickly when a project mortgage is assigned to the Department.

3. ACTION: Blend eligibility requirements for Rent Supplement, Section 8 and Rental Assistance Payments (RAP).

DATE: Develop forms and materials - June 1980
Communicate to field - August 1980
Fully operational - September 1980

COMMENT: This will help make income verification an easier job and assist in preventing fraud and abuse, a Senate and GAO concern. The forms blending eligibility requirements for Rent Supplement, Section 8 and RAP will be put through the Departmental clearance process the first week in May.

4. ACTION: Training in occupancy matters.

DATE: August 1980

COMMENT: Training will stress uniform eligibility and income verification procedures and assist in preventing fraud and abuse. Training is scheduled for July 23-25 and August 20-22.

5. ACTION: Regulatory Agreement

DATE: Issue revised agreement - October 1980

COMMENT: A strengthened regulatory agreement along with aggressive enforcement will increase our capacity to recover diversions of rental income, a GAO HUD-held report concern, and take control of projects whenever that is warranted, also a GAO letter report concern. The revised regulatory agreement is presently being reviewed by the Committee on Fraud, Waste and Mismanagement.

6. ACTION: Management Agreement

DATE: Develop revised agreement - July 1980
Communicate to field - September 1980

COMMENT: A revised standard agreement will increase our control over poor management in HUD-owned and insured and assigned projects. Revision is in draft.

7. ACTION: Modular financial analysis course.

DATE: Develop course and produce materials - October 1980
Distribute materials to field - December 1980

COMMENT: This is a packaged course being developed by an independent contractor which could be taught in the field office by more experienced loan management staff. Improved capacity for financial analysis, recommended by the GAO in its report on HUD-held accounting, will greatly assist field staff in project monitoring in general, a weakness noted by both the GAO and the Senate Staff Report. First drafts of all modules have been received and are presently being revised.

8. ACTION: Comprehensive review of the Loan Management function in the field and recommendations for organizational changes.

DATE: Final report - October 1980
Begin implementing recommendations - FY 1981

COMMENT: An independent contractor is undertaking this major functional analysis, which was begun in January 1980 and follows up on prior contract work. Two work products have been submitted towards this effort. A forum is scheduled for July to discuss recommendations with key staff from Headquarters and the field.

Data Systems

9. ACTION: Mulifamily Insured and Direct Loan Information System (MIDLIS)

DATE: COMPLETED - March 1980

COMMENT: MIDLIS will be our principal multifamily project information system. It will permit HUD to track major actions on each project through its entire life cycle and give Headquarters a better capacity to monitor field performance. The importance of such a system was recognized by both the GAO letter report and the Senate Staff Report in their calls for better project data. MIDLIS will also increase our capability to monitor the submission of financial reports, a criticism of the GAO HUD-held report.

10. ACTION: Office of Loan Management System (OLMS)

DATE: Basic system
Fully loaded - June 1980
Fully operational - July 1980
Issue users guide - September 1980

Enhanced System
Planning - March - May 1980
Design - (not set)
Programming - (not set)
Operational - (not set)

COMMENT: This system will provide HUD with basic comparable project operating cost data vital to project monitoring and expenditure analysis. The GAO HUD-owned report properly noted the need for such information. Notice H-80-37 (HUD) dated 3/27/80 made OLMS mandatory for all multifamily field offices with the requirement that the system be fully loaded by 6/30/80. A discussion paper on needs for an enhanced OLMS is in preparation.

II. Troubled Project Servicing

1. ACTION: Workout analysis procedures and criteria.

DATE:
- Interim Notice on analysis techniques, forms, and procedures for workouts - April 1980
- First draft of contractor product delivered - July 1980
- Issue workout workbook and detailed follow-up instructions - December 1980

COMMENT: The Notice on the decentralization of workout agreements has been drafted and comments have been received from the field. The final version will be put into clearance by the end of May. The first draft of the contractor product--Chapter 4 of the Workout Workbook, The Schematic Outline of the Workout Process--has been delivered and is under review. This work is critical to a speedy process of putting projects under an approved plan, a need noted by both the Senate staff and the GAO. Ability to meet this goal will depend on the quality of the work product.

2. ACTION: Improved system for tracking foreclosure actions.

DATE:
- Develop model with Department of Justice - May 1980
- Develop tracking system - June 1980
- Coordinate implementation with field offices, Department of Justice - July - September 1980
- Fully operational - October 1980

COMMENT: A better monitoring system should lead to shorter internal processing and speedier foreclosure, a need recognized by GAO and the Senate staff. The development of foreclosure tracking system is proceeding on schedule.

3. ACTION: Goal of 90 percent of HUD-held projects under an approved plan.

DATE: Achieve goal in each Region - September 1980

COMMENT: Status as of March 31, 1980

Region I - 55%	Region VI - 86%
II - 64%	VII - 86%
III - 68%	VIII - 89%
IV - 86%	IX - 91%
V - 70%	X - 93%

This goal is our principal management tool in bringing projects under an approved plan quickly. This concern has been expressed by both the Senate and the GAO. A project is under an approved plan if it has a workout agreement, is current under the terms of its original mortgage or has been recommended for foreclosure. Nationwide, the status of HUD-held projects under an approved plan is down slightly at 76 percent. Completion of flexible subsidy implementation will free staff to give more attention to this concern. Decentralization of workouts will also improve performance.

4. ACTION: Foreclosure process improvement, including earlier possession to speed foreclosure.

DATE: Develop model legal complaint to secure earlier possession - April 1980
Communicate to field and Department of Justice - May 1980

COMMENT: Draft pleadings completed. Final product will be completed by June 15.

5. ACTION: Secure statutory authority for faster foreclosures.

DATE: Legislative approval - September 1980
Implementation - February 1981

COMMENT: This problem has been properly highlighted by both GAO and the Senate and we anticipate Congress' continued cooperation in resolving it. OMB has sent proposed legislation drafted by the Department to the Veterans Administration, Department of Justice and Farmers Home Administration for comment.

6. ACTION: HUD-IRS Reporting System

DATE: Develop system - August 1980
Fully operational - October 1980

COMMENT: IRS retains the responsibility for enforcement of tax consequences but improved cooperation will be beneficial and help to remove one incentive for delay noted by the GAO letter report. IRS has now identified the information needed. Instructions to transmit such information to IRS will be built into the new form for Transfer of Physical Assets.

7. ACTION: Secure relief from provisions of the Bankruptcy Code which threaten multifamily projects.

   DATE: Legislative approval - September 1980

   COMMENT: Both the GAO and Senate reports criticized delay in the foreclosure process. A narrow exemption from the new code for multifamily mortgages will be very valuable in avoiding future delays.

   The House Subcommittee on Housing and Community Development added an amendment to HR 7262, the Housing and Community Development Act of 1980, which responds to this concern.

8. ACTION: Reconcile multifamily inventory in field with Headquarters.

   DATE: Develop procedures - Completed
   First reconciliation - April 1980

   COMMENT: Office of Finance and Accounting records have been reconciled with the records of the Office of Finance and Preservation. Differences are being resolved. Final reconciliation between the computer systems will take place shortly.

Accounting Systems

9. ACTION: Automated billing reflecting workout agreements with reports to field offices through MIDLIS.

   DATE: Develop system - April 1980
   Implement change - May 1980
   Fully operational - July 1980

   COMMENT: This change will permit more aggressive servicing in HUD-held projects and the need for it was noted by GAO in the HUD-held report. It will provide servicers with adequate collection information.

   The design of the automated billing system is complete. Workout information will be available in a timely manner once the system becomes operational. The Department is on schedule.

10. ACTION: Interim billing of mortgagors immediately upon assignment of mortgages.

    DATE: Develop new interim billing procedure - March 1980
    Fully operational - April 1980

    COMMENT: This procedure will help to shorten the time frame within which we deal with assigned projects and initial workout. The GAO expressed concern over our timeliness in this area. An interim billing system has been developed and is operational.

11. ACTION: Timely billing on assigned mortgages - 20th of the month prior to due date.

DATE: Enhance word processing system - May 1980
Achieve goal - June 1980

COMMENT: Timely billing will give servicers another tool with which to be more aggressive in their approach to servicing HUD-held projects. This was an item which the GAO accounting report found. The billing on assigned mortgages has become more timely. The Department will be able to provide this requirement on schedule.

12. ACTION: Tax escrow accounts for assigned mortgages.

DATE: Complete analysis and adjust accounts - March 1980

COMMENT: The GAO report on HUD-held accounting reflects the Department's concerns that this issue be resolved. Analysis and adjustments on tax escrow accounts of assigned mortgages has been completed.

III. HUD-owned Projects

1. ACTION: Improve financial management and reporting.

DATE: Develop procedures and materials - June 1980
Communicate to field - July 1980
Fully operational - September 1980

COMMENT: The GAO/HUD-owned report was especially critical of this problem which the Department is committed to remedying. A contract has been approved for a consultant to develop procedures and materials. The improved system will be fully operational by September 1980.

2. ACTION: Blend management procedures and requirements for HUD-owned projects with those for HUD-held and insured projects.

DATE: Develop procedures and materials - July 1980
Communicate to field - August 1980
Fully operational - September

COMMENT: This change should standardize and improve project monitoring in our HUD-owned projects, a weakness that both the Senate staff and GAO related in their reports. The following is a list of the procedures which are being blended and their status:

- Financial management and reporting system (see III 1). This will follow already existing procedures on insured and HUD-held mortgages.

- Project Management Review has been developed and cleared and has been forwarded to printing.

- Proposed certification and recertification document is being revised.

3. ACTION: Final rule on disposition of HUD-owned projects.

   DATE: Publish final rule - July 1980

   COMMENT: The first draft of the final rule is being prepared. This rule addresses tenant participation, repair and preservation of the low and moderate income character of projects as well as all other aspects of the disposition process. An interim rule is presently in effect.

4. ACTION: Advanced training course on management and disposition of HUD-owned projects.

   DATE: March 1980

   COMMENT: This course was given at the HUD training center in Columbia, Maryland the week of March 10 - 15.

5. ACTION: Basic training in contracting and reconditioning for HUD-owned projects.

   DATE: October 1980

   COMMENT: Prepared to proceed as planned.

6. ACTION: Basic training course on management and disposition of HUD-owned projects.

   DATE: October 1980

   COMMENT: Prepared to proceed as planned.

7. ACTION: Advanced course in contracting and reconditioning for HUD-owned properties.

   DATE: December 1980

   COMMENT: Prepared to proceed as planned.

8. ACTION: Revise work measurement standards for HUD-owned property disposition activity.

DATE:
Plan study - April 1980
Conduct study - May - July 1980
Incorporate in FY 81 OPLAN - August 1980

COMMENT: A major Loan Management work measurement study was completed in the fall of 1979 and is reflected in the FY 80 Operating Plan. Accurate work measurement standards is the first step towards providing adequate staffing, a deficiency noted by the Senate Staff report. Planning of this study is in process. Materials are being collected as a prerequisite to charting of field office function.

IMPEDIMENTS TO PROJECT MANAGEMENT CONTROL

Mr. BOLAND. Is there some difficulty in gaining control over projects that experience these problems?

Mr. SIMONS. That's correct, and one of the areas that we are working on is the changing of the regulatory agreement to give us the ability to change the management or compel a change in management.

Mr. BOLAND. Are there any legislative obstacles to foreclosing on Federally guaranteed projects?

Mr. SIMONS. Yes; there are obstacles in the areas of foreclosure and bankruptcy. The Authorizing Committee is changing the legislation to enable us to get control of these projects much more rapidly.

GAO REPORT ON CINCINNATI SERVICE OFFICE

Mr. BOLAND. In a GAO report on Contracting Practices at HUD's Cincinnati Service Office (CED–79–67, dated April 12, 1979) it was pointed out that HUD paid about $1 million more than necessary for grasscutting, painting and tiling at several acquired projects. Also, payments were made for work not done. GAO made several recommendations, most of which were aimed at the specific problems observed at the Cincinnati Service Office.

What steps has HUD taken to implement GAO's recommendations in that report?

Mr. SIMONS. As a result of that investigation, we did tighten our contracting procedures whereby the authorizations at the contracting levels by the Area Office and local people were tightened.

Mr. BOLAND. I presume they have reimbursed you for work that was not done by the contractors?

Mr. SIMONS. We are taking steps to correct it.

Mr. BOLAND. Has any of that money been returned for work not done?

Mr. SIMONS. I will be glad to supply that answer for the record.

[The information follows:]

AMOUNTS RECAPTURED FROM CONTRACTORS OVERCHARGING FOR SERVICES IN CINCINNATI

Overcharges in the amount of $5,470 have been recaptured from the Tom Pitts Landscaping Services of Cincinnati, Ohio. In addition, demand letters are being served on the Rose Mary Carpet Company and the Dutch Home Painting Company, both in Cincinnati, Ohio, in the amounts of $8,000 and $1,396, respectively. Both vendors are being advised that if payment is not received, deductions will be made from current vouchers for monies due them for services and supplies rendered.

MONITORING OF CONTRACTED SERVICES

Mr. BOLAND. On a larger scale, has HUD instituted any improved controls, on a nationwide basis, to preclude or reduce the type of contracting abuses pointed out by GAO.

Mr. SIMONS. Those procedures have been tightened up also, and the contracting officers are required to take competitive bids and to find out competitive levels of cost of services.

Mr. BOLAND. What controls does HUD have to ensure that contracted services are now satisfactorily performed before payment is made?

[The information follows:]

CONTROLS ON CONTRACTED SERVICE

The following actions were taken to minimize or eliminate procurements of the type reported by the General Accounting Office concerning the Cincinnati HUD Service Office.

1. Instructions were issued on March 7, 1979 to all HUD Regional and Field Offices emphasizing the need for adequate supervision of the procurement function;
2. HUD Area Managers now are required to approve all contracts in excess of $100,000, including those which are open-end contracts;
3. A control system for tracking Regional Contracting Officers' reports was established on May 18, 1979;
4. All Field Office-awarded contracts in excess of $50,000 were reviewed for conformance with procurement standards;
5. A price ceiling for SBA 8(a) contracts not in excess of 110 percent of the HUD estimates has been established;
6. Field Offices are required to submit monthly reports for contracts in excess of $50,000;
7. Area Manager/Service Office Supervisors now are required to approve all specifications contained in contracts in excess of $10,000;
8. Area Managers/Service Office Supervisors now are required to approve contract modifications in excess of or aggregating $50,000 or more; and
9. Area Managers/Service Office Supervisors now are required to approve all negotiated contracts, except for those which are for temporary management or small purchases.

LOSSES RESULTING FROM DEFECTIVE TITLE

Mr. BOLAND. The Department allows mortgagees the option of obtaining title insurance on foreclosed property. The reason for the title insurance is to protect against a defect in the title, such as any unrecorded lien on the property. HUD pays about $1.5 million to $2 million annually for title insurance. In contrast, VA does not accept title insurance because of its cost.

Have there been any losses due to a defect in the title on foreclosed properties?

Mr. SIMONS. To my knowledge there have not been, but I won't rule out the possibility.

Mr. BOLAND. Why do you feel that a title insurance is necessary on foreclosed property?

Mr. SIMONS. I think that legally there are some questions as to what the implication is in each State as to foreclosure. State law would determine whether or not title insurance was necessary.

HUD SELF-INSURANCE AGAINST FIRE LOSS

Mr. BOLAND. HUD permits mortgagees to obtain fire insurance on vacant properties to cover any losses during the period the mortgage is being foreclosed. Because the property is vacant and therefore subject to a higher chance of loss, this insurance is generally more expensive. HUD generally pays the cost of the insurance premiums, estimated to be from $1 to $2 million annually, when it settles with the mortgagee and obtains a deed to the property. While HUD owns the property, it insures itself against the fire loss.

Since HUD is self-insured after it receives title to the property, couldn't HUD also self-insure the property during the foreclosure process and thereby save the cost of expensive fire insurance?

Mr. SIMONS. We could, but we are not in control of that property at that time. The mortgagee is in control of the property. It would be very difficult to estimate the potential loss we would have as self-insurers where we do not control the property. Once we owned the property, we are in control and we can take necessary steps.

TIMING OF INTEREST PAYMENTS TO MORTGAGEES

Mr. BOLAND. You are self-insured. The Department pays mortgagees FHA mortgage insurance benefits if the homeowner defaults on the mortgage and the property is foreclosed. The Department pays interest on all costs the mortgagee incurs to foreclose on the property. The interest is computed from the date the homeowner defaults on the mortgage to the date the Department and the mortgagee settle on the mortgage insurance benefits.

Yet, a number of cost items do not normally occur until late in the foreclosure process. In contrast, VA pays interest from the actual date costs are incurred. We understand that the Department is paying about $1.5 to $2 million annually in interest calculated from the date of default and not when costs are incurred.

Why does the Department follow this practice? Isn't this an area where the costs of mortgage insurance benefits can be reduced?

Mr. SIMONS. It's a matter simply of FHA Fund administration. The techniques to implement that procedure administratively would be very difficult and costly.

The costs would exceed the benefits.

Mr. COUGHLIN. The VA managers do that?

Mr. SIMONS. I don't think the universe is exactly the same.

HUD MANAGEMENT OF ASSIGNED MORTGAGES

Mrs. BOGGS. Mr. Chairman, I would like to pursue a little bit the report to the Senate HUD-Independent Agencies Subcommittee in which the Comptroller General found that HUD's management of multi-family assigned mortgages is not sufficiently rigorous and expeditious.

Although the report acknowledges that management of these mortgages is not an easy task because they already have a history of problems when assigned, it nevertheless concludes that HUD should move more quickly on foreclosure or should more vigorously monitor reinstatement, and that to do so would save the Federal government millions of dollars.

I know you have commented on this in the various questions that the Chairman has proposed, and you have mentioned some legislative remedies such as the exemption of HUD from Federal bankruptcy laws.

Is enactment of uniform Federal foreclosure law to apply to HUD projects among your suggestions?

Mr. SIMONS. That would be very helpful if we could get that kind of legislation.

Mrs. BOGGS. What about legislation that would be designed to eliminate certain tax advantages for mortgagors?

Mr. SIMONS. I don't think legislation is needed on that. We are working with IRS in determining a policy for dealing with that. It may be that we need legislation, but the questions which come up when a project goes into default are the accrual of interest payments and the accrual of payments which are deductible, but which are really not being paid.

We are looking at that now, because to forgive those would mean that there would not be any possibility of return to the FHA Fund. It is a trade-off between whether we sacrifice the Fund or permit this to go on.

We are addressing the problem on a broader basis because that report also talks to an area with which we are very concerned, and that is getting projects under workout as rapidly as possible.

We have created an executive management review regarding this. It is monitored from the Central Office monthly, and we are seeing marked improvement in the number of projects that are being brought under workout agreements right away.

At the same time we are developing a workout handbook which will consider the tax implications to the owners, so as we deal with those workouts, we will know what to look for and what we need to defend the Department's position.

We are looking at the question of the accrual of these payments for deductible purposes in that context. The handbook should be developed some time before this Fall, and a decision will be made on just how we will deal with that.

PREVENTION OF VANDALISM

Mrs. BOGGS. I am interested in fire insurance and related programs. As you know, among the great difficulties associated with vacant properties are vandalism and use of the buildings for congregation, drug sale purposes and so on.

Do we have available any type of police services or insurance against vandalism that would require provision of more substantial police services?

Mr. SIMONS. You can insure against vandalism, but it becomes very, very expensive. Our policy has been to use aggressive management of our inventory in monitoring those houses. It is a tremendous problem. With the size of the inventory of 15,000 to 20,000 units spread throughout the country, it becomes more and more difficult to handle. However, the cost of doing it the other way would be prohibitive.

Mrs. BOGGS. Thank you.

HOUSING FOR THE ELDERLY OR HANDICAPPED PROGRAM

Mr. BOLAND. Let's turn to Tab L, Housing for the Elderly or Handicapped Program. You are requesting a total loan limitation of $895 million in 1981, including up to $65 million of recaptures from prior year reservations. The justification indicates that approximately 18,800 units will be funded in 1981 of which at least 1,132 units would be for non-elderly handicapped persons.

Is the 18,800 unit estimate in 1981 based on a $830 million or $895 million loan limitation?

Mr. SIMONS. It is based on the $830 million.

Mr. BOLAND. If the unit estimate is based on an $830 million—how many additional units could be provided with the $65 million in recaptured authority?

Mr. SIMONS. We would be providing about 1,470 units.

Mr. BOLAND. What are the chances of recapturing the $65 million in 1981?

Mr. KLIMAN. Hopefully very slim. That was put in as an outside estimate. The $830 million is the net figure.

Mr. SIMONS. That is the estimate for new authority.

Mr. KLIMAN. The reason for that is, under the Credit Control System that the President put into effect, we are having to convert all the loan programs over to a gross basis. We were on a net basis for years. This year we are showing the gross amount.

Mr. SIMONS. We don't have authority to use recaptures unless they are within the gross limitation.

IMPACT OF INCREASING LOAN LIMITATION

Mr. BOLAND. The 1981 budget reflects a revised method of calculating budget authority. How much would the 1981 budget authority estimate increase if the loan limitation were raised by say, $70 million?

Mr. KLIMAN. Budget authority would go up by exactly $70 million.

SECTION 202 UNIT COST ESTIMATES

Mr. BOLAND. The legend on page L–2 indicates that the unit cost estimates for 1980 have been adjusted to reflect the 1979 experience. The 1980 per unit cost estimate increases from $40,600 to $41,000. However, last year the 1979 estimated unit cost was $38,900.

The 1979 actual column in this year's justification indicates the average unit cost to be $36,200. The 1979 average unit cost appears to be $2,700 below last year's estimate. How do you explain that?

Mr. SIMONS. Is this actual cost you are talking about?

Mr. BOLAND. We want to know why the average 1979 unit cost, is $2,700, below last year's estimate.

Mr. SIMONS. The only explanation I would have is that the program is more rigorously processed and managed with a view toward making it cost-effective. I will supply additional information for the record.

[The information follows:]

REASONS FOR SECTION 202 COST CHANGE

Fiscal year 1979 was the first year that the use of recaptured authority was permitted for Section 202; approximately $101 million was recaptured and reused.

The actual 1979 figures shown in the Justifications, page L–1, represent the gross number of units reservations compared with the net amount of authority used. The figures are incompatible and, therefore, utilizing gross reservations and "net" loan authority in determining an average loan per unit would distort the actual 1979 experience.

Comparing the gross number of unit reservations in fiscal year 1979 to the gross authority utilized for new units produces an approximate average unit cost of $39,000 for fiscal year 1979, which is estimated in the Budget to rise by 5.1 percent to $41,000 in 1980.

NON-ELDERLY HANDICAPPED

Mr. BOLAND. On page L-3, the second to the last paragraph indicates that "Pursuant to the Housing and Community Development Amendments of 1978, 1980 and 1981 budget estimates include $50 million as a minimum for units to be designed exclusively for non-elderly handicapped persons."

Will each Section 202 project contain some non-elderly handicapped units or will there be a special non-elderly handicapped project?

Mr. SIMONS. The answer to that is both. We do have a special set-aside for nonelderly handicapped, of at least $50 million. Besides that, under the regular Section 202 Program projects could be built which will include both handicapped and elderly.

HOUSING FOR THE CHRONICALLY MENTALLY ILL

Mr. BOLAND. In that same paragraph, the justification indicates a "set-aside for 1980 is $25 million for a demonstration program of housing for the chronically mentally ill which has been initiated by HUD in cooperation with the Department of Health and Human Services."

Give us a rundown on that program including the number of projects and units.

Mr. SIMONS. This is basically a deinstitutionalization program with a relatively small number of units per project—12 units going up to 24 under certain circumstances.

It is a program which has a large number of projects for the number of units in them and conducted with the various States who want to participate in the program.

Mr. BOLAND. How did this particular program surface? Was this demonstration program mentioned last year in the 1980 justification?

Mr. SIMONS. It was funded in 1978 for $15 million and we conducted it in 1979.

Basically, as we looked at Section 504 and the Department's responsibilities with respect to the handicapped, the whole area of what happens with the mentally handicapped became a very serious question. In order to try to give us some experience as to how to handle this situation intelligently, this program was put into place to deal with the mentally handicapped on a deinstitutionalized basis.

Mr. BOLAND. How many projects are to be supported with the $25 million?

Mr. SIMONS. We will supply the number for you .

Mr. BOLAND. Fine. List the projects and the number of units that will be available under this program.

[The information follows:]

Demonstration Program for Chronically Mentally Ill

The Demonstration Program for Deinstitutionalization of the Chronically Mentally Ill, developed by HUD and the Department of Health and Human Services (HHS), targets Federal funds to supply the housing and support needed by chronically mentally ill persons if they are to live independently in the community. Through a special procedure, the States are allowed to use HHS Medicaid and other Social Security Act program funds for support services in the residential facilities. These services include training in cooking, shopping and personal relations, as well as assistance in obtaining education and vocational opportunities. Section 202 direct loans are used to construct or substantially rehabilitate small group homes. Section 8 housing assistance payments ensure that residents pay no more than 25 percent of income for rent.

Each year of the demonstration program, States have the opportunity to compete for participation in the program by submitting letters of intent to HUD, describing their State's history and commitment to providing community-based care for the mentally ill. Private nonprofit sponsors (Section 202 program) in the selected States are then eligible to prepare applications for funding to develop small community residences for the mentally ill. Only three categories of individuals as determined by the appropriate State social services agency are eligible to participate in the program as follows:

-- Chronically mentally ill individuals currently residing in institutions capable of more independent living;

-- Chronically mentally ill individuals at the risk of being reinstitutionalized; and

-- Chronically mentally ill individuals with no prior institutionalization, but for whom housing linked to services would provide an alternative to institutionalization.

The following data summarizes the three-year span of the program:

	Actual 1978	Actual 1979	Estimate 1980
	(Dollars in Millions)		
Funds Reserved:			
Section 202 (loan authority).....	$15.0	$25.1	$25.0
State selected to participate.....	14	27	31
Number of sponsors.....	58	75	70
Number of projects.....	58	94	a/
Number of units.....	488	717	675

a/ To be determined when selections are made in July, 1980.

At the close of 1980, approximately $65 million of loan authority will have been allocated through the three years of this program's operation. In addition, all project units assisted also receive rent subsidy assistance under the Section 8 program. Across the country, approximately 1,900 housing units will be developed by over 200 sponsors to serve as many as 3,500 mentally ill people. HHS's financial commitment will be between $20 million and $30 million in Medicaid funding for support services.

A listing of States participating in the FY 1978 and FY 1979 programs is shown below. Participants in the FY 1980 program will be selected in July, 1980.

State	Projects	Units	Section 202 Loan Authority
Alabama.....	1	8	$280,000
Arkansas.....	4	22	770,000
California.....	6	50	1,750,000
Colorado.....	7	60	1,800,000
District of Columbia.....	5	46	1,610,000
Florida.....	5	45	1,355,000
Georgia.....	7	67	2,135,000
Hawaii.....	1	11	385,000
Illinois.....	6	46	1,610,000
Kentucky.....	1	7	210,000
Louisiana.....	2	23	805,000
Maine.....	3	25	875,000
Maryland.....	1	9	270,000
Massachusetts...	12	86	2,685,000
Michigan.....	2	22	660,000
Minnesota.....	3	24	720,000
Missouri.....	3	30	1,050,000
Nevada.....	4	16	560,000
New Hampshire...	4	35	1,225,000
New Jersey.....	10	87	2,830,000
New York.....	8	84	3,115,000
North Carolina..	3	23	805,000
Ohio.....	3	27	945,000
Oregon.....	5	43	1,290,000
Pennsylvania....	8	50	1,620,000
Rhode Island....	4	31	930,000
Tennessee.....	4	28	980,000
Texas.....	3	21	735,000
Utah.....	4	12	420,000
Vermont.....	9	55	1,750,000
Virginia.....	4	28	980,000
Washington.....	4	29	1,015,000
West Virginia...	2	20	700,000
Wisconsin.....	4	35	1,225,000
Total.....	152	1,205	40,095,000

UNITS ASSISTED

Mr. SIMONS. Approximately 1,200 units were funded in 1978 and 1,205 units in 1979.

Mrs. BOGGS. The other thing it does is to prepay the moneys for the Section 202 elderly and handicapped program to insure that those funds will be used just for those purposes.

DETERMINATION OF INTEREST RATES

Mr. BOLAND. On page L–7, the justification indicates that Section 202 loans are made on a rate of interest based on the average and yield, which is estimated to be 8 percent. Is that still a valid estimate?

Mr. SIMONS. The estimate is a little over 9 percent.

Mr. BOLAND. What is the interest rate expected to be in 1981?

Mr. SIMONS. The interest rate for 1981 is going to be difficult to ascertain. With the trend in interest rates we are looking at right now, it may come out to be no higher than it was for 1980.

NEED FOR SECTION 8 ASSISTANCE

Mr. BOLAND. Each Section 202 unit also has a Section 8 subsidy. Are there any Section 202 units where the occupant is not receiving Section 8 assistance?

Mr. SIMONS. To my knowledge, not under the program as we have been running it for the last three years.

Mr. BOLAND. I didn't think there would be either, because all the 202's I am familiar with are all piggybacked with Section 8.

I guess it is a fair question to ask why should every Section 202 unit have Section 8 assistance? Having some units where the occupant pays a market rent would provide more of an economic mix of tenants. It would also allow individuals just above income limits to participate, and it would reduce the cost to the Federal government.

Mr. SIMONS. The Section 8 program does have this type of opportunity; Section 202 historically has not.

Mr. BOLAND. Is there any reason why you shouldn't have it in the Section 202's?

Mr. SIMONS. The Section 202 program was a 3 percent direct loan program without any additional subsidy, and at 3 percent there was an ability to meet the elderly needs.

As that interest rate has been tied into the Federal borrowing rate, we now see 8½ or 9 percent rates and a problem of marketability with respect to these units. The problem appeared in 1977, and Congress tied the Sections 8 and 202 together.

NONPROFIT SPONSOR ASSISTANCE

Mr. BOLAND. Turn to Tab M, Nonprofit Sponsor Assistance Program. No appropriation has been requested for 1981. However, under the new Federal Credit Control System, language is proposed to limit loan obligations to $2.3 million. Last year HUD estimated 115 loans totalling $5,750,000 in 1979. The 1979 actual was 85 loans

and $1,936,000. What accounts for this decrease in both the number of loans and the dollar amount in 1979?

Mr. SIMONS. These loans are used for what we call seed money loans, and the answer here is that the need for this has been reduced as more and more sponsors have gotten experience with the program.

Also, there has been a decrease in the number of units for the Section 202 loan program.

STATE HOUSING FINANCE AND DEVELOPMENT AGENCIES PROGRAM

Mr. BOLAND. Turn to Tab N, under Other Housing Programs. On page N-5 is the Section 802 State Housing Finance and Development Agencies program. No program is proposed for 1980 and 1981.

Have current economic conditions caused the Department to reconsider its proposal?

Mr. SIMONS. It is not, in our opinion, a feasible proposal because the interest subsidy is for taxable State agency borrowing and does not bring it down to a level which would meet the needs of the agencies.

Mr. BOLAND. Well, that ends the Housing questions.

Mrs. Boggs, do you have any questions?

Mrs. BOGGS. No, thank you, Mr. Chairman.

Mr. BOLAND. For the record I will place questions submitted by Congressman Young at this point.

[The questions follow:]

REPLACEMENT HOUSING PROPOSALS

Question. Mr. Secretary, you and I have been in receipt of information provided by the Mayor of St. Petersburg, Corinne Freeman, concerning problems with existing HUD regulations.

Mayor Freeman states in her letter to you that "The existing regulations that are now calling for new units to go in 'middle class neighborhoods' are not only causing absolute havoc in most neighborhoods, but are raising the spectre of fear of decline of property values that a government body simply cannot dispel.

"What we are seeing now is a new wave of fear and misunderstanding being rammed down already over burdened taxpayers' throats. What we are also seeing is a strong feeling amongst low-income families who simply do not want to be uprooted from existing neighborhoods and forced to move into middle-income neighborhoods and stigmatized by dint of living a 'project'.

Mayor Freeman goes on to say that "It would seem that when a community plans to rehabilitate a blighted area and to merely say that you cannot put replacement housing back in the area because it does not meet some regulations that are totally impractical for an existing area, then something is wrong".

Mr. Secretary, I find myself agreeing with that statement there appears to be something wrong with our approach. What is your opinion of this situation? Is there anything that HUD can do and are you proposing to do any thing in this area?

Answer. The Department is strongly in favor of replacing housing in blighted areas when done in combination with other activities which will again make a neighborhood viable. Such activities might include streets and sidewalk improvements, rehabilitation of existing housing, upgrading or provision of recreational facilities and parks, and improvements in delivery of municipal services. Our Community Development Block Grant program, as well as various housing programs, are designed to meet these needs.

The concern expressed by Mayor Freeman, however, relates as well to the nation's fair housing goals. If blighted areas are also areas where the majority of households are minorities, and housing opportunities are not also provided in areas of the City where the population is predominantly non-minority, then equal opportunity in housing is not likely. HUD's mandate from the Congress is to affirmatively promote housing choice for low and moderate income households. Low-income housing opportunities cannot be limited to areas of minority concentration.

HUD is currently reviewing its site selection regulations in order to address the same issues raised by Mayor Freeman. We will continue to encourage revitalization of blighted areas—minority or non-minority—and we will continue to encourage provision of housing opportunites in both non-minority and minority areas.

Question. Mayor Freeman endorses the "scattered housing concept" as an alternative to the present regulations. What is the Department's view of the "scattered housing concept"?

Answer. The Department favors the use of all types of low density housing development, including scattered site single family housing, where appropriate. Ideally, assisted housing projects would be small in size and would be scattered throughout the entire community with no one area receiving a disproportionate share of units. In most communities the practical solution is the use of low-rise "garden-type" structures. The use of large elevator structures for family housing is prohibited by statute in most communities. For large families, single-family structures are often necessary, but the higher relative cost of single-family housing prevents the Department from using this method except where there is no practical alternative.

ACCESS TO MASS TRANSPORTATION

Question. Another concern to our local officials is the lack of consideration given to energy conservation. For example, housing away from easy mass transportation is never considered. It is a fact that many low-income families do not have their own automobiles and, with the increasingly high cost of motor fuel, simply cannot afford to drive to work in an automobile. Thus, the proximity to mass transportation must be a consideration in any new multifamily subsidized housing. Do you agree with this assessment and will HUD give the local governments enough flexibility to allow for consideration of such things as access to mass transportation?

Answer. The site selection criteria for the assisted housing programs currently include accessibility of social, commercial and work facilities as a significant factor. Because of land costs, it is not always possible to obtain central locations. On occasion, the Department has required the extension of existing bus lines before approving sites. Nevertheless, while the Department agrees that access to public transportation is increasingly crucial, the shortage of site (and the premium demanded for sites close to mass transit) means that this single factor cannot be made an absolute prerequisite.

Mr. BOLAND. Mr. Secretary and staff, thank you very much for joining us. We are always delighted to listen to you.

You are a very knowledgeable and highly personable individual in this area and highly visible too.

We are delighted to have you and thank you all very much for being so forthright and honest in your answers to our questions.

Good luck to you.

Mr. SIMONS. On behalf of my staff, I would like to thank you and tell you that it is because of this type of staff that we were able to be as responsive.

Mr. BOLAND. We will place the Committee's Survey and Investigative staff report on Section 8 in the record at this point. Fine. The Committee will recess until 1:30 this afternoon.

[The report follows:]

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

April 4, 1980

MEMORANDUM FOR THE CHAIRMAN

Re: Department of Housing and Urban Development (HUD) Section 8 Program

By directive dated November 15, 1979, the Committee requested that further investigation be made of the allocation and use of contract authority for annual contributions for assisted housing by the Department of Housing and Urban Development.

The investigation has been completed and the results are included in this report.

Respectfully submitted,

Anthony J. Gabriel
Anthony J. Gabriel, Director
Surveys and Investigations Staff
House Appropriations Commitee

C. R. Anderson
C. R. Anderson
Chief of the Surveys and Investigations Staff
House Appropriations Commitee

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APPENDIXES

SUMMARY OF FINDINGS AND RECOMMENDATIONS

In its review of the allocation and use of contract authority for annual contributions for assisted housing by the Department of Housing and Urban Development (HUD), the Investigative Staff found deficiencies in several areas. These included: the manner in which HUD allocates and reserves contract authority; the processes followed by Housing Finance and Development Agencies' (HFDAs) in selecting developers' Section 8 projects, and Area Offices understanding of responsibilities for monitoring the processes; the use of Fair Market Rents (FMRs) to determine the replacement cost of new construction and substantial rehabilitation projects; and the detection and prosecution of fraud and abuse in Section 8 Programs.

No major deficiencies were noted in the area of HUD's monitoring of HFDA and Public Housing Agency (PHA) administration of the Section 8 Existing Housing Program. HUD has made significant strides in improving administrative practices in this program. HUD's monitoring of HFDA administration of the New Construction and Substantial Rehabilitation Programs, however, is an area needing improvement. Deficiencies noted in that area are discussed in this report.

HUD's PROCESSING CYCLE

HUD Area Offices experience a heavy workload peak in the fourth quarter of the fiscal year. This is caused by delays in the allocation and the reservation processes for the New Construction and Substantial Rehabilitation Programs. The allocation process determines the shares of the total appropriation and the program mix for each Area Office, HFDA and PHA. The reservation process ties the allocated funds to specific unit of housing.

Many of the reasons for delay in the allocation process are beyond HUD's control. However, HUD has established a precautionary procedure to overcome some of the delay. In 1979, HUD issued a preliminary notification of the probable unit allocation to Area Offices and permitted them to then issue a Notice of Fund Availability (NOFA) for a portion of the units. This seems to be an excellent management tool, but it is only partially successful due to wide differences between the preliminary and final allocations. The differences must be minimized for this technique to be effective.

The Processing Cycle for the New Construction and Substantial Rehabilitation Program is Complex

-- Once the final allocation is received by an Area Office, the reservation process, which consists of 26 steps, can begin. In reviewing HUD handbook procedures, it was noted

that only 95 days, including a 35 day NOFA period, were specified for the process. Processing times for several steps were not included. Complimentary to this, HUD established a management indicator of 90 days (exclusive of the NOFA period) for processing a proposal from receipt to reservation of contract authority. Thus, it appears that reservations should be made within 150 days from receipt of assignment documents. Notwithstanding late receipt of the final allocation by Area Offices, reservations should start to peak in July. However, this is not the case. In FY 1979, 51.1 percent of reservations for the New Construction and Substantial Rehabilitation Programs were made in September--the final month of the fiscal year (74.4 percent of the reservations were made in the fourth quarter of the fiscal year). Analysis of reservation activity revealed that one third of the Area Offices made their reservations significantly earlier in the fiscal year. This indicates that workload leveling can be accomplished to a greater degree than is presently the case.

Recommendation

The Committee may wish to consider directing the Secretary of HUD to: thoroughly review the reservation processing cycle for the Section 8 New Construction and Substantial Rehabilitation Programs; establish realistic processing time standards; and, through the use of these standards, identify those Area Offices where processing times need improvement. Once identified, HUD should make every effort to work with these Area Offices to improve their performance.

The Secretary's Discretionary Fund

-- HUD Central Office retains up to 20 percent of its total contract authority as a reserve. This reserve can be used for certain purposes, including unforeseeable housing needs or innovative housing programs. The reserve is usually released to Area Offices late in the fiscal year thus compounding yearend workload problems. This often results in inadequate reviews and acceptance of marginal proposals.

Recommendation

The Committee may wish to consider directing the Secretary of HUD to make every effort to release most of the Secretary's Discretionary Funds by mid-year. In addition, HUD Central Office needs to emphasize to the Area Offices their authority to carry over funds allocated late in the fiscal year and to submit reservations of contract authority for these funds in accordance with HUD processing guidelines.

Lack of Coordination Between Employee Training and Processing Cycles, and Lack of Uniform Administrative Procedures

-- One of the primary complaints from HUD Area Offices was a lack of coordination between peak periods in the processing cycle and employee training scheduled by HUD Central Office. In addition to this lack of coordination, wide variations in administrative practices and processing times were noted. One cause of these variations is that the technical evaluation of proposals is done sequentially instead of concurrently by the six divisions or branches in the Area Offices. Another cause of processing delays is the lack of uniformity in recordkeeping. In one Area Office, the docket files could not be located and in others, key documents were missing. A few Area Offices had well maintained docket files. HUD acknowledged these inconsistencies and noted that a review team, established for the purpose of detecting such problems, has been hampered by a shortage of personnel and travel funds.

Recommendation

The Committee may wish to consider directing the Secretary of HUD to ensure that employee training schedules are coordinated with the processing cycle at the HUD Area Offices to avoid employee training during peak processing periods. The Committee may also wish to consider requesting the Secretary to provide additional emphasis to the review of administrative procedures at Area Offices, including filing procedures and proposal processing methodology.

"Paper" Reservations Have Been Reduced

-- Reservation activity at the Area Office level was reviewed for FY 1979. "Paper" reservations were minimal on a nationwide basis. Seventy-five percent of the "paper" reservations were made in 4 of the 47 HUD Area Offices. These included Denver, San Francisco, Los Angeles, and Little Rock. With the exception of Denver, the majority of the "paper" reservations were made by the Area Offices. In the Denver Region, 94 percent of the "paper" reservations were made by State HFDAs.

HUD's RELATIONSHIP WITH STATE HOUSING FINANCE AND DEVELOPMENT AGENCIES

Under the Section 8 Program, HUD may provide Housing Assistance Payments (HAP) to projects financed or insured by State Housing Finance and Development Agencies. This places, with the State, part of the responsibility for providing housing for qualified low-income families. Each State agency administers their Section

8 Program in accordance with State and local laws. Thus, procedures for the selection of projects and the financing arrangements with developers vary among States.

Selection of Developers

-- There is no uniformity among State agencies in their developer selection process, either in the criteria upon which a project proposal is selected or in the composition of the project selection board. The chief selection criteria used by State agencies are the site of the project, the financial strength or previous participation of the developer, and the conformance of the project with the local Housing Assistance Plan. The selection board may consist entirely of HFDA officials, or it may include other State officials and representatives from the business community. The Investigative Staff had a difficult time determining the weight of each criterion upon which project selection was made. The selections appeared, in most cases, to be an internal decision based on written or unwritten criteria.

Recommendation

The Investigative Staff recommends that the Committee consider requesting the Secretary of HUD to establish minimum criteria to be used by State HFDAs in the selection of developers for Section 8 new and substantial rehabilitation projects. These criteria should include a requirement that the State agencies publicize their selection criteria and establish a ranking system that would include documentation. HUD should also provide some oversight of the HFDA decisionmaking process to ensure that these criteria are being effectively applied.

Loan Financing

-- Most State agencies provide financing to developers on the basis of 90 percent of project replacement cost (100 percent in the case of nonprofit developers). Both HUD and the HFDAs allow developers 10 percent of the replacement cost, less land and off-site improvements, as a credit against equity at initial closing. This credit is referred to as the Builder's and Sponsor's Profit and Risk Allowance (BSPRA).

HUD and State agencies suspect many developer's use the Fair Market Rent (FMR), the ceiling rent for a particular geographical area, as the basis for project cost computations. These developers include amenities to bring project costs up to full or, in many cases, 110 percent of the FMR.

Recommendation

The Investigative Staff recommends the Committee consider directing the Secretary of HUD to have Area Offices and State HFDAs thoroughly review contract rents submitted with new construction and substantial rehabilitation project proposals. These reviews should verify that the contract rents do not exceed levels adequate to support construction of modest type housing and that 110 percent of the FMR is not consistently being used.

Less Than Full Subsidy

-- HUD's new regulations emphasize the building of new construction projects in which only 20 percent of the units in a project receive a rent subsidy. The remaining 80 percent of those project units are intended for market-rate tenants. Some developers believe this program to be an effective method of qualifying for available low-interest financing. They are now able to build 5 projects, each with a 20 percent subsidy, whereas previously they could only build a 100 percent subsidized project. Other developers believe this program will work only in prime geographical locations providing the project has been well constructed and is properly managed.

Recommendation

The Investigative Staff recommends the Committee suggest that the Secretary of HUD encourage those HFDAs not currently utilizing the 20 percent subsidy vehicle to consider its applicability in their areas. Priority should be given to developers who are willing to assume the risks involved in submitting partially subsidized project proposals.

HUD Monitoring of HFDAs

-- The Investigative Staff found during its visits to HUD Area Offices that officials are confused concerning their responsibilities with regard to monitoring HFDA administrative practices. All Area Offices conduct operation reviews after project rent-up has been achieved. Some Area Offices, however, have conducted reviews of HFDA management and administrative practices while others have not.

Recommendations

The Investigative Staff recommends the Committee consider directing the Secretary of HUD to reexamine HUD's relationship with State agencies and clarify its position concerning management reviews. HUD needs to establish the scope of the required reviews in order that a standard may be set for Area Office guidance.

DEVELOPERS' PROFITS

One of the major thrusts of this study was to conduct a thorough analysis of the profits realized by Section 8 developers, especially profits generated in a project's early years from the sale of shares to investors as tax shelters. This analysis has been accomplished and the range of potential profits or losses was identified for each of the four roles associated with production of a Section 8 project. These roles are developer, syndicator, builder, and manager. The potential profits and losses were weighed against the risks associated with the performance of each role. These profits result solely from syndication proceeds. The risks include developers' costs in submission of several proposals for each one selected. The costs do not include compensation to the developer for the time and expertise put into nonselected proposals. Therefore, developers' profits on successful projects are offset, in part, by these unquantifiable factors. In cases where the developers perform additional functions through related syndication, construction, or management companies, they increase the potential for profits. However, they also bear the risks associated with each function.

Builder's and Sponsor's Profit and Risk Allowance (BSPRA)

-- One aspect of mortgage financing used by HUD and State HFDAs is the BSPRA, which is calculated as 10 percent of the project cost, less the cost of land. It is an accounting entry which represents an allowance for profit and is used to calculate the project replacement cost and maximum allowable mortgage. It is applied, as a credit, against the amount of private investment funds a developer is expected to put up to obtain the mortgage loan. The developer pays the builder a profit based on a side agreement. The BSPRA, as a benchmark on developers' and builders' fees or profit, aids in assuring that reasonable markups on cost are considered.

HUD's Policies Do Not Provide Incentives for Construction Savings

-- It is presently HUD's policy to improve the quality of low-income housing by not providing incentives for savings in construction cost. In addition to this lack of incentives for savings, developers have several economic incentives to justify wanting the highest allowable mortgage. Some States allow builders and project accounts to share savings on construction cost. HUD's policy regarding cost savings is fomenting practices at the Area Office level which increase the costs of the Section 8 Program unnecessarily and produce housing which is more than "modest."

Recommendation

The Committee may wish to consider directing the Secretary of HUD to review this policy regarding construction cost savings and its effects on the New Construction and Substantial Rehabilitation Programs. HUD should provide incentives for savings in the construction of these projects to help reduce cost while still providing modest type housing.

Extended HAP Contract

-- The new HUD regulations extend the duration of HAP Contracts from 5 to 20 years. This action brought mixed responses from developers. One group stated it would have no bearing on their participation in Section 8. Another group stated it would preclude them from participation because of their inability to convert subsidized projects to market-rate projects or condominiums prior to the end of the 20-year term. A third group stated that such conversion would be based on economic factors and the 20-year contract would have no bearing. HUD has not adequately explored the sanctions available to preclude contract violations of the 20-year term.

Recommendation

The Committee may wish to consider directing the Secretary of HUD to explore the question of sanctions with breach of the 20-year HAP Contract. This should be thoroughly reviewed by the Office of General Counsel. Appropriate remedies, including loss of Government National Mortgage Association (GNMA) financing and repayment of Federal subsidies, must be available to prevent potential contract violations.

ABUSE IN THE SECTION 8 PROGRAM

System abuses in the Section 8 Program fall generally into three categories: management irregularities; tenant irregularities; and housing quality standards violations. The Investigative Staff, using a HUD Inspector General report on system abuse as a basis for interview, visited Area Offices, HFDAs, and PHAs and discussed the results of the IG's findings, procedures for detection of irregularities, and sanctions available for abusive activity. The Investigative Staff found most agencies agreed with the IG's findings regarding management and tenant irregularities. Most agencies, however, believed the occurrence of housing quality standards violations to be significantly less than estimated by the IG.

Most agencies contacted also stated that tenant and owner irregularities are difficult to detect--partially because of HUD's requirements which limit monitoring activities and because it

would not be cost effective to direct significant manpower and resources to detect these abuses. All agencies contacted by the Investigative Staff employ varying techniques for detection of irregularities. HUD's responsibility in this regard should be to ensure HFDAs and PHAs are using effective detection techniques and are conducting an adequate monitoring review.

Although sanctions are available for system abuse, the current system of dealing with them is ineffective. The time it takes to refer abuses through the HUD IG's Office to the U.S. Attorney's Office is too lengthy. In most circumstances the U.S. Attorney will decline prosecution because of the relatively minor issue involved. Additionally, HUD officials claim that the U.S. Attorney's Office encountered delays in handling HUD foreclosure cases.

Recommendation

The Investigative Staff recommends the Committee suggest to the Secretary of HUD that alternatives to the present system of prosecution of fraud and abuse be explored. These alternatives should include the establishment of thresholds for local administrative action. Where litigation is warranted, HUD should explore, with the U.S. Department of Justice, the use of attorneys in the Office of General Counsel to prosecute designated cases of fraud and foreclosure action.

I. INTRODUCTION

A. Directive

The Investigative Staff was directed to review the allocation and use of contract authority for annual contributions for assisted housing by the Department of Housing and Urban Development (HUD). This inquiry was to include:

-- A review of the Section 8 reservation situation in FY 1979, devoting special attention to methods used late in the year to attain production goals.

-- An examination of the involvement of the various State Housing Finance and Development Agencies (HFDAs) in the Section 8 Program, with emphasis on the manner in which they select project developers and on the financial arrangements negotiated.

-- A thorough analysis of the profits realized by Section 8 developers, especially profits generated in a project's initial years by syndication, e.g., selling shares to investors as tax shelters.

-- An analysis of HUD monitoring of State HFDA and Public Housing Agency (PHA) Section 8 administrative practices.

-- An analysis of project management irregularities, such as landlords collecting Section 8 assistance payments for vacant units in excess of amounts allowed by HUD and tenants understating income when applying for Section 8 assistance.

-- An evaluation of HUD efforts to ensure compliance with Section 8 regulations, including the adequacy of penalties for violations.

B. Scope of Review

The Investigative Staff initially reviewed its previous reports on the handling of reservations and General Accounting Office (GAO) reports on HUD's administration of Section 8 Programs and on housing quality standards. Internal HUD reports pertaining to Section 8 were obtained. Included was an extensive report on system abuse prepared by the HUD Inspector General (IG) and published in July 1979. These reviews were supplemented by information requested from the HUD Central Office. A number of discussions on topics specifically relating to the directive were held with personnel at that office. These included the personnel responsible for administration of key Section 8 Programs, the HUD IG, and the Assistant Secretary for Housing.

The reviews and discussions provided the basis for formulation of questions and preparation of an itinerary for subsequent field work. Review of the reservation situation for FY 1979 involved discussions at HUD Central Office and obtaining data from HUD's Management Information System (MIS) regarding reservation activity, as well as cancellations through February 1980. This topic was also discussed, along with other topics in the directive, with appropriate Section 8 personnel at 10 HUD Area Offices located in 9 of the 10 HUD regions. The HUD Area Offices were selected because of their proximity to State HFDAs. Of the State HFDAs selected, eight are actively involved in the Section 8 New Construction and Substantial Rehabilitation Programs and engage in the selection and financing of developers. The other two State HFDAs have decided against such participation. In addition to the State HFDAs, 10 PHAs were visited. HUD's effectiveness in administering and monitoring Section 8 Programs was discussed at all State HFDAs and PHAs.

The question of system abuse was covered in great detail in the HUD IG "Report on Special Operational Survey, Section 8 Leased Housing Program" dated July 16, 1979. The IG report was used by the Investigative Staff as a basis for interviews at Area Offices, State HFDAs, and PHAs. The objective of these interviews was to assess the IG's findings and not to duplicate their efforts. This method proved to be successful and the results will be discussed in this report. The related topic of detection and prosecution of system abuse in Section 8 Programs was also discussed. The IG report contained some recommendations in this area. However, the report did not address the present system for prosecution of system abuse and shortcomings of this system. The results of these discussions made it apparent that some alternatives to the present system are necessary.

The last part of this study deals with developers' profits, particularly profits realized through syndication and sale of tax shelters. Initially, identification of syndicated Section 8 developers proved to be a problem. HUD currently requires that any general partners, and limited partners with a 25 percent or more share in a Section 8 development, submit a previous participation form to HUD for review. Beyond that, HUD has no interest in the identities of limited partners nor does it identify which developers are syndicated and which are not.

A printout of all Section 8 new construction and substantial rehabilitation projects completed within the past 3 years was obtained from HUD Central Office. This list contained over 2,500 projects. Many developers had been involved in more than one project. From this list, 85 developers were identified as having completed projects larger than 100 units in the cities to be visited by the Investigative Staff. Through coordination with the Area Offices, the Investigative Staff attempted to obtain appointments with 24 syndicated developers. Twenty-three developers and one mortgage banker, most of whom had been involved in several Section 8 new construction or substantial rehabilitation

projects, were ultimately interviewed. In addition to these 23 developers, interviews were conducted at the National Corporation for Housing Partnerships (NCHP), which is a large national development corporation located in Washington, D.C. The results of this extensive effort provided a comprehensive overview of the risks and benefits to developers dealing with Section 8 projects. Specific project data provided by some of these developers enabled the Investigative Staff to analyze costs, income, and profits of these ventures. This data was supplemented with financial data from the HUD project dockets at the Area Offices. The Investigative Staff believes these results to be representative of the range of profits being realized by developers throughout the program.

C. Background

The Section 8 Program was begun in 1974 to provide rent subsidies to eligible low- and moderate-income families. These subsidies are designed to pay for the difference between what the family can contribute and the cost of standard housing in their market area. The contribution of program participants is defined as a percentage (up to 25 percent) of their adjusted annual income, regardless of source. Succinctly stated, Section 8 is designed to provide safe, sanitary, and decent housing to the target income groups. The housing provided under Section 8 is also supposed to be "modest" housing although there are several forces presently at work which result in housing that is more than "modest." These forces will be discussed in subsequent chapters of this report.

To describe Section 8 as one program is somewhat fallacious. Section 8 is actually a combination of programs involving rent subsidies for low- and moderate-income families. The three primary programs, each of which relies on a different mechanism for supplying housing, are:

-- The Existing Housing Program, in which program participants find existing housing units in the private market. The local PHAs, and those State agencies participating in this program, inspect housing units to ensure they meet, as a minimum, the HUD housing quality standards. They also make the Housing Assistance Payments (HAP), supplied by HUD, to the owners of the housing on behalf of the program participants.

-- The New Construction Program, in which HUD guarantees to provide developers of new housing projects, prior to the construction of those projects, rent subsidies for units to be occupied by income-eligible families under leases made directly with the project owner.

-- The Substantial Rehabilitation Program, which operates in a manner similar to the New Construction Program, except that it assists in the rehabilitation of existing structures that require more than routine or minor repairs.

HUD also lists a number of other programs under Section 8. The Moderate Rehabilitation, Loan Management, and Property Disposition Programs are carried as part of the Existing Housing Program. The Section 202 Loan Program, Farmers Home Program, and Housing Finance and Development Agency Program are listed as separate programs although they basically involve the three major programs set forth above. The last program encompassed under Section 8 is the Neighborhood Strategy Area Program. These programs are administered by several different branches at HUD Central Office and separate handbooks set forth procedures for each program.

The Investigative Staff found that HUD is doing an adequate job monitoring the administrative practices of the State HFDAs and PHAs in the Existing Housing Program. The management reviews of these agencies conducted by the HUD Area Offices have been thorough and productive in most cases. It was also apparent that HUD has been making a significant effort in improving the activities of its Area Offices and the State and local agencies involved in this program. The deficiencies noted in this area were minor in nature and will not be presented in this report. HUD's monitoring of the State HFDAs in the New Construction and Substantial Rehabilitation Programs is an area in need of improvement and will will be discussed later in this report.

Diversity in the administration of Section 8 Programs is necessitated by the complexity of the task of meeting a variety of housing needs. However, this diversity often leads to confusion and inefficiency at every level administering these programs. A senior HUD official noted that administration of Section 8 is a "dynamic" process and that HUD continually seeks to improve the implementation of these programs. HUD has made significant strides in improving its administrative procedures in the Section 8 Program. An example of this was the issuance of the long awaited PHA Administrative Practices Handbook for the Section 8 Existing Housing Program. The "dynamic" administrative process should not end there. Issuance of the handbook should be a beginning even though it is the culmination of years of effort on the part of HUD. In the Existing Housing Program, as well as the other Section 8 Programs, HUD needs to continually train its own personnel and PHA and HFDA personnel involved in the administration of these programs. This need was apparent by the diversity of administrative practices and interpretations of regulations between the different HUD Area Offices, HFDAs, and PHAs as noted in this review.

II. RESERVATIONS

A reservation is the point in each Section 8 Program when contract authority is linked to a specific housing project or unit of housing. To understand the significance of reservations, it is neccessary to understand the process by which HUD divides its annual appropriation among the various programs and allocates a portion of the appropriation to its Area Offices and State and local agencies across the country. The reservation process varies from program to program within Section 8. In the Existing Housing and Moderate Rehabilitation Programs, the procedure is simple and does not require a great deal of time. Therefore, there should be no problems with "paper" reservations or with workload peaks. ("Paper" reservations--the subject included in a prior Investigative Staff report--are those made solely for the purpose of meeting yearend production goals and where related contract authority is canceled in the subsequent fiscal year.) In the New Construction and Substantial Rehabilitation Programs, the reservation processes are much longer and more complicated. Therefore, the impact of the allocation process and the reservation process discussed in this chapter will be relative to these latter two programs for which time is more critical.

In the past, HUD was criticized for making "paper" reservations at the end of the fiscal year to meet the goals set forth in its operating plan. HUD responded to this criticism and made an effort to eliminate "paper" reservations from its system. It also attempted to spread the reservation workload more evenly throughout the year. The former effort was essential since "paper" reservations did nothing to meet actual housing goals and only wasted valuable staff time at the Area Offices. The second goal, however, has proven to be more difficult to achieve. There are two complex processes which work in opposition to workload leveling. These are the allocation process, which determines each Area Office's share of HUD's total appropriation, and the reservation process, which ties funds allocated to specific units of housing. Both of these processes are time-consuming. The reservation process for the New Construction and Substantial Rehabilitation Programs takes about 150 days from the time that the availability of funds is advertised until the time that a preliminary proposal from a developer is approved and the reservation accomplished. This lengthy process, coupled with the initial allocation of funds occurring several months into the fiscal year, creates a situation in which most reservations are made in the fourth quarter of the fiscal year. These processes--the allocation process and the reservation process--and the question of "paper" reservations will be discussed in this chapter.

A. HUD's Allocation Process

The allocation process begins with negotiations between HUD and the Office of Management and Budget (OMB) regarding the apportionment. These negotiations involve the total amount of the apportionment and its composition by program. The apportionment

is based on estimated per unit cost data, since actual cost data is not then available. After receipt of the final appropriation, it generally takes HUD a month to prepare the assignment documents for distribution to the Area Offices. At this time HUD receives updated cost data from the preceding fiscal year. HUD uses this cost data and the final appropriation to make adjustments in the allocations. HUD then must go back to OMB for approval of these adjustments. Once approved, these changes are incorporated in the assignment documents and they are issued to the Area Offices.

The final assignment documents distribute the allocations by Section 8 Program, HUD Area Office, State HFDA, and PHA by number of units of housing. (HUD is required to do so by law.) The assignment documents also contain allocations of contract authority based on actual dollar amounts. The accuracy of the unit allocations, therefore, depends on the accuracy of HUD's per unit cost estimates. The final assignment documents are based on the most current data available from the just completed fiscal year. HUD uses these actual per unit costs and trends them to estimate costs for the coming fiscal year. Due to inaccuracies in these estimates, the dollar allocations do not support the unit allocations, making it difficult for HUD Area Offices, State HFDAs, and PHAs to meet their reservation goals.

1. Late Allocations

If the allocation process works well, HUD should be able to issue the final allocations to the Area Offices in December before the expiration of the first quarter of the fiscal year. However, as with any complex process, this has seldom occurred. In the case of the FY 1980 budget, the Appropriations Act was passed in early November 1979 and the Housing and Community Development Act Amendments of the authorization bill were enacted in December 1979. The authorization act contained a significant change in the FY 1980 budget which limited the use of Public Housing Contract and Budget Authority. The House Appropriations Committee had approved approximately $223 million for use in public housing in FY 1980. HUD had used this higher figure in determining the FY 1980 program mix in spite of the fact they had originally requested only $195 million for public housing. HUD accepted the higher figure since their original request had been based on some restrictive assumptions, including poor cost estimates and a failure to fully account for amendments. The FY 1980 Conference Report, however, reduced the appropriation for public housing to HUD's original $195 million request. This "limitation" significantly altered the anticipated program mix in the FY 1980 budget.

An additional factor bearing on the inaccuracy of the original assignment documents was that the 1979 estimated cost data used to compute the original apportionment was now outdated. A combination of these two factors (overestimation of funds and use of outdated data) caused HUD to decide to continue preparation of fund assignment documents and to not disseminate them to the Area Offices. These documents were completed in early January

1980 and the revised HUD estimates were coordinated with OMB. On February 1, 1980, HUD issued 80 percent of the allocations to the Area Offices and held the remainder as a HUD Central Office reserve for later use. This 20 percent reserve, known as the Secretary's Discretionary Fund, will be the subject of further discussion in this report.

2. Preliminary Notification of Probable Unit Allocations

Whatever the cause of delays in distributing final allocations of contract authority to the Area Offices, the impact of such delays is profound. With a somewhat lengthy procedure to go through to achieve a reservation, the allocations should be sent to the Area Offices as soon as possible. Some of the delays in the allocation process are beyond HUD's control. Any delay in getting the initial allocation of contract authority for the New Construction and Substantial Rehabilitation Programs to the Area Offices makes it more difficult for them, and for the State HFDAs, to level the reservation workload and forces them to make the majority of their reservations late in the fiscal year.

In the past, the Area Offices would wait until receipt of the final assignment documents before beginning the reservation process. However, in an effort to spread the processing workload more evenly throughout the year, HUD issued preliminary notifications of probable allocations to the Area Offices in October and November 1979 and authorized them to issue their Notices of Fund Availability (NOFA) for a portion of the units. This enabled the Area Offices to get a headstart of several months in processing proposals submitted by developers. The Investigative Staff discovered that some offices used this preliminary notification successfully, some encountered problems in using it, and others chose not to advertise until the final allocation was received.

The preliminary notification of probable unit allocations seems to be an excellent program management tool. However, there is one basic problem which affects the degree of success that an Area Office could have in using the tool. This problem is basic to the allocation process itself. HUD cites changes in the final allocation plan as the reasons for the delay in its distribution. In 1979, these changes were the result of HUD's overestimation of funds available for public housing and use of outdated data in the computation of the allocations. The negotiations with OMB necessitated by these changes further delayed the process. It is the potential for change that causes problems with the preliminary notification of the probable allocation as well. Those Area Offices which experienced little change from the probable to the actual allocation were able to use this process successfully. However, those Area Offices where there were significant changes between the probable and actual allocations experienced varying degrees of turmoil. In some cases, additional advertising was necessary to have supplemental proposals submitted to fulfill the final allocation. In other cases, the developers expended

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significant amounts of time and money in submitting preliminary proposals for which there was no allocation in the final plan. This caused a credibility gap with the developers on the part of HUD.

One Area Office chose not to advertise based on the notification of probable allocation, even though it was directed to do so by HUD Central Office. In view of the vast changes that occurred in some cases, this may have been the correct decision for this Area Office to make in FY 1980. However, continued reluctance to use this management tool will not be in the best interests of the Section 8 Program. Area Offices will be reluctant to use an early NOFA unless they are either forced to do so or the problem of changes is corrected. By minimizing changes, HUD could overcome the reluctance of its Area Offices to use this management tool and eliminate the problems experienced by some of the others which did use it.

B. HUD's Processing Cycle

HUD's processing cycle for all Section 8 Programs begins when the notification of the allocation is given to Area Offices. Until recently this was delayed until final assignment documents were issued by HUD Central Office. A combination of the delay in the issuance of the allocations and the complex processing cycle in the New Construction and Substantial Rehabilitation Programs causes the Area Offices to experience a very heavy workload during the fourth quarter of the fiscal year. The problems in the allocation process were just discussed. Delays in the processing cycle caused by its complexity, late release of funds from the Secretary's Discretionary Fund, and various administrative problems at the Area Office level will be discussed in this section.

1. Processing Cycle for the New Construction and Substantial Rehabilitation Programs

Subsequent to receipt of the assignment documents or the preliminary notification of probable allocation from HUD Central Office, Area Offices begin the processing cycle which will ultimately lead to completed units of housing. Up to the point where contract authority is reserved, this process can consist of 26 steps. It takes about two weeks for the Area Office to prepare the developer's packet and NOFA. From the day the NOFA is initially advertised, 35 days are allowed for submission of proposals by developers. A preliminary evaluation meeting to review the proposals is held within 5 days of their receipt. At this time, a decision is made to accept or reject proposals or to ask developers to correct any deficiencies. These decisions would depend on the number of proposals submitted and the nature of the deficiencies. If the developer is allowed to correct deficiencies, he is given 10 days to do so. If an insufficient number of proposals were submitted, the decision might also be made at this time to extend the NOFA deadline.

The proposals selected at the preliminary evaluation meeting are next submitted to State and local governments for review. Thirty days are allowed for the State review. If the proposals are to be financed with Federal Housing Administration (FHA) insured mortgages, and the insuring office is other than the Area Office originally receiving the proposals, then they are forwarded to the insuring office for review. Twenty-five days are allowed for this review. The proposals also undergo a technical processing review by the Area Office to whom they were submitted. If one HUD Area Office is involved in both the technical processing and the FHA insurance reviews, then only 15 days are allowed for this step. Once technical processing is completed, the proposals are checked for consistency with the local Housing Assistance Plans. Up to 30 days can be taken for this step. It should be noted that these time frames are not all consecutive and that technical processing, FHA insurance processing, State and local government reviews are all supposed to be done concurrently.

Once all of the reviews have been completed, a meeting is held to resolve any conflicts. Approvable proposals are identified and the subsidy funding required by these proposals is determined. If the proposals exceed the unit allocation, they are ranked according to quality, and the highest ranking proposals are selected. The identities of general partners, and all limited partners who have a 25 percent or greater share in the sponsoring partnership, are submitted to HUD Central Office for review. Finally, the preliminary proposals to be funded are selected and, unless full contract authority has not been used, the proposals are forwarded to the HUD Regional Accounting Division which reserves the contract authority. Upon notification from the Regional Accounting Division, the Area Office, in turn, notifies the local government and developers of the final selection of proposals. From this point on, processing continues to final proposal and firm commitment of the FHA mortgage insurance.

In reviewing the above process, the Investigative Staff could only identify a total of 95 days, including the NOFA period, actually specified in the HUD processing handbook. No time frames were set forth for many of the steps in the process. It was subsequently learned that HUD Central Office has established a management indicator of 90 days for processing proposals from receipt to reservation of contract authority. This would indicate that reservations should be made within 150 days of receipt of the assignment documents. Even taking into account the late receipt of assignment documents in the past, it would then seem that reservations should start to peak in July. However, such has not been the case. In FY 1979, 51.1 percent of the reservations in the New Construction and Substantial Rehabilitation Programs were made in September--the final month of the fiscal year (74.4 percent were made in the fourth quarter of the fiscal year). While some of this late year activity could be attributed to delays in the processing cycle or to later NOFAs by the Area Offices in an effort to level their workloads, it still appears to be excessive. This is more apparent when the reservation

activity at the Area Office level is analyzed. One third of HUD's Area Offices averaged 32.4 percent of reservations made in September (50.9 percent of the reservations in these offices were made in the fourth quarter of the fiscal year). Furthermore, reservations in these offices began to peak earlier (in the April-June time frame) indicating that workload leveling can be accomplished to a greater degree than is presently the case.

The Investigative Staff recommends that the Committee consider directing the Secretary of HUD to: thoroughly review the reservation processing cycle for the Section 8 New Construction and Substantial Rehabilitation Programs; establish realistic processing time standards; and, through the use of these standards, identify those Area Offices where processing times need improvement. Once identified, HUD should make every effort to work with these Area Offices to improve their performance.

2. The Secretary's Discretionary Fund

As previously noted, HUD Central Office retains a percentage of the annual contract authority in reserve. This reserve, known as the Secretary's Discretionary Fund, is limited by law to a maximum of 20 percent of the total allocation. In FY's 1979 and 1980, HUD Central Office retained the maximum amount for this reserve.

The Secretary's Discretionary Fund can be used for the following purposes: (1) to meet housing needs which were unforeseeable or unpredictable, including natural disasters and relocation needs; (2) to meet lower-income housing needs as described in the Housing Assistance Plans submitted by local governments, including such activities carried out under Area-wide Housing Opportunities Plans (AHOPs); (3) to provide assistance for housing in new communities; (4) to meet housing needs of community development block grant recipients whose application approval has been conditioned on improved Housing Assistance Plan performance; and (5) for alternate methods of meeting lower-income housing needs or for implementing innovative housing programs.

HUD generally uses most of the Secretary's Discretionary Fund for the purposes outlined above. However, these needs are not identified until the money is allocated. Proposals involving reserve funds must be approved by HUD Central Office. Therefore, the processing of these proposals takes longer. Only 10 to 20 percent of the reserve does not get used for the purposes outlined above. This portion of the reserve is released to the Area Offices late in the fiscal year for use in meeting general Section 8 housing needs. Use of the Secretary's Discretionary Fund in this manner creates further problems for Area Offices. The delays in releasing this reserve only adds to the heavy end-of-the-year workload and leaves insufficient time, in many cases, to properly process proposals. Personnel in HUD's Area Offices uniformly agreed that this reserve should be released by HUD Central Office no later than the end of March. While this would still add to the workload of the Area Offices, there would

be adequate time to process the proposals by the end of the fiscal year.

HUD is attempting to release these funds earlier, but in some cases, such as with the AHOPs, the approval cycle does not permit it. Additionally, the Area Offices can, under specific circumstances with appropriate approval from HUD Central Office, carry over funds which have been allocated late in the fiscal year. However, HUD Central Office's pressure to make the reservations by the end of the fiscal year causes the Area Offices to attempt to do so even in the case of late allocations. This often results in inadequate reviews or acceptance of marginal proposals.

The Investigative Staff recommends that the Committee consider requesting the Secretary of HUD to make every effort to release most of the Secretary's Discretionary Funds by mid-year. In addition, HUD Central Office needs to emphasize to the Area Offices their authority to carry over funds allocated late in the fiscal year and to submit reservations of contract authority for these funds in accordance with HUD processing guidelines.

3. Other Factors Bearing on Slow Processing

In addition to the major impediments to workload leveling previously discussed, the Investigative Staff observed several other factors which delayed the processing of proposals, either through a lack of coordination or a lack of uniformly applied and enforced administrative procedures. These include the lack of coordination in scheduling employee training and variations in processing methodology and records keeping between the HUD Area Offices.

One of the primary compliants from the HUD Area Offices was the lack of coordination between the peak periods in the processing cycle and training scheduled by HUD Central Office. This training, for personnel involved in the Section 8 Program, usually occurs during the periods when the NOFAs are being advertised or proposals received in response to a NOFA are being processed. The absence of personnel due to training creates havoc during these critical periods. Given the allocation and processing cycles previously discussed, it would seem more logical to schedule training early in the fiscal year when the Area Offices are awaiting their initial allocation. This would eliminate conflicts between training and proposal processing and would enable the trainees to put their newly acquired knowledge to better use.

The Investigative Staff was not able to ascertain all of the reasons for wide variations in proposal processing times. However, two factors were noted which would have some bearing on processing times. First, as noted in the discussion of the processing cycle, many of the steps are supposed to be performed concurrently. This is especially true in the technical review portion of the cycle when the Multifamily Housing Representative,

the Valuation Branch, the Equal Opportunity Division, the Housing Management Division, the Architectural Branch, and the Economic and Marketing Analysis Division are all required to make input. In some Area Offices, this processing is done concurrently, to the extent possible, thus shortening the time it takes to complete the review. In other Area Offices, this processing is done sequentially with proposals passing from one branch to another as each step is completed, thus delaying the process.

The second factor which has some bearing on the processing time is the manner in which the Area Offices maintain their records. The Investigative Staff reviewed files on completed projects in connection with its research regarding developers' profits. During these reviews, it was noted that there is no uniformity in the project dockets between Area Offices. Documents are supposed to be filed in the project dockets chronologically in various sections, e.g., application, contract, etc. However, such is not always the case. In one Area Office, the Investigative Staff even had difficulty in locating the files and in other Area Offices key documents listed on the docket cover sheet were not present. In a few of the Area Offices, the files were well maintained and documents were easy to locate. Such inconsistency in records keeping would also lead to delays in the processing cycle.

HUD Central Office acknowledged the problems discussed in this section. HUD has established an administrative review team to look into these types of discrepancies and review the administrative procedures in the Area Offices. However, this review has been hampered by shortages of personnel and travel funds. Only 10 of HUD's 47 Area Offices have been reviewed in the past 2 years. In view of the wide differences between the administrative practices of the Area Offices, these reviews should be accomplished annually.

The Investigative Staff recommends the Committee consider directing the Secretary of HUD to ensure that employee training schedules are coordinated with the proposal processing cycle at the HUD Area Offices to avoid employee training during peak processing periods. The Committee may also wish to consider requesting the Secretary to provide additional emphasis to the review of administrative procedures at Area Offices, including filing procedures and proposal processing methodology.

4. "Pipelining" of Preliminary Proposals

HUD has given its Area Offices the authority to retain qualified, unfundable preliminary proposals in a "pipeline" awaiting receipt of additional funding. This is used effectively by many State HFDAs. Some HFDAs accept and process proposals throughout the year. These HFDAs only need to advertise subsidy availability in those cases where there are insufficient proposals in their "pipeline" to fulfill their allocation. Other HFDAs only accept proposals in response to an advertisement and "pipeline" those not fundable. These proposals are then used for additional allocations received during the year.

The problem with establishing a "pipeline" of proposals is the cost to the developers of retaining that proposal. The developers incur certain costs in connection with the submission of a preliminary proposal. These costs include the land option, soil boring fees, architectural fees for the preliminary drawings, and any application fees. Costs of the land options vary greatly from locality to locality and are key to the success or failure of "pipelining." In those areas where costs of land options are low, and the options can be held for relatively long periods of time, "pipelining" is feasible. On the other hand, in those areas where the cost of real estate is high, costs of land options are very expensive and are usually on a month-to-month basis. Because of the high cost of the land option, a lengthy "pipeline" is neither feasible nor desirable for developers.

HUD should continue to encourage its Area Offices, in those localities where it is economically feasible, to establish a "pipeline" of preliminary proposals. The "pipeline" should be established to fulfill not only allocations occurring late in the fiscal year but also to fulfill some of the allocations for the following fiscal year. It is imperative that every avenue be explored by the HUD Area Offices and efforts be made to establish a proposal "pipeline."

C. Housing Mix

The initial requests for housing needs are generated by local housing agencies through the submission of Housing Assistance Plans to HUD. Based on this data, and other information and sources, HUD determines the allocation of funds for different areas and programs. Once the allocations have been made, the Area Offices and HFDAs do not have any flexibility to move funds between programs and categories. Any changes in allocations of funds and programs must be approved by HUD at the regional or Central Office level.

There are fewer problems relative to some housing needs compared with others. The housing need which causes the most concern is multifamily housing. Many local planning and zoning boards are reluctant to construct multifamily housing in certain areas within their jurisdiction. In Chicago, for example, a decision rendered by the Federal District Court requires that any subsidized housing, including Section 8, in the Chicago area be allocated on the basis of minority population density. Two areas of Chicago have been defined as the "limited" area (over 30 percent minority population with a 1 mile buffer zone) and the "general" area (anything else). The Court's decision requires proportionate shares of multifamily housing to be obtained or constructed in the non-minority "general" area and in the "limited" area. (The "general" area share is 60 percent.) Even if low-income families desire to live in the "limited" area and are qualified for some form of government assistance, they are not permitted to receive such assistance until the appropriate quota for the "general" area has been met. Because of the difficulty in finding or building subsidized multifamily housing in the "general" area, this Court

decision has the effect of limiting the total implementation of subsidized multifamily housing in Chicago.

Developers are much more reluctant to participate in multifamily projects because of the greater risk and inherent problems involved, including security, vandalism, thefts, relocations, and marketability of the projects in the future. Investors are reluctant to become involved in syndication of multifamily projects because of the same risks and, therefore, these projects syndicate for less. One developer in Boston had an innercity substantial rehabilitation project which was ultimately syndicated through a large housing investment partnership that invested in numerous housing projects. Because the partnership was diversified, it could accept some higher risk projects. However, the syndication proceeds to the developer were lower than the average substantial rehabilitation project (16 percent opposed to an average of 23 percent). In addition to the problems encountered during development, construction, and syndication of multifamily housing, the operating expenses for such items as janitorial services, replacement costs, repairs, and utilities are generally higher.

To obtain a better housing mix, HUD has taken some actions to encourage more developer participation in multifamily projects. In October 1979 the percentage of allowable distribution to investors was established at 10 percent of imputed equity for multifamily projects and 6 percent for elderly projects. Although HUD can increase the allocation of funds for multifamily housing and stimulate production in this program, there still appears to be a need for further incentives. Elderly projects produce the same potential benefits as multifamily projects with significantly fewer risks. There is also less local opposition to elderly projects. One developer stated having an elderly project is almost the same as having a Government bond.

The Investigative Staff recommends the Committee consider suggesting that the Secretary of HUD review various means to improve the benefits vis-a-vis the risks associated with multifamily projects.

D. "Paper" Reservations

When initially asked to look into the reservation situation for FY 1979, the Investigative Staff raised the question of the significance of reservations. With the ultimate goal of providing "safe, sanitary, and decent" housing, it seemed more appropriate to measure housing starts or completion of construction in the Section 8 New Construction and Substantial Rehabilitation Programs rather than reservations. The use of these other standards to measure accomplishments is good when establishing a system of management indicators. The best management indicator is probably a combination of these measurable accomplishments. However, reservations take a special significance when HUD's internal allocation process is considered. HUD allocates funds to its Area Offices based on a complex series of variables, including the local Housing Assistance

Plans and the "fair share" concept. The reservation is the point when the allocated funds are considered to be obligated by the Area Office. Failure on the part of the Area Offices to obligate funds in a given fiscal year will result in those funds being returned to HUD Central Office. The funds are ultimately returned to the Area Offices based on the "fair share" concept. An Area Office that fails to obligate funds will therefore lose the major portion of those funds. Hence, the reservation of contract authority is important not only as a management tool, but it is key to the allocation process in the Area Offices as well.

The Investigative Staff reviewed the reservations activity for FY 1979 as well as the cancellation activity through February 1980. In linking a reservation cancelled in a subsequent fiscal year (known as a "recapture") to the original reservation date, "paper" reservation activity would show up if a large number of end-of-the-fiscal-year reservations were subsequently canceled early in the next fiscal year. "Paper" reservations detected in this manner were minimal on a nationwide basis. However, a detailed analysis of this type of reservation activity revealed that it was concentrated in only 10 of the 47 Area Offices. Furthermore, over 75 percent of the "paper" reservations were made in only four HUD Area Offices (San Francisco, Los Angeles, Denver, and Little Rock). "Paper" reservations accounted for over 6 percent of the total reservation activity in these four offices. With the exception of Denver, the majority of the "paper" reservations were made by the HUD Area Offices. In Denver, over 94 percent of the "paper" reservations were made by State HFDAs.

In comparison with previous levels of "paper" reservation activity detected in the Section 8 Program, the level of such activity in FY 1979 was very low. HUD has made significant efforts to eliminate "paper" reservation activity from its system and has been very successful in doing so. The "paper" reservation activity in FY 1979 indicates that there are only a few Area Offices which have not fully responded to HUD's initiatives in this area. The problem with "paper" reservations made by HFDAs, while localized in one HUD region, is more difficult to deal with because HUD has less control over the HFDAs regarding the submission of reservations. The elimination of "paper" reservations in the HUD Area Offices appears to be another area where the use of review teams to inspect administrative practices can be effective.

III. STATE AGENCY PARTICIPATION IN THE SECTION 8 PROGRAM

A. Housing Assistance Payments

Under the Section 8 Program, HUD may provide Housing Assistance Payments to projects financed and/or insured by a State Housing Finance and Development Agency. These funds are provided to a State by HUD in the form of a "set-aside" budgetary allocation earmarked for specific geographical areas of that State. The allocation is determined by HUD Central Office in consultation with the Office of Management and Budget. It is based primarily upon need as reflected in the Housing Assistance Plans prepared by local governmental entities and submitted annually to HUD. Some State agencies stimulate the development of multifamily housing by providing low interest loans to developers with funds raised through issuance of tax exempt short-term notes for construction financing and tax-exempt long-term bonds for permanent financing. Part of the responsibility to provide housing for low-income families, the elderly, and the handicapped is shifted to the State via the "set-aside" mechanism. In this regard, the State, especially if there is no FHA mortgage insurance involved, is exempted from many of HUD's program controls and oversight.

B. Developer Selection

The process of selection of developers varies from one State HFDA to another. Upon receipt of the "set-aside" allocation, the HFDAs advertise the availability of Section 8 subsidies in statewide publications, newspapers, and trade journals. The processing time from advertisement to reservation of the Section 8 subsidy is largely dependent upon two factors: (1) whether the HFDA has an established pipeline from which to select proposals; or (2) whether FHA insurance is required. HUD, in their October 15, 1979, regulations stated that they "feel that establishment of a pipeline is essential in the interest of leveling out field office workload." The Investigative Staff realizes in some geographical areas, such as San Francisco, developers could not afford to hold land options for extended periods of time, and therefore the pipelining of proposals is not feasible. However, in other areas the use of a pipeline for potentially viable projects would assist not only the State agency in the leveling of their processing workload, but it would also provide a better method of advising developers of their position with regard to subsidy availability. It is in the area of proposal processing where wide variations occur between State HFDAs.

Several developers advised the Investigative Staff in many cases they would be willing to extend the option to purchase the land site if the HFDA used a ranking process and informed developers that they had an acceptable project upon availability of funding. Some HFDAs do utilize a "pipeline" of viable projects, notifying the developers of the status of their project in relation to financing/subsidy availability. Some HFDAs may rank projects on

a numerical scale, some simply accept or reject a proposal, while others use a "bonus point" system of ranking projects based on established criteria.

The HFDA's project/developer selection board may consist of any combination of officials from the HFDA and State government or representatives from a cross section of occupations in the business community. In Missouri, for example, the board consists of the HFDA Director of Operations, an individual with an architectural or engineering background, and a third HFDA official. In most cases the State HFDA selection of developers is an internal decision based upon written or unwritten criteria established by that agency. The criteria for developer selection in most State HFDA's visited by the Investigative Staff appeared to be based upon the site of the project, the financial strength or previous participation of the developer, and/or consistency with the local Housing Assistance Plan. The Investigative Staff found not only did criteria for selection vary from one HFDA to another, but it was difficult to determine how much weight was given to any one factor or what role each factor played in the selection process. According to a senior HUD official, there is no requirement that the selection process be competitive, but it must be in compliance with State and local regulations.

The Investigative Staff believes because many State agencies lack a definitive selection process utilizing a ranking system and, because selection of a developer is based on an internal subjective decision of the agency, there is increased potential that outside influences or political favoritism may play a role in the subsidy awards process. Even if such influences do not enter into the selection process, the HFDA leaves itself open to question by not having a definitive, well documented selection process. A newspaper article published in October 1979 provides an excellent example of such a situation. It detailed a case in Rhode Island in which the Governor and other political leaders had used their influence to have friends selected as developers for Section 8 housing projects. The State Attorney General's Office is also investigating a bribery charge made by a developer who allegedly paid $100,000 in a successful attempt to influence the HFDA selection process. A definitive, well documented selection process, which is subject to outside scrutiny, would preclude such situations from happening.

The Investigative Staff recommends that the Committee consider requesting the Secretary of HUD to establish minimum criteria to be used by State HFDAs in the selection of developers for Section 8 new construction and substantial rehabilitation projects. These criteria should include a requirement that the State agencies publicize their selection criteria and establish a ranking system that would include documentation. HUD should also provide some oversight of the HFDA decisionmaking process to ensure that these criteria are being effectively applied.

C. Financial Arrangements

A February 1978 Investigative Staff report indicated that many State agencies had difficulty financing Section 8 projects because of their inability to sell bonds. This situation had improved until recently, but current increases in interest rates may discourage some HFDAs from issuing bonds. With the combination of current high conventional interest rates which curtail construction of market-rate apartments and demands created by the low rental vacancy rate throughout the country, developers are eager to obtain the low interest loan financing available through the Section 8 Program. In Massachusetts, for example, developers have submitted 164 project proposals to the HUD Area Office totaling 18,000 units. However, funding is only available for an anticipated 121 units under the FY 1980 allocation. The following paragraphs relate to financial arrangements negotiated between State HFDAs and developers.

1. Loan Financing

State agencies finance projects through issuance of notes and bonds on the basis of 90 percent of the replacement cost for profit motivated sponsors or 100 percent of the replacement cost for nonprofit sponsors. One exception is the Oregon HFDA which allows only an 80 percent mortgage loan for profit motivated sponsors. This HFDA does not provide construction financing and requires the sponsor to make a 20 percent equity investment. The State assumes no responsibility until construction is completed. The equity capital requirement attracts developers whose goals are to remain with the project over the long term. The negative side to the large equity requirement is that it makes syndication unattractive and most developers are able to participate in only a few Section 8 projects.

One element used by most State agencies as well as HUD, in the loan financing process is the Builder's and Sponsor's Profit and Risk Allowance (BSPRA). Even though the developer is usually expected to make at least a 10 percent equity investment in the project, most State agencies allow 10 percent of the total development costs, exclusive of the land and off-site improvements, as a profit allowance for the developer and the builder. Generally, the developer will take the BSPRA as a credit against his expected cash equity investment in the project. The BSPRA will be discussed in greater detail in a subsequent chapter of this report.

Another element which is a key to determining the amount of loan financing by State agencies is HUD's Fair Market Rent (FMR). The FMR is supposed to be the rent ceiling, unless an exception is granted by HUD. Some HUD and HFDA officials suspect that many developers in submitting their applications for Section 8 projects, start with 110 percent of the FMR and work backwards. By doing this they determine what amenities can be included in constructing the project in order to justify the 110 percent figure. It then becomes HUD's or the HFDA's responsibility to review

developer's proposals to ensure that "modest" projects are being built. A complaint made to the Investigative Staff while visiting several HUD Area Offices is that HFDA's are guilty of abusing the 110 percent FMR allowance. A PHA official in Portland, Oregon, advised that because of the differences in computation of contract rents for new construction, the HFDA is more successful in getting projects constructed than the HUD Area Office. The reason given for this difference was the HFDA must assume responsibility in the event of foreclosure and since the subsidy contribution is Federal money, the tendency is to use the maximum allowable contract rent.

The Investigative Staff recommends the Committee consider directing the Secretary of HUD to have Area Offices and State HFDAs thoroughly review contract rents submitted with new construction and substantial rehabilitation project proposals. These reviews should verify that the contract rents do not exceed levels adequate to support construction of "modest" type housing and that 110 percent of the FMR is not consistantly being used.

2. Insurance Requirement

The requirement for insurance of mortgage loans depends upon the regulations of the State providing financing. HFDAs may secure their projects by requiring:

-- FHA insurance,
-- State sponsored insurance or reserve fund escrow,
-- conventional mortgage insurance, or
-- no insurance.

The HFDA processing time for a project proposal will vary depending on whether it is federally insured ("slow track") or whether it is State insured or no insurance is involved ("fast track"). States which require FHA insurance to guarantee the loan made by the HFDA to the developer for permanent financing must submit all supporting documentation concerning the project proposal to HUD for a thorough examination, including an analysis of contract rent and debt service, review of architectural plans, site approval and other documentation which must be channeled through the various divisions of the HUD Area Office. Since HUD must process and approve all stages of project development, the processing time tends to be significantly longer than the certification approval process which HUD uses for nonfederally insured HFDA proposals.

Nonfederally insured proposals are processed more rapidly because the HFDA need only certify to HUD that the project meets established requirements. These certifications specify the following: (1) a public announcement was made for the "set-aside" allocation; (2) the developer, builder, owner, and manager are acceptable for meeting all obligations; (3) the site meets standards specified in the regulations; (4) the contract rents are reasonable in relation to comparable units; (5) savings from tax exempt financing and real property tax abatement are reflected; and (6) all projected financing is in compliance with U.S. Treasury

regulations. HUD will accept these certifications as correct unless substantial reason exists to question them. The certification process is also used when State insurance or reserve fund escrows are required.

An example of State housing insurance was found in Maryland. A separate State agency, the Maryland Housing Fund, was created to insure all mortgage loans not secured by FHA or private mortgage insurance. State officials view the financing and insurance through the State agency as providing a "double underwriting" effect. The California HFDA is an example of a State using a reserve fund escrow. The HFDA does not require insurance because the California State Legislature established a $20 million reserve fund to finance projects which are in danger of default.

3. Limitations on Distribution of Operating Income

All State agencies visited by the Investigative Staff place limitations on the amount of net operating income distributed to the investors. The investors can include the developer and builder where they retain an interest in the project. The annual cash distribution is limited to between 6 and 8 percent of the imputed equity, which is defined as the difference between the mortgage debt and the total replacement cost of the project. Any annual distribution in excess of the allowable return is placed in a reserve account to fund potential operating deficits. Any annual distribution which is less than the allowable return for the year can be drawn from this reserve. In many cases, the developer also manages the project through a related management company which is entitled to a management fee. This fee averages between 3 and 6 percent of the gross rents.

4. Other Requirements

Most developers who syndicate their project elect to remain as a general partner. This provides the limited partners with the security of knowing the developer's goals are to remain with the project through the life of the partnership. The developer's residual gains as general partner upon disposition of the project are delineated in the partnership agreement. Some State HFDAs examine partnership agreements to ascertain whether the partnerships stated intentions conflict with State or HUD regulations. The State of Massachusetts, for example, requires a percentage of syndication proceeds as an addition to a working capital escrow account.

Other financial negotiations between State agencies and the developer fall into two general categories: (1) costs, and (2) requirements. Costs are fees and expenses, some of which are capitalized in the mortgage debt and others are nonreimburseable. Requirements are cash escrows accounts, letters of credit, or bonds which guarantee construction completion and against possible operating deficits. Requirements under this definition

may or may not involve permanent out-of-pocket expenses since some of these are refundable or reduced after satisfactory completion of the contract. These costs and requirements will be discussed further in a subsequent chapter of this report.

D. Less Than Full Subsidy

A feature of HUD's new regulations is the emphasis on production of smaller (50 units or less) multifamily housing projects with less than a full subsidy. These projects consist of 80 percent market-rate tenants and 20 percent subsidized tenants. Some State agencies have adopted this as one of their criteria for developer selection. State agency officials and developers expressed mixed opinions as to whether this program will work. Developers who have experienced success with the 20 percent subsidy program indicate that it will work in desirable geographical locations if the project has been adequately constructed and is well managed. They also cite the current and projected low rental vacancies as another reason for the success of this type of subsidy. One developer in Boston stated that the housing problems to be faced in future years will not be in finding tenants and subsidy availability, but will be a lack of housing stock. Another developer stressed that by utilizing the Federal and State low interest loan financing available with the 20 percent subsidy, he can build 5 projects as compared to a 100 percent subsidized project.

The negative side to the 20 percent subsidized project is that the developer assumes the risk that he can achieve 80 percent rent-up with market-rate tenants. If, for example, he does not have a prime site or if the project's contract rent is too high for market-rate tenants, then he may be unable to achieve an adequate rent-up and his project will be in danger of foreclosure. While the Investigative Staff concurs that this subsidy program will increase the housing stock and may achieve a mix of income levels, the program will not work in every locale.

The Investigative Staff recommends the Committee suggest that the Secretary of HUD encourage those HFDAs not currently utilizing the 20 percent subsidy vehicle to consider its applicability in their area. Priority should be given to developers who are willing to assume the risks involved in submitting partially subsidized project proposals.

E. HUD Monitoring of State Housing Finance and Development Agencies

The HUD Area Offices' chief responsibility with regard to monitoring of HFDAs is to review their use of "set-aside" funds. Although a few State agencies administer the Existing Housing Program in areas of their State where no PHAs exist, the largest portions of the States' "set-aside" funds are reserved for new construction and substantial rehabilitation projects. As discussed previously, during the proposal and construction phases of a non-federally insured project, HUD's monitoring activity is limited

to a review of certifications submitted by the State agency. In addition to reviewing the certifications, the Area Offices ensure compliance with Federal equal opportunity regulations, site and neighborhood requirements, and environmental standards. The HUD Area Offices accept certifications as submitted unless there is substantial reason to question the correctness of any element. In these cases, HUD will request the HFDAs to review and resubmit their certifications.

Upon construction completion and after execution of the HAP Contract, the Area Office performs a 6-month review of the project's operation and then subsequently, an annual review. These reviews normally consist of an inspection of some of the units for housing quality standards violations, and a review of the monthly reports concerning utilization of units. When FHA insurance is required, the Area Office is more involved in the processing. They actually review all developer documentation with regard to project proposals submitted. They inspect the project during construction and upon completion and are involved in the oversight and review of project management.

The Investigative Staff found during its visits to Area Offices that HUD officials are confused concerning their responsibilities with regard to monitoring HFDA administrative practices. One Area Office admitted that they review the State agencies management practices and staffing while HUD officials in another office advised that there are no guidelines requiring this type of review. A third official advised they are unsure of the requirements for a review, but have scheduled an examination of their State agency within the next few months.

Officials in most HFDAs advised they had a good working relationship with the HUD Area Office, but some of the common complaints were:

-- Many times it is difficult to get a definitive response to a question from the Area Office.
-- The Area Office's processing time is too lengthy, especially if FHA insurance is involved.
-- High turnover of personnel in the HUD Area Office creates problems with regard to continuity.

A senior HUD official agreed that the Investigative Staff's observation of HFDA activities concerning HUD's lack of oversight of their administrative procedures is correct and commented that the State agency regulations were not "well thought out" when compiled. In view of these problems he stated HUD is currently looking closer at State agency activities with regard to the Section 8 Program.

The Investigative Staff recommends the Committee consider directing the Secretary of HUD to reexamine its relationship with State agencies and clarify its position concerning management reviews. HUD needs to establish the scope of the required reviews in order that a standard may be set for Area Office guidance.

IV. DEVELOPERS' PROFITS

A. Introduction

The common motivating factor of all developers in the Section 8 Program is profits. However, the means and methods by which profits are realized depend primarily on the financial resources, tax status, economic outlooks, and functions performed by the individuals or entities involved in the production of Section 8 projects. There are four basic functions which may be performed entirely or partially by the same individuals or entities. These functions are as follows:

-- Development - the developer, also referred to as the sponsor, packages or brings together all the services and skills necessary from initiation to completion of a Section 8 project.

-- Syndication - the syndicator arranges for the sale of shares of interest to investors as tax shelters.

-- Construction - the builder constructs the project.

-- Management - the manager oversees the rental operations of the completed project.

The financial gain for developers in the Section 8 Program depends upon the degree of his participation in a project. Profits are derived in each of the four functions listed above. Developers who perform all four functions receive significantly more profit than those who choose only to sponsor a Section 8 project.

The amount of capital required by developers in Section 8 projects also varies with the size of the project. Land cost is another factor affecting capital requirements (in some projects, there is little or no land cost). Finally, the developer's financial resources and problems during the packaging and construction of a project cause the capital requirements to vary. There are potential risks at each stage of a project whether it be in development, construction, or management with the greater risks occurring during development and construction.

In the following paragraphs of this report, the developers' risk, capital, syndication, and profit will be discussed in typical Section 8 new construction or substantial rehabilitation projects. Also discussed will be problems identified during the study as they relate to the Section 8 Program and the developers involved with that program.

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B. Processing of Developers' Proposals

1. Preliminary Proposal

Developers submit preliminary proposals to HUD based on a NOFA for Section 8 new construction or substantial rehabilitation projects. A similar notification or advertisement is issued by HFDAs for their allocation of Section 8 funds. The notification or advertisement provides basic information to developers regarding the geographical area, type of construction, number of units, amount of contract authority available for rent subsidy, and submission dates.

Interested developers are required to submit information to HUD or the State relative to their proposed projects. These preliminary proposals are then screened by HUD or the State according to established criteria and guidelines. There are some variations between States, but basically the selection criteria involves the site location, the need for low-income housing in that area, the developer's previous record and the design or feasibility of the plan.

There are some costs involved with each submission of a preliminary proposal by a developer. These costs include such items as land options or purchase, preliminary drawings of proposed projects and, in certain States, a nonrecoverable site inspection fee with each proposal. In addition, a developer also has overhead expenses for travel, administration, and salaries. These costs range from a few hundred dollars to several thousand dollars. If FHA mortgage insurance is required, an application for such insurance can be submitted with the preliminary proposal. A developer will incur additional expenses during processing of mortgage insurance.

In today's economic climate there are very few conventionally financed apartment buildings being constructed and, consequently, there are a large number of developers competing for Section 8 projects. Since there are limited Section 8 funds available, many of the proposals will be rejected and some developers will incur financial losses. This is one of the major risks taken by developers in participating in the Section 8 Program.

One developer described the risks as follows: "In a good year, we will have three or four potential projects which involved looking at 50 pieces of land and obtaining options on about 15 of the sites before the choices were made. Then when a NOFA is published, we have to compete with other developers. On one NOFA, we were one of nine developers applying for a project and were not selected. The search, selection and competition activities require a full time development officer in a process that can take nine months to three and one-half years to get to the construction stage. In one case a project would have failed had there not been adequate capital from the developer's funds and syndication to see it through."

"In another project, up-front costs of $25,000 to $30,000 were incurred in getting land options, paying taxes on the land, proposal fees, etc. A zoning dispute arose with the County on which legal fees of $85,000 were incurred. These costs alone averaged $1,500 a unit before the project could get underway. In the meantime, the bond rates went to hell and the project had to be closed on a loan with no additional dollars. With added increases on construction cost due to inflation, the project probably won't be completed within budget cost. As a general rule, we met construction costs 80 percent of the time, with cost overruns on the balance."

2. Final Proposal and Initial Closing

Those developers whose proposals are selected by HUD (or a State agency) are notified to submit the final proposal within 30 days. During this time they are required to finalize arrangements for construction and permanent financing. Besides overhead expenses, developers incur additional costs for such items as land surveys, soil borings (if not previously done), final architectural drawings, mortgage insurance fees (if applicable) and professional fees. These costs can increase developers' initial investment in Section 8 projects from several thousand dollars to over $100,000.

Once the final proposal is given to HUD or the State, their processing time will depend on whether FHA mortgage insurance is being requested and if there are any problems relative to the construction plans, financing, costs, rental contract, wage rates, or other related factors.

Upon approval of the final proposal and receipt of the developer's acceptance and architect's certification, an agreement to enter into a HAP Contract is executed. After execution of the agreement, the project is expected to begin without delay. Developers may build the project under contract with related or unrelated builders. HUD only permits a 2 percent builder's overhead fee to be included in the mortgage. Therefore, the builder generally has a side agreement with the developer for an additional profit. Ordinarily this profit will vary between 4 and 8 percent of the construction cost.

At initial closing the developer has obtained a construction loan which he may draw upon to cover building expenses. The construction loan may be tied to the permanent financing, as is done by some HFDAs, or it may be a separate loan with a commercial financial institution. The interest cost will be higher if a commercial loan is involved. Although the developer can draw upon the construction loan for certain costs already incurred, as well as current construction expenditures, he will have to pay for any expenditures not includable in the mortgage before completion of construction or final closing.

3. FHA Mortgage Insurance Applications

There are three stages in processing FHA mortgage insurance application--Site Appraisal and Market Analysis (SAMA) Letter, Conditional Commitment and Firm Commitment. Each of these processing stages requires additional data in order for HUD to make a determination to issue mortgage insurance. Some developers submit their FHA mortgage insurance application along with the preliminary proposal. By doing so, they will incur additional costs for processing the application which they would ordinarily not incur unless their project was selected. If the project is selected then early submission of the application for FHA insurance will reduce the processing time needed to approve the final project. This is a risk some developers are willing to take because delays in the construction of these projects can be very expensive. The resulting reduction in processing times due to early submission of an application for FHA insurance enhances the profits to be realized from the project. However, if the proposal is not selected, then the developer's losses are greater. With each stage of processing, there is a required fee based on the amount of the mortgage. The fee is $1.00 per $1,000 of the amount of the mortgage for each stage of FHA insurance, or a total of $3.00 per $1,000 for all three stages. The final proposal can not go to initial closing until the FHA insurance application for firm commitment has been approved.

4. Debt Capital (Mortgage)

The developers' capital investment varies with the amount of the debt capital (mortgage). With few exceptions, most developers want the maximum amount of mortgage available. The maximum allowable mortgage is 90 percent of the project cost (except in Oregon) and there are costs which are not includable in the mortgage. The nonmortgageable items include financing fees which exceed 3 1/2 percent of the mortgage, builder's overhead and profit which exceed 2 percent of the mortgage, any fees for letters of credit, construction cost overruns, and developer's overhead.

HUD uses three criteria to determine the amount of the maximum insurable mortgage in a Section 8 project. The criteria which is used most frequently is referred to as the "Debt Service Ratio." In this formula, HUD uses the estimated annual rental income and annual operating expenses to arrive at an estimated net income available for debt service. The debt service capability is capitalized using the percentages of mortgage interest, mortgage insurance, and initial curtail rates. The curtail rate is the annual rate by which the mortgage principal is reduced. The other two criteria involve "Replacement Cost" and "Family Units." These usually result in a higher amount of mortgage determination and are, therefore, not used as frequently by HUD.

Since net rental income, based on the FMR, is the predominant factor in the determination of a mortgage, higher rental income or lower operating expenses both have the effect of

increasing the amount of the mortgage. Some developers take a lesser percentage for management fees (averages between 3 to 6 percent) than they could in order to decrease their operating expenses and thereby increase their mortgage amount. HUD also computes estimated operating expenses and does not permit developers to underestimate expenses, or "lowball" them.

5. Builder's and Sponsor's Profit and Risk Allowance

HUD computes the estimated and final project costs by adding either the estimated or actual costs of improvements, the cost of the land, and the BSPRA. Since the BSPRA is one of the factors used to compute the replacement costs of the project, it also becomes a factor in determining the amount of the maximum insurable mortgage. In all of these calculations, the BSPRA is merely an accounting entry.

The BSPRA is calculated as 10 percent of the project costs, less the cost of the land, and it represents an allowance for profit to the builder and developer. However, the BSPRA is not paid to the developer in cash but is credited against the amount of private investment funds he is expected to put up to obtain the mortgage loan. In essence, the developer substitutes expected cash profit due him and the builder in return for a reduction in cash equity requirement at settlement. The builder's profits are paid by the developer based on a side agreement. Ideally, developers would like to have the BSPRA offset their expected capital investment in a project. However, as a practical matter, his capital investment usually exceeds 10 percent.

The developer can only realize a profit through syndication and sale of shares in the project to investors as tax shelters. If the developer does not syndicate the project he will then benefit from the tax shelter. In this case, he will not realize any profit from his investment until he sells the building for a gain.

6. Construction and Final Closing

There are certain risks involved in any type of construction project. Some of these risks are similar regardless of the type of projects involved. However, certain projects, such as substantial rehabilitation or those located in the inner city, have much greater risk factors. The more common problems inherent in most Section 8 projects are discussed in the following paragraphs.

There are few developers who claim they can have Section 8 projects constructed for less than the replacement cost computed by HUD or the HFDAs. However, most developers stated that delays, inflation, and the Davis-Bacon Wage Rates (which are established by the Department of Labor based on prevailing wages in the area) are the principal causes of "overruns" in the budgeted cost of

Section 8 projects. These "overruns" are negotiable with HUD and the States where change orders are concerned, but frequently the builder must absorb part, if not all, of the additional costs.

There can be many reasons for delays in construction--labor problems, weather, inspections, and unknown structural problems (in substantial rehabilitation projects). Inspections and final proposal processing by HUD or HFDAs can also be time consuming. One of the most expensive costs resulting from delays in today's financial market is interest expense. Some HFDAs finance construction loans, but if developers must obtain financing from the private sector, the current interest rate is high and this cost can be substantial.

Another factor which causes construction "overruns" is inflation. From the time the construction costs are originally submitted to the completion of the project may be 1 or 2 years or even longer. With a volatile inflationary economy, actual cost increases are generally more than anticipated. Inflation and high interest rates, linked with delays, are the two most common causes of construction "overruns."

The third problem mentioned by developers as a major factor in the high cost of Section 8 projects is the Davis-Bacon Wage Rates. These rates are required to be used in Section 8 projects. A developer in Portland, Oregon, stated that some wage rates vary as much as 50 percent in areas only 60 or 70 miles apart. Additionally, new wage rate schedules may not be known until initial closing. A Baltimore developer gave an example of a project that cost the contractor almost $250,000 in overruns because of the Davis-Bacon Wage Rates. He believes the Davis-Bacon Wage Rates may increase Government housing cost by 15 to 20 percent.

7. Housing Assistance Payment (HAP) Contract

At the time of final closing and approval of the project, the HAP Contract is executed. The HAP Contract is the firm commitment by HUD to provide a specified portion of the contract rent to the owner. Next to the low mortgage interest rate available in Section 8 housing, the guaranteed rent subsidy is the most important inducement for developers to participate in the program. The rent guaranteed by the HAP contract is based on either the FMR or on comparable rents (reasonable rents for like units) in the vicinity, whichever is lower. FMRs are established by HUD annually based on actual rents of comparable, modest type housing. Until recently, HAP Contracts were executed for 5-year renewable periods. The new HUD regulations changed this to a 20-year period. Discussion of the effect of the FMRs and the 20-year contract follows.

a. Fair Market Rents

One of the principal problems in establishing FMRs has been a lack of comparable housing due to a substantial decrease in

privately constructed multifamily housing during the past several years. HUD regulations permit increases up to 10 percent above the FMR with the approval of the HUD Area Office Director. Increases from 10 to 20 percent above the FMR must be approved by the Regional HUD Administrator. Rents for housing for the elderly and handicapped may be increased by an additional 5 percent of the FMR. The latter increase is allowed to compensate developers for addiitional cost of constructing special features for the elderly and handicapped.

The developers expressed the opinion that FMRs should be higher. They base this on the fact that housing rents are not comparable since it is difficult, if not impossible, to find like units of housing to compare with new construction. The adjustment factors which HUD uses to trend old rents are not adequate because they do not fully consider the inflationary cost of construction today. Thus, the FMRs are out of date by the time they are issued, and this gap widens by the time they are implemented a year or so after the agreement to enter into a HAP Contract is executed.

Evidence contrary to the developers' observations was presented in a recent study by a Government agency. That study concluded that the FMRs in the Section 8 New Construction and Substantial Rehabilitation Programs were too high. In support of this conclusion, a comparison was made in a number of selected cities during the period 1974-1978 of the percentage increases in the Consumer Price Index (CPI) on rents, construction costs, and FMRs. The comparison showed that the increases in the CPI rents and construction costs were much less than the increases in the FMRs for the same cities. A November 27, 1978, report by the HUD Office of the Inspector General also disclosed that a large percentage of contract rents in new construction and substantial rehabilitation projects (12 of 14 projects reviewed) exceeded published FMRs.

b. Lack of Incentives for Savings

In areas where contract rents consistently exceed the FMRs, it would appear that HUD and HFDAs are not interested in conserving costs in the Section 8 Program. According to HUD's Assistant Secretary for Housing, it is his policy to increase the quality of low-income housing by not providing incentives for savings in construction cost. Because of HUD's policy regarding mortgage computation, there are no incentives for the developer to economize on the projects' cost since by doing so he may be penalized by receiving a smaller mortgage. In addition to HUD's lack of incentives to economize on project cost, developers have sound economic reasons to keep costs (and hence the mortgage) as high as HUD will permit. These additional reasons are as follows:

-- higher syndication proceeds (they are computed as a percentage of the mortgage),

-- higher tax write-offs for those developers who do not syndicate, and

-- higher quality projects (which increase the residual benefits from conversion or sale of the property in the future).

Cost certifications are required from builders and developers on Section 8 projects upon completion of construction. If actual costs are less than estimated costs, the amount of the FHA maximum insurable mortgage is less than originally projected. Several HFDAs permit part cost savings on construction to be retained by the builder. For example, Illinois Housing Development Authority (IHDA) allows one-third savings, up to two percent of construction cost, to be retained by the builder. The other two-thirds savings are retained in the project development account and can be used as part of the project account or to make improvements. The Virginia Housing Development Authority (VHDA) follows this practice, except they allow 50 percent of the savings to be retained by the builder and the other 50 percent goes into the project account. An official of VHDA noted that savings rarely occur. The Investigative Staff located only two developers who stated they had cost savings on HUD projects. Both developers have reputations of building adequate but not elaborate projects.

The Investigative Staff believes HUD's current policy in this regard is fomenting practices at the Area Office level which are unnecessarily increasing the costs of the Section 8 Program and producing housing which is more than "modest".

The Investigative Staff recommends the Committee direct the Secretary of HUD to review this policy and its effects on the New Construction and Substantial Rehabilitation Programs. HUD should provide incentives for savings in the construction of these projects to help reduce cost while still providing modest housing.

c. Extended HAP Contract

As previously noted, the new HUD regulations extended the duration of the HAP Contract from 5 to 20 years. This change was implemented as the result of a recent GAO Study which compared the potential cost of 5-year renewable contracts with a single 20-year contract. That study concluded if HUD were to replace units committed to the program every 5 years, the cost to the Government of providing housing would be nearly twice as great as with a single 20-year contract.

The 20-year contract period brought mixed responses from developers. Some stated this longer contract would have no effect on their participation in the Section 8 Program, since they plan to stay in the program that long anyhow. Others stated the longer HAP Contract would serve as a major obstacle to their participation in the program because it would prevent them from converting subsidized housing to either market-rate rental units or condominiums

prior to the end of the contract term. One developer stated the 20-year HAP Contract would be meaningless since the decision to convert from subsidized to unsubsidized housing would be based on economic factors and not any contract limitations.

When the Investigative Staff first raised the issue of potential violations of the 20-year HAP Contract, HUD Area Office officials stated the sanction they planned to use for such violations would be to withhold rent subsidies. This would only assist the developer in accomplishing his conversion goals. Further discussions of this matter at HUD Central Office revealed that sanctions had not been considered in extending the contract term. They stated they could probably rescind the Government National Mortgage Association (GNMA) financing, file a breach of contract suit for damages, and bar the individuals from further participation in Section 8. The former two sanctions are necessary for the 20-year HAP Contract to be effective. HUD officials stated their Office of General Counsel would review this matter and make appropriate recommendations.

The Investigative Staff recommends the Committee consider directing the Secretary of HUD to explore the question of sanctions with the 20-year HAP Contract. This should be thoroughly reviewed by the Office of General Counsel. Appropriate remedies, including loss of GNMA financing and repayment of Federal subsidies, must be available in order to discourage potential contract violations.

C. Profits from Housing Production

HUD considers replacement cost as the principal base for mortgage financing of a project. Against this, the HAP contract guarantees a large part of costs of production, since it is based on FMRs that will cover debt service on the mortgage. Except for the FMR, and the BSPRA, there is no control by HUD over a developer's capital or profit structure. Developers can make business and financial arrangements as they wish and any profit that can be realized from transactions relating to a project.

A substantial amount of capital is required for production of a housing project. The capital requirements are financed through a combination of the mortgage loan and the syndication proceeds. While the function of the mortgage loan is to provide debt capital, it also sets the base for the sale of the syndicated shares of interest in the project. The excess of the aggregate of mortgage and syndication proceeds over actual cost of producing the project is profit realized by the developer from sale of tax shelters.

1. Developer

To derive a profit from the activity, a developer must produce a marketable product. This product is a housing project for which the equity is divided into shares of interest. The

shares are syndicated or sold to investors interested in purchasing tax shelters.

Analysis of profit realized by developers from sale of tax shelters was made without access to their books and records (including Federal tax returns). Secondary sources of information were used. These sources included interviews with developers to obtain information on business and financial arrangements of their activity, and documents from HUD and developers' project files. An employee of HUD, with former private practice experience as an attorney dealing with developers, stated that they use various methods to conceal income and mishandle expenses (such as deduction of capital expenditures as current expenses). These methods, according to this employee, "made it difficult, if not impossible, in dealings with developers to tell how much profit was being made on a project so that an analysis could be made of it." Thus, the analysis in this report is as complete as possible using the documentation available. Documents used for the analysis are:

-- HUD Form 2013, Application - Project Mortgage Insurance.
-- HUD Form 2330, Mortgagor's Certificate of Actual Cost.
-- HUD Form 2330A, Contractor's Certificate of Actual Cost.
-- HUD Form 2442A, Construction Contract--Cost Plus.
-- Partnership Agreement for the project sponsor (developer) and the syndicated organization, if different.
-- Syndicator's Offering for the marketing of shares of interest to investors.

The latter two documents show the number of investor shares, the capital contribution per share, the aggregate of the contributions and the payment schedule.

In addition to the above listed documents, financial statements and auditors' reports for the period ended with final endorsement on the mortgage loan were reviewed. These statements and reports are prepared on the basis of accounting practices prescribed by HUD. The practices do not require presentation of changes in financial position or recognition to syndication of a project. Syndication is not considered for the final project cost or the insured mortgage loan.

The secondary sources of information listed above were used to identify primary elements and items of project actual cash cost and income. Following an approach commonly used by some developers interviewed, these factors were applied unaudited to reconstruct project cost and income for a reasonably accurate measure of profit realized from sale of tax shelters. Profit reconstructions were made on six projects involving four developers. Information for these projects was the most complete information obtained for the intended purpose. Developers involved are considered representative of the industry. Profit analyses are the project illustrations contained in the Appendix to this report. A summary table is included in section 2 below. The elements of project cost and income applied for the analyses, with a description of each, are as follows:

a. Actual Cost of the Project

This is the total of actual cash costs incurred by the developer in producing the housing project. Working capital was excluded from cash cost. It is a deposit by the developer to meet unanticipated capital needs. The balance is returned to the developer following completion of construction. The specific cash items of cost are:

Cost of Physical Improvements - The developer's certified actual cost of labor and materials and necessary services for construction of physical improvements in connection with the project. The cost includes buildings, land improvements, fees, financing, legal, and interest during construction. It excludes the BSPRA.

Cost of Land - This cost element is self-explanatory.

Builder's Profit - The amount paid by the developer to the builder as negotiated profit. Cost overruns over contract price are usually borne by the builder. The profit, negotiated under a side agreement with the developer, is a percentage of payment under the construction contract or is a specified dollar amount. The side agreements are not contained in HUD files, since they are not considered for final project cost or mortgage loan, nor were the agreements offered by developers. Developers for whom project illustrations were prepared did provide the percentage or dollar profit negotiated with the builder. These amounts were used in this analysis.

Profit paid to the builder is a cost item to the developer. However, this cost is significant only in connection with a project for which the developer used an unrelated builder and the project was syndicated. When a related builder is used, such as a construction company operated by a partner in the partnership developing the project, payment and receipt of profit is, in substance, an offset.

GNMA Points - The amount (percentage of the mortgage) paid in connection with purchase by GNMA of mortgages written below market interest rates. It is not a financing charge covered by the mortgage loan.

b. Mortgage Loan Proceeds

This income element is the principal amount of the mortgage loan providing debt capital for the project.

c. Developer's Initial Investment

This element is the difference between actual cost of the project (a. above) and mortgage loan proceeds (b. above). The difference, or excess, is the developer's initial investment (or cost basis) in the project against which syndication proceeds are applied to determine profit realized.

d. Syndication Proceeds

This income element is net syndication proceeds to the developer. The proceeds provide private investment capital for the project. The amount of net proceeds to the developer used in these analyses is based on information obtained from developer interviews or as determined from review of Syndicator's Offerings or Partnership Agreements, whichever is applicable.

e. Profit Realized by the Developer

The difference between syndication proceeds (d. above) and developer's initial investment (c. above) is profit realized by the developer from sale of tax shelters. The amount is not "pure" profit. It becomes a part of the developer's gross business receipts subject to deductions for ordinary and necessary business expenses.

2. Project Illustrations

Specific project illustrations are contained in the Appendix and are summarized in the following table. The analyses are made relative to the mortgage loan or project cost, whichever is appropriate. The mortgage loan is the basis for comparison used by HUD, HFDAs, developers, and mortgage bankers involved in Section 8 projects.

ILLUSTRATION OF DEVELOPERS' PROJECT COST, INCOME, AND PROFIT
(In Thousands)

Items of Cost, Income, and Profit	Project Illustrations A-1	A-2	A-3	A-4	A-5	A-6
Actual cost of project	$ 2,446	$ 1,787	$ 2,436	$ 2,532	$ 3,709	$ 1,099
Less: mortgage proceeds	(2,236)	(1,613)	(2,162)	(2,275)	(3,373)	(1,032)
Developer's initial investment	$ 210	$ 174	$ 274	$ 257	$ 336	67
Percent of actual cost paid by:						
Mortgage	91.4%	90.0%	88.8%	89.9%	90.9%	93.9%
Developer	8.6	10.0	11.2	10.1	9.1	6.1
Syndication proceeds	$ 303	$ 314	$ 412	$ 430	$ 630	$ 192
Less: developer's initial investment	210	174	274	257	336	67
Profit realized by developer 1/	$ 93	$ 139	$ 137	$ 173	$ 293	$ 125
Syndication proceeds as percent of mortgage proceeds	13.6%	19.5%	19.1%	17.0%	17.0%	17.5%
Profit as percent of mortgage proceeds	4.2%	8.7%	6.4%	7.6%	8.7%	12.1%

1/ Differences due to rounding.

a. Developer's Investment and Risk

From 88.8 to 93.9 percent of total actual project cost (exclusive of BSPRA) was financed by mortgage borrowing. The remaining cost (6.1 to 11.2 percent of actual project cost) was financed by the developer's initial investment. The percentage ranges reveal that the mortgage provides only a portion of actual cash funds needed to meet production costs.

From the developer's point of view, the remaining cash requirements involve a high risk. The protective reaction is a need to get investors' commitments before proceeding with construction. The syndication process used to do this is largely responsible for bringing private investment capital into Section 8 housing. With the commitments and a fast pay-in, the developer can limit his initial investment to a short period and realize a quick profit from the project for his services. The extent of private investment funds coming into the project and developer's profit is governed by supply and demand factors of the market for tax shelters at the time offered.

On the extent of financing provided by the mortgage, developers stated:

-- Developer of Project A-1--"HUD's computer costing for replacement cost is reasonably accurate, but cost containment is through the FMRs to hold costs down. They say 'this is all the rent you get,' so they put the burden of reducing inflation on the developer. We are getting less money [from rents] to build projects that cost more because of inflation and increased interest rates."

-- Developer of Project A-2--"The percentage of mortgage is very important. When it is below 90 percent it is a dollar out of pocket job. On a $2 million job with an 85 percent mortgage, that's $100,000 out of the developer's pocket. Mortgages run below 90 percent because rents are always behind replacement costs."

-- Developer and Mortgage Banker--"FMRs do not support high rise developments. Inflation and construction costs are going up faster than the FMRs and the residual value of the property is becoming more important to investors." On one project, the mortgage was 85 percent of replacement cost versus 90 percent statutory maximum. "Most mortgages run in the range of 84.0 to 89.8 percent." (The mortgage banker's firm deals only in FHA-insured mortgages and has financed some 400 projects.)

b. Developer's Profit and Risk

Syndicators set the market value of a project in terms of a percentage of the mortgage. Developers derive their profits from syndication proceeds and calculate these in the same terms. In these analyses, proceeds to developers from syndication and sale of tax shelters ranged from 13.6 to 19.5 percent of mortgage. Excluding the low percentage, the range narrowed from 18.6 to 19.5 percent--a spread of less than one percent. Profits realized by the developers ranged from 4.2 to 12.1 percent of mortgage. Again excluding the low percentage, the range narrowed from 6.4 to 12.1 percent.

The low percentage project excluded above was one of the first under the Section 8 Program. The proceeds and profit for this project were adversely affected by two conditions: land cost and syndication. The developer said, "HUD reduced the value of the land to $60,000 from $120,000, which was the actual cost. As a result, this required an additional $60,000 equity" and reduced the mortgage base for syndication proceeds. If the actual cost of the land had been considered for the mortgage, the developer's profit from syndication would have been 6.8 percent of the mortgage instead of 4.2 percent. Partially offsetting the low land value allowed, the project was built during the housing slump and the contractor agreed to build at a very favorable rate (3 percent profit outside the mortgage) using preliminary drawings.

The developer stated that at initial endorsement on the mortgage, on June 23, 1976, he had exhausted efforts across the country to find a syndicator to bring in risk capital to cover the equity requirements. A local syndicator offered to purchase control of the project for a wholesale price of $303,000 (13.6 percent of mortgage) for retailing to investors at $400,000 (17.9 percent of mortgage). The offer was accepted by the developer since he wanted to be bought out. Also, his general partner did not want long-term involvement because of bad experience with low-income housing under the Section 236 Program.

At the time of this syndication, depreciation of real estate in excess of straight line was generally recaptured as ordinary income when gain was realized from sale or other disposition. Under the subsequently enacted Tax Reform Act of 1976, Government subsidized housing was given more liberal provisions for recapture of depreciation. This change made Section 8 projects more attractive to investors looking for tax shelters and increased their market value.

3. Summary of Developer's Profits

With one exception, the difference between the project illustrations is not large. The fact that project costs are high with large amounts of private investment capital and tax shelter benefits derived does not necessarily mean that the services of developers are not being provided at a reasonable cost. At

present, the developer's decision to become involved in a project inevitably depends on mortgage and syndication conditions. A developer, with limited capital funds available, may find it undesirable to risk all, or a portion, of these funds on a project with a low mortgage. This is especially true if the cost of doing so will force him to forego an essential item of income--the proceeds from syndication which are based on the mortgage amount. The choice reflects a decision on whether the Section 8 project will yield a return that is greater than could be obtained by devoting the services to another purpose.

The amount of work done by developers for the production of Section 8 housing is large. It calls for a high degree of individual competence. There are many obstacles and risks--some administrative, some technical, and some financial. The work involves a closely related series of interdependent and high priced services that must be brought together by the developer and be processed against and through the housing production system.

The established competence and professionalism shown by the developers undoubtedly has also made some contribution to a higher level of effectiveness with which HUD's function is being performed.

The BSPRA and "replacement cost" benchmarks applied by HUD were not used in the analyses of developers' costs and profits. The analyses were made using only the actual cash costs and proceeds data obtained from developers and from source documents. However, the analyses indicate that the BSPRA, as a benchmark on developers' and builders' fees or profit, aids in assuring that reasonable mark-ups on cost are considered. Also, without proof of the validity of cost base data and trending employed in HUD's mathematical computations, the concept of "replacement cost" as the principal base for the mortgage loan also seems to integrate into a single product all of the actual cash costs to be incurred by a developer.

There is little evidence that HUD's criteria ("replacement cost" and BSPRA) are resulting in cost competition for the projects. Developers acknowledge that form and substance of the "replacement cost" system are different. In form, it looks as if costs of the separate services are determined and then aggregated to arrive at total cost for the project to support the mortgage. In substance, the mortgage amount is determined first through capitalization of the debt service capability of the "guaranteed" net rental income projected on the FMRs. With the amount of the servicable mortgage established, plus a 10 percent equity investment, project cost is then arrived at on the basis of "what can you build for this amount of money?" The competition between projects then becomes one of site vs. site rather than cost vs. cost. The result is to overload Section 8 housing with projects having a higher cost or price because of little or no variance in "replacement cost."

A developer stated that the site (which is a cost element) is high on the list of factors affecting selection of project proposals. This becomes particularly significant when each developer's proposal is tied to a "replacement cost" that is in turn tied to a debt service capability that is in turn tied to the FMRs for the units allocated by HUD. The factor of cost comparability on proposals by different developers for the same units allocated--a project--undoubtedly has an effect of pushing program costs up. The gut of the problem is the understandable hesitancy of developers to break away from the FMR system of costing which offers the greater mortgage and profit potential from the sale of tax shelters.

4. Syndicator

Most developers syndicate their projects at the time of construction start. It is not feasible to syndicate earlier since there are no tax shelter benefits. New construction and substantial rehabilitation projects require the commitment of large sums of debt (mortgage) and risk (private investment) capital. The means to bring together financial resources to raise risk capital can vary. In the Section 8 Program, the most common form of syndication is the limited partnership with the developer (and a few others) being the general partners and the investors being the limited partners. A syndicated partnership may consist of any number of investors. Most are private offerings and have less than 35 investors to avoid Securities and Exchange Commission registration requirements. The investors provide the risk capital in order to derive substantial tax benefits beginning with construction of the project. They also hope to ultimately derive residual benefits from disposition or sale of the project. Ordinarily, the investors are looking for return of $2.00 for every $1.00 invested. This ratio of return to investment varies according to market conditions and is now about 1.7 to 1.

In a typical syndication, the developer retains a 2 or 3 percent interest in the partnership and the other 97 or 98 percent is sold to investors. Most syndications require an initial payment when the partnership is formed and the remaining three or four payments at certain predesignated intervals during construction and operation of the project. Developers start recovering their investment from syndication proceeds. However, it generally takes several years before they recover their full investment and start to receive a profit.

Syndication proceeds fluctuate according to the type project involved. The retail value of a typical syndication is based on a percentage of the mortgage. In new construction projects it usually averages 23 to 26 percent. In substantial rehabilitation projects it may be as high as 30 percent. From the gross syndication proceeds, the syndicators' fees and expenses must be deducted. These fees and expenses average 5 to 6 percent of the mortgage. After expenses, the syndicator usually nets a fee of 3 to 4 percent of the mortgage. The wholesale value to

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developers who use an outside syndicator is 18 to 19 percent of the mortgage. Developers who retail the syndication themselves may retain the 3 to 4 percent syndicators' fees cited above. In some cases the developers will "split the difference" between the retail and wholesale values and sell the syndication for less than the normal retail price.

While the above percentages represent the average amounts received by developers and syndicators, there are exceptions. For example, a partner in a large international development firm stated that they syndicated a 50 percent interest in one of their projects to foreign investors for 40 to 45 percent of the mortgage. These investors were more interested in acquiring real estate in the U.S. than in the tax advantages. Another syndicator bought a project from a developer for approximately 19 percent of the mortgage and then apparently sold it to investors for almost 54 percent of the mortgage, according to records obtained from HUD files. Thus, this syndicator's net profit would probably have been about 31 percent of the mortgage. The Investigative Staff was unable to verify or determine the rationale for this unusually high percentage.

Just as the types and locations of projects can influence syndication percentages, the availability and competition for tax shelters may also influence the proceeds. Developers who do not syndicate are looking to their own tax shelter needs and long-term economic benefits attainable from conversion to condominiums or from sale of the project. They anticipate that the projects will appreciate in value over the years.

Syndicated projects are less likely to be converted or sold in the early years because investors participate in syndications primarily for the tax shelter benefits. Since most owners utilize accelerated depreciation on Section 8 housing, they are faced with a recapture of depreciation as ordinary income if the property is sold at a gain during the first 100 months. (Recaptured depreciation is the difference between straight line and accelerated depreciation.) This amount decreases by one percent per month thereafter. Thus, there would be no recapture of accelerated depreciation on projects disposed of at a gain after 200 months.

Partnership agreements establish procedures for termination and distribution of proceeds from the sale of projects. Usually, the developer receives a share of gains realized from sale or disposition of the property. Profits, losses, guarantees to investors, and other pertinent factors are all contained in the partnership agreement and prospectus. HUD does not become involved in the syndication process.

5. Builder

If the developer negotiates with a builder to construct the project, he is responsible for paying the builder whatever profit and overhead are agreed to. If a developer uses a related

construction company he, in effect, pays himself the construction profits. Developers hold different points of view regarding involvement in the construction of projects. Some feel they can make more money by using a related construction company and realizing the builder's overhead and profits. They also believe it gives them closer control over construction and hence the capability to minimize delays. Other developers do not wish to become involved with construction at all. They prefer to perform only the development function and they may perform the syndication and/or management functions as well.

The construction activity involves many risks for the builder whose principal handicap is budgeted costs that predate the actual event by as many as 2 years. Once these costs are established and become the contracted price, increases are allowed only in connection with change orders approved by HUD. Cost overruns not covered by approved change orders are borne by the builder out of profit negotiated with the developer on the contracted cost price.

Information sources used for the analyses of developers profits also included comparable data for the builder of the projects involved. Analyses of the builder's profits (or loss) are summarized in the table following.

ILLUSTRATION OF BUILDER'S CONSTRUCTION
COSTS, INCOME, AND PROFIT (LOSS)
(in Thousands)

Items of Cost, Income, and Profit	Project Illustrations A-1	A-2	A-3	A-4	A-5	A-6
Project actual cost	$2,446	$1,787	$2,436	$2,532	$3,709	$1,099
Certified cost of construction	$2,101	$1,480	$1,939	$1,916	$2,958	$ 909
Contract price	1,894	1,504	1,763	1,899	2,800	820
Cost overrun (underrun)	207	(24)	176	17	158	89
Profit on contract price	57	75	137	173	140	41
Builder's profit (loss)	$ (150)	$ 99	$ (39)	$ 156	$ (18)	$ (48)
Percent of profit (loss) on:						
Project actual cost	(6.1)%	5.5%	(1.6)%	6.2%	(0.5)%	(4.4)%
Contract price	(7.9)	6.6	(2.2)	8.2	(0.6)	(5.9)

6. Manager

As a rule, developers manage the rental operation of Section 8 projects through associated management firms. Developers have a vested interest in seeing that a project is well managed whether or not the project has been syndicated.

Management is an important facet of housing production. In addition to the developers, there are others who are vitally concerned about the project being properly managed. These include: investors in syndicated projects; HUD and HFDAs who either insured or financed the mortgage; and tenants and potential tenants of low-income housing. Many developers who are involved in management of projects stated that they neither make nor lose money from this venture. Their involvement is strictly to protect their interest in the project. Some developers stated they anticipate making money from management once the number of units managed has increased sufficiently to reduce the per unit overhead cost.

D. Investors-Tax Shelters

The investors in syndicated Section 8 projects also play a part in the production of low-income housing. Without syndication there would be far fewer housing projects, since most developers are not financially able to provide the necessary capital it takes to build and maintain projects for a period of years.

Developers are able to syndicate their projects because there are certain tax benefits associated with Section 8 projects. There may also be residual benefits for investors upon disposition of the property. The principal attractions of the tax shelters are accelerated depreciation and passthrough deductions. Passthrough deductions are the distribution of project operating losses to the partners.

The most common form of syndication is the limited partnership which enables the investors to take losses on their tax returns in excess of their capital investment. These losses are used to offset other unrelated income. Syndicated tax shelters are designed for taxpayers in the 50 to 70 percent tax bracket. Investors receive tax write-offs beginning in the first year, although in most syndications their capital contribution is payable over several years. The investors' risk in a partnership is limited to their capital contribution. Additional liabilities are generally assumed by the general partners according to the partnership agreement.

In addition to the tax shelter benefits derived by investors in Section 8 projects, there is also a possibility that the property will appreciate in value over the years and that a substantial gain will be made at some future date. Because of the recapture provisions on accelerated depreciation, it is economically inadvisable to dispose of a syndicated project during the first

200 months. As stated by one of the developers, Section 8 syndications are designed to "self-destruct" in approximately 20 years. By that time the tax benefits diminish to a point that it is no longer desirable for the investors to continue in the partnership. Therefore, the partnership will either sell or refinance the project. Investors will then be required to pay the tax on any long term capital gains.

V. ABUSE IN THE SECTION 8 PROGRAM

A. System Abuses in the Section 8 Program

System abuses in the Section 8 Program fall generally into three categories: management irregularities, tenant irregularities, and housing quality standards violations. On October 13, 1978, the HUD Inspector General (IG) undertook a review of the Section 8 Program to look into the question of system abuse. The HUD IG visited 591 occupied units in 514 of the 8,100 projects in the Section 8 Program and used stratified sampling techniques to project the results of these reviews on a nationwide basis. The HUD IG claimed their statistical sample allowed them to project these results "with 95 percent confidence."

While the Housing Division of HUD agreed with most of the findings in the IG Report, they differed with respect to the findings in the Existing Housing Program, especially regarding housing quality standard violations. Specifically, the Housing Division alleged that the statistical projections were not valid for the Existing Housing Program since the IG sampling was based on the random selection of projects and the Existing Housing Program is not a project based program. Rather, the Existing Housing Program is composed primarily of individual units, and the units were not randomly selected. However, this dispute was laid to rest by the Assistant Secretary for Housing when he noted: "Nonetheless, whether the housing quality deficiencies and management problems found by IG occur in 40 percent of the units or 10 percent, it is clear that the problem is sufficiently severe to warrant the level of concern you [the IG] have given it and the degree of response we [the Housing Division] have provided."

In addition to the potential for abuse in the Section 8 Program, the Investigative Staff also explored the procedures in use at PHAs, State HFDAs, and HUD Area Office for detecting system abuse as well as the various means of punishing offenders through either administrative action or prosecution. Discussion of the results of these efforts are contained in this chapter.

1. Management Irregularities

A number of indications of management irregularities was discovered in the survey conducted by the HUD IG. These included project owners or managers: (1) overcharging tenants by requiring side payments in excess of the tenant's gross family contribution; (2) requiring tenants to pay for utilities which were to be provided by the project, or requiring tenants to pay for fictitious services such as furniture rental; (3) improperly collecting assistance payments for vacant units or units not occupied by Section 8 tenants; (4) leasing substandard units and/or PHA employees certifying such units as being standard;

(5) submitting bills for Housing Assistance Payments for units occupied rent free by project employees; (6) working with or inducing tenants to falsely establish basic eligibility, or improperly increasing the amount of assistance; (7) placing tenants in oversized units; and (8) PHA employees granting special Fair Market Rents (FMRs). The HUD IG also detected the potential for 17 other types of management irregularities, but these occurred less frequently than those listed above. These generally included abuses in the tenant application process and the collection of two types of subsidy for the same unit. Based on its findings in this area, the HUD IG projected that management irregularities would occur in 14 to 16 percent of the projects in the Section 8 Program.

The Investigative Staff's survey in this area supports the HUD IG's findings. A few of the agencies contacted claimed that the HUD estimates were too high, while most of them agreed with both the type and frequency of occurrence of the major management irregularities as set forth above. Some of the agencies contacted even stated that HUD's estimates were probably low.

2. Tenant Irregularities

The second category of deficiencies found by the HUD IG was in the area of tenant irregularities. The predominent violation in this area was the filing of a false application or recertification by the tenant in which income was understated, all sources of income were not listed, or all persons residing in the unit were not reported. Other tenant abuses detected also relate to the application/income verification process. The IG report projected that these types of irregularities would occur in 14 percent of the projects in the Section 8 Program. They further noted that additional cases of "false data provided by tenants have gone undetected because of inadequate systems used by the projects and PHAs to verify reported tenant data." They found that 61 percent of the projects reviewed "did not have adequate systems to verify data provided by the tenants." Thus, these types of irregularities could be more widespread.

Again, the Investigative Staff's survey supports the IG's findings. Most of the agencies contacted agreed that the problem of false statements provided by tenants was more widespread than indicated in the IG report, but none could estimate the actual magnitude of the problem. Thus, the IG's estimate of 14 percent occurrence for tenant irregularities appears to be a minimum figure.

3. Housing Quality Standards

The third category of deficiencies identified in the Section 8 Program by the IG was in the area of housing quality standards violations in the Existing Housing Program. Of a total of 345 units inspected, 139 had at least one housing quality standards deficiency. A total of 501 deficiencies was detected and 202, or 40.3 percent, of these were serious "health and safety"

violations. Some examples of the prominent health and safety violations are: (1) exterior doors and all the windows which are easily reached from the outside are not lockable; (2) ceilings, walls, and floors of buildings, lean, have large holes, or other severe damage; (3) roofs and outside walls sag or buckle and are not weathertight; (4) surfaces having lead-based paint have not been properly treated; and (5) 10 other health and safety violations which occurred less frequently. In addition to these health and safety violations, numerous lesser violations of HUD's housing quality standards were detected. The IG projected that housing quality standards violations would occur in about 40 percent of the 400,000 units in the Existing Housing Program and about 31 percent of the total units would have serious housing quality standards violations.

The localities visited during the Investigative Staff's inquiry estimated that total housing quality standards violations detected during regular inspections range from 10 to 30 percent of the total units in the program, depending on the area of the country. Furthermore, most localities claim they do not have any serious health and safety violations and the housing quality standards violations detected are of a minor nature and easily corrected. The localities which did experience serious health and safety violations estimated that they occurred in 6 to 10 percent of the total units. These localities also experienced more housing quality standards violations overall.

B. Procedures for Detection of Abuses

The ability to detect the system abuses identified above are contingent upon the effectiveness of HUD's monitoring of the owners of Section 8 projects. Ancillary factors which contribute to this effectiveness are adequate guidance by HUD to the PHAs, and the adequacy of penalties once the irregularities are identified. A PHA official in Portland, Oregon, advised that system abuses are normally detected as a byproduct of scheduled monitoring activities conducted by HUD or the PHA. Besides monitoring activities, administrators must depend upon the program participants to report abuses.

HUD regulations currently require recertification of tenant income as well as a housing quality inspection of all units under a HAP contract on an annual basis. In this way, PHAs will detect housing quality violations and recompute the tenant contribution to contract rent based upon any changes in income. Housing quality violations are brought to the attention of the owner who must rectify the deficiencies within a specified period of time. Recertification of tenant income normally consists of written verifications of income from the tenant's employer or Government agencies if the tenants' income is from welfare, unemployment, social security or other sources.

Officials in all PHAs visited by the Investigative Staff agreed program irregularities in the HUD report do exist, but

questioned the volume of abusive activity. Many of the irregularities cited in the IG Report are difficult to detect especially considering that HUD regulations limit the PHA's monitoring of tenants' income to the annual reexamination. Those irregularities which are not discovered during this annual review will not be subject to detection for at least another year. Other irregularities which are difficult to detect are tenants who make under-the-table payments to owners or owners who are billing PHAs for unoccupied units or ones occupied by other than eligible Section 8 tenants. In the former case, these payments are being made because the tenant is satisfied with his leased unit and does not desire to move. Owners who collect these payments know, because of the low rental vacancy rate, they will have no difficulty renting to another Section 8 tenant or a market-rate tenant. So unless the tenant and owner have a falling out, the PHA is unlikely to be aware of this illegal payment. In the latter case, owners who submit improper bills may not be detected until their annual review.

In the New and Substantial Rehabilitation Programs, the project is under more stringent oversight control. The project manager must submit monthly occupancy and other operating reports which can be used to detect overbilling and related irregularities. No such system is used for the Existing Housing Program. HUD officials cited the paperwork burden as the main reason owners in this program would not cooperate in a monthly accounting system. For this reason, PHA monitoring of these owners is the key to detection of irregularities.

The Investigative Staff generally found PHAs to be doing a good job in their monitoring of owners who are participating in the Section 8 Program. In order to increase detection of abuses discussed in the IG Report, the PHAs would be required to increase the size of their staff and direct a major effort toward identification and resolution of irregularities. While careful monitoring and scrutiny of owners are essential in achieving the desired intent of this program, the cost effectiveness of these remedies must be considered in arriving at any solutions.

PHAs should, however, be using all means available to detect irregularities. There are specific measures which can be taken to make program participants aware of irregularities which may exist and serve to deter potential abusive activity. For example, the Virginia Housing Development Authority (VHDA) incorporates a statement on the reverse side of the HAP checks to the effect that the endorser certifies the unit was occupied by an eligible tenant for the payment period. They believe this assists in deterring would-be violators. Several PHA officials advised the Investigative Staff that many times a personal interview with the tenant during the annual reexamination will detect irregularities, such as overpayment of the tenant's contribution to the contract rent.

An observation made by the Investigative Staff during its field visits was that some PHAs employed different techniques

to determine system abuse in the Existing Housing Program and in many cases the techniques were effective. HUD, as the program administrator, has the responsibility to ensure PHAs are doing an adequate monitoring review and should be instructing and guiding PHAs on different techniques which can be used to detect irregularities.

This is not now being effectively accomplished. As a result of the Investigative Staff's inquiries, one PHA, which was not aware of the technique used by the VHDA for the endorsement of HAP checks, stated they would institute a similar technique in the near future.

C. Penalties

After irregularities are detected, the sanctions available may range from warnings to criminal prosecution. The tenant who is guilty of an irregularity may be disbarred. This does not adversely affect the program since this action merely creates a vacancy for another eligible tenant. PHAs are reluctant, however, to remove owners from the program because the tenant as well as the owner is affected. One of the principal problems in the Existing Housing Program is locating owners who are willing to participate, especially in light of the current rental market. PHA officials advised that even in instances where flagrant abuse by owners or tenants is detected and the case is referred to the IG, very little action is usually taken.

HUD has recently released its PHA Administrative Practices handbook for the Existing Housing Program. It discusses penalties for both owners and tenants. HUD should now ensure that PHAs are adhering to guidelines established in this manual and assist them in implementation of sanctions available.

The reasons given by several PHA officials to the Investigative Staff for not taking action against owners are unacceptable. It is understandable why removal of owners from the program is not a desirable end from the PHA viewpoint. However, flagrant and continued abuse by owners must be dealt with. Because of the high cost of the leased housing program and the potential number of abusers, irregularities may be costing millions of dollars per year. HUD, in addition to their responsibility to assist PHAs in the detection of abuses, is charged with the responsibility for ensuring that abuses are satisfactorily resolved once detected. This has to be accomplished by working closely with PHA officials to provide guidance in their administration of the Existing Housing Program.

Under the present system, cases of fraud and abuse are referred to the HUD IG for investigation. If warranted, these cases are referred by the IG to the United States Attorney's Office for prosecution in Federal Court. The penalties for violation of Federal law are adequate for these type cases. However, because of the relatively minor nature of the violations, they are rarely

prosecuted. This lack of prosecution has an adverse impact on the administration of Section 8 Programs.

If the U.S. Attorney declines prosecution of a case it is returned to HUD and, ultimately, to the HFDAs and PHAs for administrative action. This process frequently takes several months. The administrative action can include requesting repayment of illegally obtained funds and disbarment from the program. These actions have only limited effects and do not have the force of law.

Clearly, some alternative to the present system is necessary. Adequate penalties are useless if never invoked. Some PHAs suggested they be allowed to handle minor cases of abuse administratively and advise HUD as to the nature of the violation and the action taken. This seems to have merit since the ultimate result of the current system would be accomplished sooner.

A second alternative to the present system would be to allow local jurisdictions to prosecute certain categories of cases in the local courts. This has been used effectively in a few jurisdictions. In one case, the community filed civil actions against a PHA employee and two other individuals involved in fraudulent activity. This suit was successful and resulted in recovery of all lost payments. These results were also publicized in local newspapers. The publicity aspect was important because it served as a warning to others in the program who may contemplate abusing the system.

A third alternative was suggested at one of HUD's Area Offices. Their chief complaint was the poor handling of HUD foreclosure cases by the U.S. Attorney's Office. They stated that cases which should be handled in 6 months usually take several years to complete. This time lag allows the owners of the property being foreclosed "to milk the project dry." Additionally, the Area Office contends the U.S. Attorneys are not always well versed in handling foreclosure matters resulting in further loss to the Government. It was suggested that HUD hire a staff of attorneys to handle HUD court cases. By doing so, these attorneys would have the necessary skills and incentives to expeditiously complete foreclosure actions. In addition to handling foreclosure cases, the attorneys, in coordination with the U.S. Attorney's Office, could also prosecute cases of fraud in HUD programs.

The Investigative Staff recommends the Committee suggest to the Secretary of HUD that alternatives to the present system of prosecution of fraud and abuse be explored. These alternatives should include the establishment of thresholds for local administrative action. Where litigation is warranted, HUD should explore with the U.S. Department of Justice the use of attorneys in HUD's Office of General Counsel to prosecute designated fraud and foreclosure actions.

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PROJECT ILLUSTRATIONS--RECAP OF PROJECT
COST, INCOME, AND PROFIT (LOSS)
(In Thousands)

Elements of Cost and Income	Project Illustrations 1/ A-1	A-2	A-3	A-4	A-5	A-6
Developer's certified "cost" 2/	$2,433	$1,796	$2,357	$2,459	$3,722	$1,082
Plus: cost of land 3/	121	55	100	66	100	48
GNNA Points	56	24	53	57	84	26
Developer's total "cost"	2,610	1,875	2,510	2,582	3,906	1,156
Less: BSPRA	221	163	211	223	337	98
Developer's actual cash cost	2,389	1,712	2,299	2,359	3,569	1,058
Less: Mortgage	2,236	1,613	2,161	2,275	3,373	1,032
Developer's initial investment	153	100	138	84	197	26
Builder's certified cost	2,101	1,480	1,939	1,916	2,958	909
Less: contract cost	1,894	1,504	1,763	1,899	2,800	820
Builder's cost overrun or (underrun)	207	(24)	176	17	158	89
Total initial investment	360	76	314	101	355	115
Less: syndication proceeds	303	314	412	430	630	192
Tentative gross profit or (loss) combined	(57)	238	98	329	275	77
Developer's Profit (Loss)						
Developer's initial investment	153	100	138	84	197	26
Plus: builder's profit on contract 4/	57	75	137	173	140	41
Developer's equity requirement	210	175	275	257	337	67
Less: syndication proceeds	303	314	412	430	630	192
Developer's profit (loss)	93	139	137	173	293	125
Builder's Profit (Loss)						
Builder's profit on contract	57	75	137	173	140	41
Less: builder's cost overrun or (underrun)	207	(24)	176	17	158	89
Builder's profit (loss)	(150)	99	(39)	156	(18)	(48)
Combined Profit (Loss)	$ (57)	$ 238	$ 98	$ 329	$ 275	$ 77

1/ Differences due to rounding
2/ Exclusive of builder's profit
3/ Working capital/escrow not considered as a cost item
4/ Computations of builder's side profit based on 50 percent of developer's profit:

	A-3	A-4
Syndication proceeds	$ 412	$ 430
Less: developer's initial investment	138	84
Developer's net proceeds	274	346
Builder's side profit (50%)	$ 137	$ 173

PROJECT ILLUSTRATION A-1

Organization: A limited partnership with a developer general partner and a builder general partner who operates a separate construction company. This company was not the builder.

Project: New construction--100 unit elderly.

Builder: An outside contractor, with a side agreement for a profit "outside the mortgage" at 3 percent of the construction contract of $1,893,925.

Debt Financing: FHA-insured mortgage--$2,235,600.

Syndication: Through a syndicator with 13.6 percent of the mortgage net to developer--$303,000 payable in three installments over 4 years.

PROJECT ILLUSTRATION A-2

Organization: A limited partnership with a developer general partner and a builder general partner who operates a separate construction company. This company was the builder.

Project: New construction--59 unit elderly.

Builder: The builder general partner's construction company, with a side agreement for a profit "outside the mortgage" at 5 percent of the construction contract of $1,503,824.

Debt Financing: FHA-insured mortgage--$1,612,700.

Syndication: Through a syndicator with 19.5 percent of the mortgage net to developer--$314,380 payable in five installments over 4 years.

PROJECT ILLUSTRATION A-3

Organization:	A limited partnership with a developer general partner who operates a separate construction company. This company was the builder.
Project:	New construction, 117 units mixed; elderly (45 units) and multifamily (72 units).
Builder:	The developer general partner's construction company, on a "turnkey contract," with a side agreement for a profit "outside the mortgage" at 50 percent of developer's profit exclusive of the side profit. Construction contract of $1,762,524.
Debt Financing:	FHA-insured mortgage--$2,166,000.
Syndication:	Through a syndicator with 19.0 percent of the mortgage net to developer--$411,500 payable in 11 installments over 10 years.

PROJECT ILLUSTRATION A-4

Organization:	A limited partnership with a developer general partner who operates a separate construction company. This company was the builder.
Project:	New construction--117 units mixed; elderly (45 units) and multifamily (72 units).
Builder:	The developer general partner's construction company, on a "turnkey contract," with a side agreement for a profit "outside the mortgage" at 50 percent of developer's profit exclusive of the side profit. Construction contract of $1,899,015.
Debt Financing:	FHA-insured mortgage--$2,274,700.
Syndication:	Through a syndicator with 18.9 percent of the mortgage net to developer--$430,000 payable in 11 installments over 10 years.

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PROJECT ILLUSTRATION A-5

Organization:	A limited partnership with a developer general partner and a builder general partner who operates a separate construction company. This company was the builder.
Project:	New construction--138 unit elderly.
Builder:	The builder general partner's construction company, with a side agreement for a profit "outside the mortgage" at 5 percent of the construction contract of $2,800,403.
Debt Financing:	FHA-insured mortgage--$3,372,800.
Syndication:	Through a syndicator with 18.7 percent of the mortgage net to developer--$630,000 payable in six installments over 5 years.

PROJECT ILLUSTRATION A-6

Organization: A limited partnership with a developer general partner who operates a separate construction company. This company was the builder.

Project: New construction--65 units mixed; elderly (52 units) and multifamily (13 units).

Builder: The developer general partner's construction company, with a side agreement for a profit "outside the mortgage" at 5 percent of the construction contract of $819,891.

Debt Financing: FHA-insured mortgage loan--$1,031,500.

Syndication: Through a syndicator with 18.6 percent of the mortgage net to developer--$191,500 payable in six installments over 5 years.

AFTERNOON SESSION

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

WITNESSES

RONALD P. LAURENT, PRESIDENT, GNMA
R. FREDERICK TAYLOR, EXECUTIVE VICE PRESIDENT, GNMA
WARREN LASKO, VICE PRESIDENT FOR MORTGAGE-BACKED SECURITIES
JAMES KOZUCH, VICE PRESIDENT FOR MORTGAGE FINANCE
ALBERT J. FULNER, JR., CONTROLLER
JAMES J. HONE, JR., BUDGET OFFICER

OFFICE OF THE SECRETARY

VICTOR MARRERO, UNDER SECRETARY
ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Mr. TRAXLER. The Committee will come to order. Mr. Laurent, we will insert your statement in the record and if you want to say a few words in addition to that, or if you want to summarize it for us, we will be pleased to hear you at this time.

INTRODUCTION OF GNMA STAFF

Mr. LAURENT. Thank you.

Mr. TRAXLER. Of course, you could introduce for us your No. 1 team here. I haven't had the pleasure.

Mr. LAURENT. I would like to do that.

I would also like to give the statement or summarize it as quickly as possible.

I am accompanied by the following distinguished gentlemen, members of the staff of the Government National Mortgage Association.

On my right, Mr. Frederick Taylor, Executive Vice President. Of course, I will not introduce the Under Secretary, Mr. Marrero, a gentleman you certainly know. Warren Lasko, Vice President for Mortgage-Backed Securities on my left, accompanied also by James Kozuch, Vice President for Mortgage Finance, on his left.

And then in the first row, Mr. Albert J. Fulner, Jr., Controller, and James J. Hone, Jr., Budget Officer, and also of course, the distinguished Mr. Irving P. Margulies, Associate General Counsel.

Mr. TRAXLER. Thank you.

GENERAL STATEMENT

Mr. LAURENT. It is a pleasure to be here today. I would like to point out that in addition I am pleased to be able to discuss our budget with you.

The Government National Mortgage Association, or GNMA, as it is known, has become the largest secondary market source of credit for the housing market.

You are aware we channel funds into the housing market through our various programs.

During fiscal year 1979, we provided financing for Federally-insured and guaranteed loans totaling over $24 billion. This was accomplished through our two main programs.

SPECIAL ASSISTANCE FUNCTIONS

First, under the Special Assistance Functions of GNMA, we issue commitments to purchase, we purchase loans, hold them in portfolio, and thereafter sell these project mortgages. In doing so, we assist the Department in achieving its assisted housing production goals as well as our urban revitalization mandate.

During fiscal year 1979, $2 billion in new mortgage purchase commitments were made available through our two programs, under our Section 8 program some $1.5 billion, and under our Targeted Tandem program $500 million.

Similar amounts were approved for release in fiscal year 1980.

We have proposed a continuation of these programs as part of our fiscal year 1981 budget request. We are requesting some $1.8 billion of mortgage purchase commitments for the Section 8 and Targeted Tandem programs in fiscal year 1981.

This request is different from previous requests in that our programs must comply with the Federal Credit Control System, which is being implemented in 1981.

The Special Assistance Functions programs also must adhere to the strict limitation on the gross level of loan commitments. Under this new approach, GNMA will require new budget authority of $668 million, nearly $1.2 billion less than in fiscal year 1980.

While the tandem authorization request is some $200 million less than the fiscal year 1980 request, there will be no reduction in the aggregate level of below-market-rate assistance provided by GNMA. The difference will be made up by a new Mortgage Assistance Grant program.

MORTGAGE ASSISTANCE GRANT PROGRAM

Under our Mortgage Assistance Grant program, which is a demonstration, some $30 million in grant authority is being requested for fiscal year 1981 as a substitute for $200 million of Targeted Tandem commitments. Rather than the three-step approach under tandem, i.e. commitment, purchase and sale, one single transaction involving a cash grant to a lender who provides below-market-rate financing to an eligible project will be substituted.

The cash payment would be sufficient to increase the lender's yield to the market rate and should be approximately equal to the loss absorbed through the Targeted Tandem program.

From the Federal government's standpoint, this mechanism has the major advantage of "locking in" the ultimate subsidy amount "up front", instead of depending upon the vagaries of the market when loans are sold.

The results of this program will be evaluated and compared to the current Targeted Tandem program to determine which is most effective.

GUARANTEES OF MORTGAGE-BACKED SECURITIES

GNMA is particularly proud of the accomplishments of this program.

In the near future, we think it will happen early in June, an impressive milestone will be accomplished. In ten years since the beginning of the program, GNMA will have guaranteed securities backed by government underwritten mortgages totaling $100 billion.

We will have financed some three million home purchases, housing an estimated ten million people. This has been accomplished, I might strongly add, at no cost to the Federal government.

The unprecedented growth of this program has not occurred, however, without certain growing pains. Unwarranted speculation by some market participants as well as unscrupulous sales practices by a limited number of dealers have received widespread attention in the press.

Several initiatives are currently under way to address this problem. We at GNMA, for example, will issue shortly certain mark-to-market requirements on GNMA forward delivery transactions, and we think that this will, in large measure, control the behavior at least of our issuers.

However, there are other problems with other market participants, namely dealers, and we think that current legislative initiatives to curtail these abuses now before the House and Senate should be watched carefully and deserve our support.

GNMA guaranteed some $22.2 billion in Mortgage-Backed Securities during fiscal year 1979 and we anticipate that the volume will drop to about $20.5 billion in fiscal year 1980 due to the downturn in the housing market.

However, we think we will establish new highs in fiscal year 1981 following the anticipated recovery of the building industry.

Like our Special Assistance Functions program, the Mortgage-Backed Securities program has been included in the Federal Credit Control System. A limitation of some $53 billion on the amount of commitments that GNMA can issue to guarantee the securities is being proposed for fiscal year 1981.

Currently GNMA is in the process of implementing a new Section 8 Tax-Exempt Mortgage-Backed Securities program, and we are preparing to broaden our existing mobile home program to include combination mobile home and lot loans.

SOLAR ENERGY CONSERVATION BANK

Under Solar Energy and Conservation Bank initiatives, we wish to advise you that this Bank, which eventually will be established as a separate entity within the Department, will encourage energy

conservation and the application of solar technology, and, we hope, certainly will lessen our Nation's dependence upon foreign oil.

The bank will provide grants to financial institutions to compensate them for making qualified below-market-rate loans. Although we initially expected that the Bank would be fully operational before fiscal year 1981, we have reduced our fiscal year 1980 and fiscal year 1981 estimates to reflect a delay in the Bank's implementation.

A total of some $47.5 million is being proposed for the Bank in fiscal year 1981 to cover the anticipated costs and commitment activity associated with its establishment.

STAFFING

GNMA is requesting additional permanent full-time staff in fiscal year 1981 to be used principally in our Mortgage-Backed Securities program. However, included in our total are four positions that will ultimately be transferred to the Solar and Energy Conservation Bank.

This concludes my prepared remarks on our fiscal year 1981 budget. I would be pleased to answer any questions about the organization and our programs for our 1981 budget proposal.

[The statement follows:]

Mr. Chairman and Members of the Committee: I am pleased to appear before you today to discuss the proposed budget of the Government National Mortgage Association (GNMA) for fiscal year 1981.

The Government National Mortgage Association has become the largest secondary market source of credit for the housing market. The funds which GNMA channels into housing each year help provide quality homes and apartments for middle- and lower-income families at prices they can afford. During fiscal year 1979, GNMA provided financing for federally-insured and guaranteed loans totaling over $24 billion.

SPECIAL ASSISTANCE FUNCTIONS

Under this program, GNMA issues commitments to purchase, purchases and sells federally-insured project mortgages in an effort to assist the Department in achieving its assisted housing production goal and its urban revitalization mandate. During fiscal year 1979, $2.0 billion in new mortgage purchase commitments were made available under GNMA's Section 8 ($1.5 billion) and its Targeted Tandem programs ($500 million). Similar amounts were approved for release in fiscal year 1980.

We have proposed a continuation of these programs as part of the fiscal year 1981 budget request. We are requesting the authorization for $1.8 billion of mortgage purchase commitments for the Section 8 and Targeted Tandem programs in fiscal year 1981. This request is different from previous budget requests, since, under the Federal Credit Control System being implemented in fiscal year 1981, the Special Assistance programs must now adhere to a strict limitation on the gross level of loan commitments. In conjunction with its Special Assistance Function proposal, GNMA will require new budget authority of $668 million—nearly $1.2 billion less than in fiscal year 1980.

While the Tandem authorization request is $200 million less than the fiscal year 1980 request, there will be no reduction in the aggregate level of below-market-rate assistance provided by GNMA. The difference will be made up by a new Mortgage Assistance Grant program.

MORTGAGE ASSISTANCE GRANT PROGRAM

Under this demonstration program, $30 million in grant authority is being requested for fiscal year 1981 as a substitute for $200 million of Targeted Tandem commitments. Rather than the three-step mechanism used in the Targeted Tandem

program (commitment, purchase and sale), a single transaction involving a cash grant to a lender who provides below-market rate financing to an eligible project will be substituted. The cash payment would be sufficient to increase the lender's yield to the market rate and should be approximately equal to the loss absorbed through the Targeted Tandem program. From the Federal Government's standpoint, this mechanism has the advantage of "locking in" the ultimate subsidy amount "up front", instead of having the subsidy fixed by market conditions two or more years after the commitment to purchase the permanent loan is issued. The results of this program will be evaluated and compared to the current Targeted Tandem program to determine which approach is most effective.

GUARANTEES OF MORTGAGE-BACKED SECURITIES

GNMA is particularly proud of the accomplishments of its Mortgage-Backed Securities program. In the near future, this program will pass an impressive milestone. In just over 10 years, GNMA will have guaranteed securities backed by government-underwritten mortgages totaling $100 billion, which have financed some three million home purchases, housing an estimated 10 million people. This has been accomplished at no cost to the Federal Government. However, the unprecedented growth in the acceptance of the GNMA security as an investment has not occurred without its "growing pains". Unwarranted speculation by some market participants as well as the unscrupulous sales practices by a limited number of dealers have received widespread attention. Several initiatives are underway to address this problem. GNMA will shortly issue mark-to-market requirements on certain GNMA forward delivery transactions involving issuers of our securities. GNMA and HUD are also supporting the legislative initiatives to curtail these abuses now before both the House and the Senate.

GNMA guaranteed a record $22.2 billion in mortgage-backed securities during fiscal year 1979. We anticipate that the volume of securities guaranteed by GNMA will drop to about $20.5 billion in fiscal year 1980 due to the downturn in the housing market. However, we expect to establish a new guarantee record in fiscal year 1981 following an anticipated recovery by the homebuilding industry.

Like GNMA's Special Assistance Functions programs, the Morgage-Backed Securities program has been included in the Federal Credit Control System. A limitation of $53 billion on the amount of commitments that GNMA can issue to guarantee securities is being proposed for fiscal year 1981.

Currently, GNMA is in the process of implementing a new Section 8 Tax-Exempt Mortgage-Backed Securities program and we are preparing to broaden our existing mobile home program to include combination mobile home and lot loans.

SOLAR ENERGY AND CONSERVATION BANK

This Bank, which eventually will be established as a separate entity within the Department, will encourage energy conservation and the application of solar technology, thereby lessening our Nation's dependence on imported oil. The Bank will provide grants to financial institutions to compensate them for making qualified below-market rate loans. Although we initially expected that the Bank would be fully operational before fiscal year 1981, we have reduced our fiscal year 1980 and fiscal year 1981 estimates to reflect a delay in the Bank's implementation. A total of $47.5 million is being proposed for the Bank in fiscal year 1981 to cover the anticipated costs and commitment activity associated with its establishment.

The Government National Mortgage Association is requesting additional permanent full-time staff in fiscal year 1981 to be used principally in our Mortgage-Backed Securities program. However, included in our total are four positions that will ultimately be transferred to the Solar and Energy Conservation Bank.

This concludes my prepared remarks on GNMA's proposed fiscal year 1981 budget. I would be pleased to answer any questions you might have about GNMA, its programs or its fiscal year 1981 budget submission.

Mr. TRAXLER. Thank you, Mr. Laurent, for that fine definitional statement.

Mr. Coughlin, do you have any questions at this time?

Mr. COUGHLIN. Thank you, Mr. Chairman.

ASSISTANCE TO HOUSING INDUSTRY

I would like to pose the same question I asked this morning, as a matter of fact, to the Secretary. If we were to find some miraculous place with additional money to stimulate the housing market, what would be the best way of doing that? Would it be the Section 235 program? Would it be some of your programs, Brooke-Cranston?

Mr. LAURENT. This Administration is dedicated to the battle against inflation, as we all are. Any program that assists the building industry should be a program which is sensitive to the overall economy, since we are running at an annual inflation rate of at least 18 percent.

Because of this, it is my position and the position of GNMA that any new initiatives should be of the type recently announced on April 17th, to amend and expand the Section 235 program, because it has a smaller impact on the overall economy. To respond to your question, Congressman, I think that the type of initiative which embodies the Section 235 concept would be preferable to, say, a Brooke-Cranston program which would have a direct immediate and negative impact on the economy.

Mr. COUGHLIN. Of course, the Brooke-Cranston concept requires larger outlays, there is no question about that, but the government does end up owning something, namely, the mortgage, whereas under the Section 235 program they don't. Am I correct?

Mr. LAURENT. The Section 235 mortgages are eligible for the GNMA Mortgage-Backed Securities program.

Mr. COUGHLIN. And the government does not own the mortgages?

Mr. LAURENT. That is correct.

Mr. COUGHLIN. Under the Brooke-Cranston they own the mortgages.

Mr. LAURENT. That is correct.

Mr. KLIMAN. We would sell the mortgages under Brooke-Cranston. We would not hold onto them indefinitely.

Mr. TAYLOR. They are not held permanently in our portfolio. The portfolio that we acquired previously under Brooke-Cranston has either been sold or is in the process of being sold.

DEPARTMENT'S PREFERENCE

Mr. COUGHLIN. Forgetting for a moment the immediate budgetary impact which I realize is on one's mind, in the long run, which is the preferable way of financing housing?

Mr. LAURENT. In the long run, I think the Section 235 approach is the preferable way. It is estimated that some 100,000 units will be produced in the first year. You might say this is just the tip of the iceberg, but, in addition to that, as I am sure you are aware, the program will also allow many builders to retire very expensive interim construction financing. Currently builders are paying in excess of twenty percent—this will be reduced to more acceptable permanent financing rates.

We have heard from several bankers and mortgage bankers in the last few days who have indicated to us that implementation of the Section 235 program will save a substantial number of builders from going out of business. In the long run, we think, inflation

being the major enemy of housing and related industries, the Section 235 program appears to be the best approach, Congressman.

RECAPTURE PROVISION

Mr. COUGHLIN. And would you have a Section 235 program with the recapture provision in it, the Senate-passed legislation, recapture of the subsidy in the event of sale of the property?

Mr. LAURENT. I haven't really considered this, but even if there weren't a recapture provision, it would have a smaller impact than the Brooke-Cranston route.

SALES DISCOUNT UNDER BROOKE-CRANSTON

Mr. COUGHLIN. Under Brooke-Cranston you do own and then sell the mortgages?

Mr. LAURENT. Initially we own the mortgages; but later we sell the mortgages. Of course, the net cost to the government would be difficult to estimate because that would be the difference between our purchase price and the price at the time of sale.

Mr. TAYLOR. If you look at today's economic environment, we would be faced with a loss under the Brooke-Cranston program. If we sold the loan in today's market, the discount would be perhaps as much as 20 to 25 percent of the mortgage amount.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. TRAXLER. Mr. Stewart, any questions at this time?

Mr. STEWART. No, sir.

SOLAR ENERGY AND CONSERVATION BANK

Mr. TRAXLER. Let's talk for a moment about the Solar Energy and Conservation Bank. You are not seeking any funds for that program at this point in time. The authorizing legislation hasn't been enacted, is that correct?

Mr. LAURENT. At this time the authorizing legislation has not been enacted. We anticipate that it will be.

MORTGAGE ASSISTANCE GRANTS PROGRAM

Mr. TRAXLER. In your Mortgage Assistance Grant program you are seeking funds. It is also not authorized. Why the distinction between the two programs?

Mr. LAURENT. The Mortgage Assistance Grant program?

Mr. TRAXLER. Yes.

Mr. LAURENT. We have had under discussion for some time, the cost to the government of our present tandem program wherein we purchase mortgages, hold them in portfolio, and subsequently sell them.

As Mr. Taylor has pointed out, the cost of a Brooke-Cranston program can be severe or it can be palatable depending upon the market interest rates at the time the mortgages are sold.

It has been suggested that a less expensive approach might be an up-front grant program whereby a lender is the private sector would provide the long-term financing and the government provide an up-front grant which would increase the lenders' yield from a

below-market rate up to a market rate. At the same time, a below-market rate loan would be made available to the borrower.

It would provide the financial institution making the loan with a market rate yield. This would have several direct benefits; namely, we would be able to determine at the time we issue the commitment what our total outlays are going to be, although we would not provide the permanent financing.

It is hoped that this mechanism would promote permanent financing and cost less. It is an experiment.

BASIS FOR DECISION TO SEEK FUNDING

Mr. TRAXLER. It is a heck of an answer, but it is not responsive to the question. Let me rephrase the question.

Why is the Administration not requesting funds for this new grant program and is for other new programs like the Mortgage Assistance Grant program?

Mr. KLIMAN. Mr. Chairman, let me address the question. Whenever there is proposed legislation, a decision is made basically at the OMB as to whether or not there will be an item in the regular bill, or whether the request will be deferred until after the legislation is enacted.

In the case of the Solar Energy and Conservation Bank, at the time this was proposed, there were at least two legislative hurdles to go through, both the windfall profits tax and legislation to establish the Bank.

The determination was made that there were just too many hurdles to go through to put a specific request right in the budget. In the case of the Mortgage Assistance Grants program, there is only one hurdle and it is right there, one place, up or down.

Mr. TAYLOR. I think we should also point out that the up-front Mortgage Assistance Grant program is, in effect, a partial substitute for an existing program.

In the past we have requested $500 million a year for the Targeted Tandem program. This year the up-front grant program simply substitutes for a portion of that Targeted Tandem program.

ADMINISTRATION OF ENERGY PROGRAM

Mr. TRAXLER. In your statement you made mention that you thought the Solar Energy and Conservation Bank program would be established as a separate entity within the Department. Will that take place when the authorizing legislation is passed?

Mr. LAURENT. What we propose is to fill four positions that would ultimately be positions for the Bank which would, for the moment be under our Mortgage-Backed Securities program.

We would bring these people on and help them get the program started so that when the legislation is finalized, they would be in a position to, if you will, hit the ground running.

Mr. MARRERO. In anticipation of that, we have already held meetings in the Department among the various sections of the Agency in order to make sure that we are prepared in case the legislation is passed, so we are not just sitting back and waiting for the Congress to act.

SPECIAL ASSISTANCE FUNCTIONS

Mr. TRAXLER. Turn to Tab P, the Special Assistance Functions program. You are requesting $1.8 billion limitation for gross purchase commitments for 1981. This is part of the new Federal Credit Control System.

What is the total dollar amount of canceled commitments for the Special Assistance Functions in fiscal year 1978, as well as 1979?

Mr. LAURENT. Give me just one moment, please.

Mr. TRAXLER. You can supply that for the record.

Mr. TAYLOR. Yes.

[The information follows:]

SPECIAL ASSISTANCE FUNCTIONS—CANCELLATIONS

The amount of mortgage purchase commitments canceled during 1978 was $37.4 million and during 1979 was $263.3 million.

MORTGAGE SALES

Mr. TRAXLER. Let's talk about mortgage sales for a few minutes—both under the Special Assistance Functions program and the Emergency Mortgage Purchase Assistance program. Mortgage sales in 1979 amounted to $167.9 million in the Special Assistance Functions program and $1.3 billion in the Emergency Mortgage Purchase Assistance program. The estimated sales for 1979 in last year's justifications were $430 million and $2 billion respectively for these programs.

Why are the sales in each of these instances about half of what we had anticipated last year?

Mr. LAURENT. Last year and early this year, market conditions caused us to cancel two proposed auctions. There was a sale tentatively scheduled in December, and another in April which I decided to cancel because of escalating market rates. The amount of discount on these mortgages would have been too severe.

Mr. TRAXLER. How accurate is the $965 million estimated sales for the Emergency Mortgage Purchase Assistance program in fiscal year 1980?

Mr. LAURENT. For sales?

Mr. TRAXLER. Yes.

Mr. LAURENT. The estimate of $965 in sales is greater than the present estimate, simply because mortgage interest rates climbed at one point to 17 and 18 percent. We decided not to give away the taxpayers' money.

1981 MORTGAGE SALES

Mr. TRAXLER. Estimated sales in 1981 are up for both the programs.

Mr. LAURENT. That is correct.

Mr. TRAXLER. $1.34 billion is your estimate for Special Assistance and $1.31 billion for Emergency Mortgage. I assume that your answer would hold true if the interest rates remain high you wouldn't be doing that volume.

Mr. LAURENT. That is correct, but these numbers were projected on the basis of our feeling that market conditions will improve and that we will see a continuing decline in interest rates.

This could change, of course, but if the decline continues, then sales should reach these levels.

CRITERIA FOR MORTGAGE SALES

Mr. TRAXLER. How do you make a determination under what conditions the mortgages should be sold, and under those conditions is the potential loss to the Federal government minimized? Is the primary concern where the market rate is—what the discount rate would be?

Mr. LAURENT. That is the primary concern. The best market situation would be to purchase these loans and subsequently sell them in a market where interest rates have sharply declined and have reached the trough. To the extent that we can accomplish this, we save money for the Federal government. To the extent that we miss the mark, it costs money.

Mr. TRAXLER. And you warehouse them in the meantime patiently waiting for the right time?

Mr. LAURENT. That is right. This also involves a cost, unfortunately. The point was just made that we establish a price which is a break-even point and attempt to sell the loans at that point.

Mr. TAYLOR. The break-even price is the price at which the Federal government is indifferent as to whether it continues to hold a mortgage through Treasury financing or sells the loan to a private investor.

Mr. TRAXLER. Where do interest rates have to be in order for that principle to be operative?

Mr. TAYLOR. The interest rates could be at many different points. We look at the level of interest rates and the availability of credit in the market. As Mr. Laurent indicated, one of the principal determinants is the level of interest rates and the actual loss the Federal government will have to take upon sale of the mortgage to a private investor.

1980 OUTLAY ESTIMATES

Mr. TRAXLER. Outlays for 1980 are estimated to be $658,532,000 in the Special Assistance Function's program and $489,850,000 in the Emergency Mortgage Purchase Assistance program. We are now halfway through fiscal year 1980. In light of current sales and purchase activity, how accurate were those outlay estimates?

Mr. LAURENT. Those budget outlay projections are lower than the current estimates, Congressman, because of the unstable market conditions experienced in the last four months.

Mr. KLIMAN. I might point out the revised outlay estimate, it is not in the page before you in this book, but in the budget revisions that were submitted in March. There already is an increase in our outlays of approximately $100 million. That is based upon an assumption as to the amount of sales we are estimating for later in the year, the impact of higher holding costs and deeper sales discounts. If we cannot sell any more mortgages at all this year, which is a possibility, indeed those outlays in 1980 will be substantially higher.

What would probably happen, in that event, is that our receipts in 1981 would go up, assuming the market is good enough to sell these mortgages, and we would have lower outlays in 1981.

Mr. COUGHLIN. Mr. Chairman.
Mr. TRAXLER. Surely.

EMERGENCY MORTGAGE PURCHASE ASSISTANCE OUTLAYS

Mr. COUGHLIN. I am getting a little bit perplexed here. You are not asking for any new mortgage purchase authority in the Emergency Mortgage Purchase Assistance program; is that correct?
Mr. LAURENT. That is correct.
Mr. COUGHLIN. You will have these outlays. These are based on past authority.
Mr. LAURENT. Yes.
Mr. COUGHLIN. Then these outlays would go down in future years if you didn't get any additional authority in that program; is that correct?
Mr. LAURENT. That is correct.
Mr. TAYLOR. I would just mention, Congressman, that the last commitments we issued under the emergency program was in September 1977. It involved multi-family commitments. Nevertheless, we are still purchasing multi-family loans under the Brooke-Cranston authority. Also we still have some in our portfolio and, as we sell these loans off, obviously that portfolio goes down over time, and our outlays go down. After a period of time there will be no outlays other than interest expense.
Mr. COUGHLIN. What period of time?
Mr. TAYLOR. It takes a minimum of two years, we would say, from the start of construction to completion of a multi-family project. It may even take three or four years to complete. So I think we are probably looking for purchases under Brooke-Cranston for a few more years. As we are indicating here, we are looking for sharply reduced purchases under the EMPA program in fiscal year 1981. This trend will continue.
Mr. COUGHLIN. To try to reduce outlays?
Mr. TAYLOR. Exactly.
Mr. COUGHLIN. Thank you, Mr. Chairman.

INTEREST RATES UNDER TARGETED TANDEM

Mr. TRAXLER. The Targeted Tandem program of $300 million is expected to finance some 9,050 units in 1981. Will all of those mortgages bear interest rates of 7.5 percent?
Mr. LAURENT. Which year, Congressman?
Mr. TRAXLER. 1981.
Mr. LAURENT. We believe that the 7.5 percent rate will remain attached to our program, yes. We believe it is needed.

TARGETED TANDEM SINGLE FAMILY UNITS

Mr. TRAXLER. Can you break those mortgage commitments down between single and multi-family?
Mr. LAURENT. Under Targeted Tandem?
Mr. TRAXLER. Yes.
Mr. LAURENT. They are all essentially multi-family units insured under various sections of the National Housing Act.

Mr. TRAXLER. What was your percentage of single family mortgages?

Mr. LAURENT. The point has been made, that condos are an exception, and are also included under that program. Commitments are limited to newly constructed or substantially rehabilitated projects. Condominium units are limited to those insured under Section 234 of the National Housing Act.

Mr. TRAXLER. In that program give us for the record what the percentage of single family mortgages were for 1979.

Mr. LAURENT. For the record, yes, sir.

[The information follows:]

TARGETED TANDEM—SINGLE FAMILY COMMITMENTS

There were no mortgage purchase commitments for single family units issued in fiscal year 1979 under the Targeted Tandem program (program 27). However, seven of the GNMA multi-family commitments issued during the year (representing 566 units, at the cost of $24.1 million) covered condominium projects to be insured under Section 234(d) of the Act. We anticipate that these commitments ultimately will result in the purchase of FHA Section 234(c) or VA guaranteed "spin-off" mortgages on individual condominium units.

MORTGAGE ASSISTANCE GRANT PROGRAM

Mr. TRAXLER. Turn to Tab Q, the Mortgage Assistance Grant program. You are requesting $30 million to support $200 million of low-interest multi-family mortgage loans in 1981. The justification says that this new grant program is viewed as an alternative to the present tandem program. The 1981 Targeted Tandem program has been reduced $200 million from the 1980 level. Is this new grant program to serve the same people as the Targeted Tandem program? If not, explain.

Mr. LAURENT. Yes, it will serve the people whom the Targeted Tandem program is geared to serve. It is an experiment in financing mortgages.

Mr. TRAXLER. What are the advantages or disadvantages of the new program?

Mr. LAURENT. The advantages under the program are: first, it would provide a predictable pattern of outlays; second, it would provide a set subsidy in that we would know how much subsidy we would be authorizing from the beginning; and, third, it would eliminate the three-step cost of purchasing, warehousing, and selling mortgages.

The disadvantages of the program would be that: one, because of fluctuating interest rates, we would not be sure of the dollar amount of mortgages that we could support under the program; two, lenders would have to be willing under all market conditions to make the loans; and, third, lenders might not want to accept the risk if interest rates were expected to subsequently rise.

Mr. TRAXLER. Tell us just briefly how your new program is expected to operate.

Mr. LAURENT. Under the new program, the borrower would be able to obtain below-market interest rate financing just as the borrower is currently able to do under our Tandem program.

Lenders in the secondary market, however, would provide the permanent financing. GNMA, through its up-front grant program,

would bring the yield from the below-market interest rate on the permanent loan up to market rates required by the market place.

ELIGIBLE MORTGAGES

Mr. TRAXLER. What are the income qualifiers? Do you have a ceiling on income in the program?

Mr. LAURENT. No; under the Targeted Tandem program there are no income limits. There is a mortgage amount per unit limit of $45,000. As you are aware, this is geared towards those physically and economically distressed cities that qualify under HUD's UDAG program. There is no further subsidy that is attached to the program such as Section 8.

Mr. TRAXLER. $45,000 limit?

Mr. LAURENT. $45,000 mortgage limit, per unit. On a national basis they averaged about $30,000 per unit in 1979. We think that will be increased by about ten percent this year.

Mr. TRAXLER. Two-bedroom units generally speaking?

Mr. LAURENT. It includes housing units with from zero bedrooms up to four or more bedrooms.

Mr. TAYLOR. There is no program limitation.

UNITS PRODUCED AT REASONABLE COST

Mr. TRAXLER. I understand, but what do you get for $45,000?

Mr. LAURENT. I would like to tell the Congressman what one might be able to get. Let's take a look at those urban centers that have fire resistive building codes, where you have to build poured-in-place concrete or precast concrete. Construction costs currently in New York, Chicago, Boston and other places, are running in excess of $41 per square foot to construct a building.

Operating expenses, excluding utilities, are exceeding $2,700 per unit per annum in these urban centers. What I am suggesting is, because of this program, we are able to produce new construction or substantial rehabilitated units at affordable prices which otherwise would not be feasible.

Mr. TRAXLER. New York City works out in the area of $41 per square foot?

Mr. LAURENT. It isn't running at $45,000 per unit nationwide, as I pointed out; but in urban centers with fire resistive codes cost is in excess of $40 a square foot.

Mr. TRAXLER. If the program is successful, do you anticipate that next year you will be increasing it and making further reductions in the Targeted Tandem program?

Mr. LAURENT. If the program is successful, this would be one of the considerations. Considering the housing needs throughout the country, it might act as an adjunct to the present tandem program.

On the other hand, if it is successful, it might be that we would consider it as an alternative financial mechanism for delivering tandem. Since it is a demonstration program, there are still some questions on how successful an up-front program grant would be.

Mr. TRAXLER. The $30 million in grants is supposed to support some $200 million in mortgages.

Mr. LAURENT. That is correct.

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ECONOMIC ASSUMPTIONS

Mr. TRAXLER. And the $200 million estimate is based on certain economic assumptions. What are those assumptions?

Mr. LAURENT. The assumptions were that we would be in a 15 percent discount market. When the $30 million was initially proposed, we estimated it would support $200 million in mortgages. In today's economy, we think that amount would be substantially reduced. We think approximately $100 to $115 million of mortgages would be supported. However, by the time this program is implemented, with improved market conditions, it should approach the $200 million figure.

Mr. TRAXLER. How many units will the $30 million subsidize—both in today's market and using the assumptions in the 1981 budget?

Mr. LAURENT. We will supply those for the record.

AVERAGE GRANT PER UNIT

Mr. TRAXLER. Also what do you estimate the grant on a per unit basis to be?

Mr. LAURENT. I don't have the figures on a per unit basis, but those can be supplied.

Mr. TRAXLER. Okay.

[The information follows:]

GNMA MORTGAGE ASSISTANCE GRANT PROGRAM, NUMBER OF PROJECTS SUPPORTED

The number of mortgages which can be assisted utilizing the $30 million requested for the Mortgage Assistance Grant program is contingent upon the amount of the mortgage and the depth of subsidy.

The estimates included in the 1981 Budget presented in January were based on an average per unit mortgage amount of $33,000, a mortgage interest rate of 7.5 percent and an assumed market interest rate at the time of sale of 9.5 percent. These conditions would result in a per unit subsidy (depth of subsidy) to be paid by GNMA equivalent to 15 percent of the mortgage amount, or $5,000.

However, the mortgage finance market has changed considerably from the situation which existed at that time. If the current market rate were assumed—11.5 percent—the "depth" of subsidy would increase substantially reducing the number of units which can be supported utilizing the $30 million appropriation requested. The table below outlines the degree of support, given the current market situation and that which was assumed at the time the January budget was prepared.

DEGREE OF SUPPORT

	1981 budget assumptions	Current market conditions
Appropriation	$30,000,000	$30,000,000
Mortgage interest rate (percent)	7.5	7.5
Market interest rate (percent)	9.5	11.5
Depth of subsidy (percentage of mortgage amount)	15.0	30.0
Average subsidy (per unit)	$5,000	$10,000
Number of units supported	6,000	3,000

COMPARATIVE COST: GRANT VERSUS TANDEM

Mr. TRAXLER. How does the cost per unit compare between the Targeted Tandem program and your Mortgage Assistance Grant

program? Is there any difference in the cost of either one of these programs?

Mr. LAURENT. The same mortgage amounts would apply. There should be no difference in that respect, because the same sections of the Housing Act would be applicable in insuring the loans in question. So it should be virtually the same.

EMERGENCY MORTGAGE PURCHASE ASSISTANCE

Mr. TRAXLER. Turning to Tab R, the Emergency Mortgage Purchase Assistance program. Language is proposed for this program as part of the new Federal Credit Control System. However, since no new mortgage purchase commitment activity is anticipated for 1981, a specific limitation has not been recommended. How is the cost of this program estimated?

Mr. LAURENT. The cost of the program is estimated much as we estimate the cost of other tandem programs; that is, these loans were made under the Section 313, Brooke-Cranston, at a 7.5 percent mortgage interest rate.

We will be selling these loans in 1981, hopefully in drastically improved market conditions, and it is upon this assumption that we based our 1981 projection.

TANDEM COSTS

Mr. TRAXLER. If $1 billion in purchases was made in 1981, what would be the associated outlay? Can you give us that figure?

Mr. TAYLOR. Talking in terms of today's market?

Mr. TRAXLER. Yes.

Mr. LAURENT. 25 percent.

Mr. TAYLOR. $250 million. If you are talking about a one billion dollar program.

Mr. TRAXLER. Yes.

Mr. TAYLOR. $250 million.

TRANSFER OF FUNDS FROM ASSISTED HOUSING

Mr. TRAXLER. Current conditions in the housing industry obviously aren't the very best. We also have a tight budget situation. Why shouldn't the Annual Contributions for Assisted Housing be reduced by one or two billion and apply that to the Emergency Mortgage Purchase Assistance program?

Could we hype the construction industry up immediately in that fashion?

Mr. LAURENT. The question is to transfer which funds to EMPA?

Mr. TRAXLER. Reduce the Annual Contributions for Assisted Housing account, by one or two billion dollars, and apply that to the Emergency Mortgage Purchase Assistance program.

Mr. KLIMAN. May I address some of the budgetary aspects of that?

In addition to reducing the number of units which would be reserved under the Section 8 and Public Housing programs, you would have a rather substantially different outlay impact.

Right now, taking $2 billion or whatever out of the Annual Contributions account would save virtually no outlays. However, by

putting it into the Brooke-Cranston program, you would have an immediate outlay impact, depending upon the nature of the program, as Mr. Laurent has already testified. So, moving the budget authority would mean increasing the outlays.

Mr. LAURENT. In addition, Congressman, you would be transferring the money from low- and moderate-income families, and, in many instances, very poor families who are served by the Section 8 program, to the Section 313 program, which serves people in need, but a much higher income group. That is certainly a programmatic decision, but it should be considered in light of economic conditions.

IMPACT OF SHIFT OF FUNDS TO SECTION 235

Mr. COUGHLIN. Mr. Chairman.

Mr. TRAXLER. Yes.

Mr. COUGHLIN. What if we transferred one or two billion dollars from the Annual Contributions for Assisted Housing to the Section 235 program? Would that have a fairly dramatic effect?

Mr. LAURENT. Certainly more dollars for Section 235 would increase production and help the housing industry; but, again, what you would be doing would be serving, I believe, a higher income group than through Section 8 housing.

Mr. KLIMAN. If you did that, you would have a dramatic effect, on outlays, increasing outlays in the budget in excess of a billion dollars.

Mr. COUGHLIN. I thought that the Section 235 had less of an influence or increase in outlays than Brooke-Cranston.

Mr. KLIMAN. It depends upon the amount of money you are talking about. $100 million of Section 235 contract authority would have an impact on outlays in 1981 of about $67 to $75 million. If you put a billion dollars of contract authority into Section 235, you would have nearly a billion dollars, $750 million, in 1981 outlays.

Mr. COUGHLIN. Section 235?

Mr. KLIMAN. Yes.

BROOKE-CRANSTON VERSUS SECTION 235 OUTLAYS

Mr. COUGHLIN. So is Brooke-Cranston.

Mr. KLIMAN. It is just a matter of the volume of dollars that you are talking about.

Mr. COUGHLIN. Brooke-Cranston, even more outlays relative to Section 235?

Mr. KLIMAN. If you put a billion dollars in Brooke-Cranston, you would have a billion dollars of purchases and you could sell them at whatever the discount would be.

Mr. TAYLOR. It would in part depend on market conditions.

Mr. COUGHLIN. I am a little confused. A few minutes ago, if I recall properly, you said that Brooke-Cranston had a more substantial effect on outlays than Section 235.

Mr. KLIMAN. Than Section 8.

Mr. COUGHLIN. Comparing Brooke-Cranston and Section 235 then Brooke-Cranston has a heavier outlay impact than Section 235, am I correct?

Mr. KLIMAN. We are talking about a different type of subsidy. A billion dollars of Section 235 will assist more units than a billion

dollars of Brooke-Cranston because in Section 235 you are only providing the interest subsidy reduction. In Brooke-Cranston, you are paying for the full capital cost of the mortgage.

If you put a billion dollars in either program, you would end up in Section 235 with approximately $750 million of outlays in 1981. If you put it into Brooke-Cranston with fewer units, you would have a billion dollars of purchases, but you would offset that outlay subsequently with mortgage sales. The net result of a billion dollars of Brooke-Cranston over a period of years would be a lower outlay, but it would support one-tenth of the number of units compared with Section 235.

Mr. COUGHLIN. So earlier when you were talking about Brooke-Cranston requiring greater outlays, you were talking about greater outlays for the same number of units?

Mr. KLIMAN. The question that was raised first related to taking a billion or two out of the Annual Contributions account, which is Section 8 and Public Housing. There you are talking about a rather large increase in outlays under Section 235 as compared to Section 8 and Public Housing.

Mr. COUGHLIN. Will you bear with me for just one minute?

Before we ever got to taking any money out of Assisted Housing, I asked a question about if we found some extra money somewhere, what would be the best place to put it and provide a boost for the housing industry, and if I recall correctly I was told you are better off going Section 235 than Brooke-Cranston because Brooke-Cranston involved larger outlays. Is that correct?

Mr. KLIMAN. Yes, as one of the reasons.

Mr. COUGHLIN. Now I am being told it is the opposite.

Mr. KLIMAN. No.

Mr. COUGHLIN. The Section 235 requires larger outlays.

Mrs. BOGGS. Per unit.

Mr. KLIMAN. You have to understand the basic difference between Section 235 and Brooke-Cranston. In the Section 235 program you are paying an interest subsidy cost only.

Mr. COUGHLIN. I understand that.

Mr. KLIMAN. In the legislation under consideration, it is two or three percent.

In the case of Brooke-Cranston, the immediate outlay would be the full capital cost of the unit, so the billion dollars would not support as many units as the Section 235 approach.

Mr. COUGHLIN. But then you sell the mortgage so the outlays are really reduced.

RELATIVE COSTS OF ALTERNATIVE APPROACHES

Mr. KLIMAN. The outlays would be reduced by the amount of the sale, that is correct. What I don't have calculated here, but I can provide for the record, is for the same amount of units, what the relative costs would be.

Mr. COUGHLIN. Can you provide that for the record?

Mr. KLIMAN. How many units would you like?

Mrs. BOGGS. 100,000.

Mr. COUGHLIN. 100,000.

Mr. KLIMAN. We will compute it at 100,000 units then.

[The information follows:]

COST COMPARISON ON 100,000 UNITS ASSISTED UNDER SECTION 235 AND THE EMERGENCY MORTGAGE PURCHASE ASSISTANCE PROGRAM

The following table compares the cost, in both budget authority and outlays, of providing assistance for 100,000 single-family units under the Section 235 Homeownership Assistance Program and under the Emergency Mortgage Purchase Assistance (EMPA) Program.

For purpose of comparability, this example assumes an average mortgage per assisted unit of $50,000. The subsidy cost calculated for the Section 235 program assumes the current FHA maximum interest rate of 11.5 percent and subsidized down to a rate of 9.5 percent. The costs of the EMPA alternative assume the sale of mortgages discounted to reflect mortgage interest rates of 9.5 percent with subsequent sales reflecting market rate yields of 11.5 percent.

EMPA AND SECTION 235 COMPARISON

[Dollars in millions]

	Units assisted	Budget authority	Outlays			
			1981	1982	1983	1984
EMPA	100,000	$580	$580			
Section 235	100,000	3,738	41	$97	$116	$116

Under the Emergency Mortgage Purchase Assistance (EMPA) program, the budget authority represents the total value of mortgage purchase commitments less the proceeds as a result of the sale of mortgages. The assumption used in this example is that commitments and sales take place in the same year. Commitment authority necessary for this program is $5 billion. The sales proceeds offset this down to $580 million in new budget authority. Both budget authority and outlays represent the difference between the purchase price and sale price which is discounted to reflect market conditions.

For the Section 235 program, the budget authority represents the maximum annual subsidy cost multiplied by the number of years (30 years) of the contract. While the budget authority cost of the Section 235 program is much greater than under, EMPA, this greater cost is based upon the estimated subsidy payments which would be made over the 30 year term. On a discounted basis, the actual cost of the Section 235 subsidy would be considerably lower. Furthermore, Section 235 program experience indicates that participating households seldom receive the maximum subsidy and normally have the subsidy phased out as the household income increases over time.

Mr. COUGHLIN. Also I would like to insert some FNMA questions in the record at this point.

[The questions follow:]

EXISTENCE OF FNMA OVERSIGHT UNIT

Mr. Secretary, in a weekly newsletter dated February 29, 1980, which is sent to mortgage investors, there appears the following statement: "An oversight unit established by the Department of Housing and Urban Development for the Federal National Mortgage Association nearly one and a half years ago, is still trying to develop an effective means to oversee FNMA."

Question. Does such an oversight unit as is mentioned exist today with your Department? If so, when was the unit established? If such a unit does exist now, has it existed only to be subsequently abolished?

Answer. There does exist a FNMA Oversight Unit within HUD. It was established as a specific organizational unit in September 1978 and it continues to exist and function today. As of this date, there are no plans to abolish the unit.

ACCOMPLISHMENTS OF FNMA OVERSIGHT UNIT

Question. If such a unit does or did exist, what, if anything has it accomplished? What is this unit expected to accomplish in fiscal 1981?

Answer. The FNMA Oversight Unit provides and coordinates on a continuing basis the staff service required by the Secretary to carry out his statutory responsibilities under the FNMA Charter.

It is important to emphasize the concept of continuity. In the years between 1968 and 1978, there was no single point within the Department where these staffing functions were carried out on a continuing basis. As a result, matters involving the Secretary's responsibilities with respect to FNMA were often resolved on an ad hoc basis without a full staffing out of the issues implicit in the matter which required the Secretary's decision. The existence of a FNMA Oversight Unit assures that there is an institutional repository of knowledge as to FNMA and the decisions the Secretary must make as to FNMA which can provide the Secretary with an informed basis for actions he is required to carry out under the Charter Act.

To understand the role of the FNMA Oversight Unit, it is first necessary to understand the breadth and extent of the Secretary's statutory responsibilities assigned by the Charter Act. These are frequently misunderstood or misinterpreted by those who equate it with typical Government regulation of private industry. The Congressional drafters of the Charter Act viewed HUD's role as being the direct supervisor of a single private corporation and required the Secretary to make specific operational decisions with respect to that corporation.

The House and Senate Committee reports accompanying the Housing and Urban Development Act of 1968 state that Title VIII gives the Secretary of Housing and Urban Development "general regulatory authority over FNMA" and add: "The new FNMA would be a 'Government-sponsored private corporation' regulated by the Secretary of the Department of Housing and Urban Development, and would have a status analogous to that of the Federal land banks and the Federal home loan banks."

The Senate report also includes the following: "The committee feels that adequate safeguards have been provided to assure that the privately owned FNMA will continue the secondary mortgage market operations in a manner consistent with the best interests of the public. . . . Finally, the Secretary's regulatory powers over FNMA would be sufficient to protect against abuses of the public interest."

The Charter Act requires FNMA to obtain the approval of the Secretary of HUD for the following specific activities:

1. Any issuance of stock, obligations, securities, or other instruments. (Sec. 309(h)). This responsibility of the Secretary is probably the most significant of the enumerated authorities granted by the Charter Act. FNMA is second only to the U.S. Treasury in the issuance of debt securities. It was the intent of Congress that the Secretary would utilize this mechanism to set limits on the activities of FNMA taking into account the needs of the housing industry and the economy as a whole. In addition, in view of the exemption of FNMA securities from SEC regulation, the approval by the Secretary serves as an assurance of validity and integrity. Approval of such securities by the Secretary is one of the principal bases which allows FNMA obligations the preferential treatment of "agency securities" they receive in the capital markets.

2. The purchase, servicing, sale, or lending on the security of, or otherwise dealing in, conventional mortgages. (Sec. 302(b)(2)). As originally established, FNMA was authorized to deal only in government guaranteed or insured loans. The Congress was reluctant to undermine this support of government-backed mortgages, and, when it did allow FNMA to deal in conventional mortgages, it made such activities subject to the approval of the Secretary.

3. Determination of the amount of nonrefundable capital contributions required to be made by each mortgage seller (not to exceed 2 per centum of the unpaid principal amount of mortgages purchased or to be purchased). (Sec. 303(b)). Such capital contributions, in the form of mandatory stock purchases, were the major source of equity for the newly formed corporation. While substantially eliminated now, they could be reimposed by the Secretary if the financial condition of FNMA warranted such action.

4. Determination of the level of stock retention requirements imposed on each servicer of its mortgages (not to exceed 2 centum of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to September 1, 1968 and which are then serviced by such servicer for the corporation). (Sec. 303(c)).

5. Allowing the obligations of the corporation to exceed fifteen times the sum of its capital, capital surplus, general surplus, reserves and undistributed earnings. (Permitted only if the Secretary fixes a higher ratio.) (Sec. 304(b)). The setting of a higher debt-to-capital ratio than that specified in the Charter Act sets a basic financial parameter which governs the operations of FNMA. The Secretary has

twice raised this ratio and it now stands at 25 to one, with provision for further increase if required to sustain FNMA's financial position.

6. Payment of cash dividends to stockholders. (Permitted only if annual aggregate amount does not exceed the rate determined to be a fair rate of return by the Secretary after consideration of the current earnings and capital condition of the corporation.) (Sec. 303(c)). The Secretary has not exercised the authority to withhold approval of dividend payments, but must continually monitor FNMA's financial condition to determine if there is a need to do so.

Over and above these powers to approve or disapprove specific actions crucial to the continued operations of FNMA, the Secretary of Housing and Urban Development has the power to issue such rules and regulations as he determines to be necessary and proper to assure that the purposes of the Charter Act are carried out. The first sentence of Section 309(h) of the Charter Act provides that: "The Secretary of Housing and Urban Development shall have general regulatory power over FNMA and shall make such rules and regulations that shall be necessary and proper to assure that the pruposes of this title are accomplished."

There is language in the Senate Report which confirms the view that the general regulatory power of the Secretary of HUD over FNMA is plenary and extends beyond the half dozen specific powers: "The Secretary would have general regulatory powers over FNMA to assure that the purposes of the Charter Act are served. The issuance of all securities or obligations by FNMA would have to receive the prior approval of the Secretary. Through this and other authority, the Secretary would participate in the decision-making process as to the level of mortgage purchases at various times."

In addition, the last sentence of Section 309(h) of the Charter Act provides: "The Secretary may examine and audit the books and financial transactions of the corporation, and he may require the corporation to make such reports on its activities as he deems advisable."

With this background on the Secretary's statutory responsibilities, it is now appropriate to deal with the specific activities of the FNMA Oversight Unit. These have included:

1. Review of all FNMA requests for new obligational authority in the light of FNMA's financial condition and the conditions in the mortgage market, and recommendation of the Secretary's responses.

2. Review and analysis of the annual Business Activities Report and the nine periodic regular reports required by Appendices B and C of the Department's regulations (24 C.F.R., Part 81).

3. Analysis of the data submitted by FNMA on its purchases of conventional mortgages (a) located in central cities, and (b) related to housing for low and moderate income families and the extent to which FNMA's purchases met the goals established in Sections 81.16 and 81.17 of the Department's regulations (24 C.F.R., Part 81).

4. Review of FNMA underwriting guidelines for conventional mortgages.

5. Coordination of Departmental review of FNMA proposed conventional mortgage programs and preparation of the Secretary's response to these proposals.

6. Analysis of FNMA debt structure emphasizing its changing borrowing costs and pattern of maturities with a view to determining how this will affect the financial soundness of the corporation.

7. Preparation of a legislative history of Congressional actions with respect to FNMA in order to refine the Department's understanding of Congressional intent.

8. Analysis of FNMA mortgage sales activities to compare differences in approaches before and after 1968. Analysis of FNMA policy on mortgage sales with respect to conformance with Congressional intent and affect on mortgage market.

9. Development of a data base to track the performance of both the primary and secondary mortgage market and FNMA's role.

10. Preparation of statements of Departmental position on various legislative proposals dealing with FNMA.

11. Preparation of correspondence for Congress and the public dealing with FNMA.

12. Review of FNMA prospectus issued in connection with recent refunding of subordinated capial debentures for accuracy and consistency with prior public prospectus. [Note: In view of its exemption from SEC regulations, FNMA issues such prospectuses only in connection with its subordinated obligations and not for its much larger issues of regular debentures.]

For fiscal 1981, the FNMA Unit is expecting to carry out substantially similar activities to those of fiscal 1980. However, a number of specific additions are contemplated:

1. FNMA is expected to formally submit a proposal for the issuance of mortgage-backed securities which will require approval by the Secretary. This is a highly complex subject which will require extensive legal and financial analysis.

2. The impact of the Free Market Auction System will be analyzed to determine the extent to which it results in a sharply distorted pattern in the geographical areas in which FNMA purchases conventional mortgages. Over 50 percent of such purchases in 1978 were from three states.

3. Additional work is required to build up the data base and analytic capability for the unit regarding the impact of FNMA on the mortgage markets and on FNMA financial operation.

4. A number of the recently approved FNMA conventional mortgage programs were conditioned on the development of acceptable data collection and reporting systems. The FNMA Oversight Unit will be working with FNMA staff to develop such systems.

5. A general review of FNMA reports required under the Departmental regulations will be undertaken with the intent of (a) eliminating those reports which have proved to be of limited utility, (b) sharpening the definitions and formats of other reports which have been useful, and (c) adding new reporting requirements where there still are gaps in the information required by the Secretary to carry out his responsibilities under the Charter Act.

Staffing and Cost of FNMA Oversight Unit

Question. How many people are now in this unit? Please provide for the record, and to me personally, a listing of all of the employees in this unit, not by name, but GS level, the total dollars paid out in fiscal 1979 and 1980 on account of this unit whether in salaries, expenses, or otherwise. Will you also please provide for the record, and to me personally, the anticipated salaries and expenses and other costs attributable to this unit for fiscal 1981?

Answer. There are six persons employed in the unit. The positions and GS levels of the personnel of this unit are as follows:

Financial Economist	GS-15
Secondary Mortgage Market Specialist	GS-14
Financial Economist	GS-12
Economics Assistant	GS-6
Clerk-Stenographer	GS-6
Clerk-Stenographer	GS-5

The total dollars paid out in fiscal 1979 for this unit (including administration and overhead expenses) was $115,000. The total dollars paid out in fiscal 1980 through May 3, 1980 (including administration and overhead expenses) was $95,600. The anticipated salaries and expenses and other costs attributable to this unit for fiscal 1981 are $160,000.

Mr. Secretary, I want to discuss unsubsidized multi-family housing. Based on figures obtained from your Department, the production of unsubsidized multi-family housing units under the FHA Section 207 program has been dropping in the last three years. For example, in calendar 1977, 13 projects totalling $35.1 million were insured; in 1978, it was 8 projects and $16.6 million; and, in calendar 1979, 2 projects and $6.5 million.

In your prepared testimony to a Congressional Committee earlier this year, the Secretary of HUD stated in effect that HUD expects "to see fewer than 50,000 unsubsidized, uninsured multi-family rental units started in 1980. . . ." At the same hearing, the Secretary said that you could foresee "that there will be no conventional building of rental units at all and that the only units that will be built multi-family will be those that are either insured, subsidized, or by some Federal program incentive given to the industry." The Secretary went on to point out that "it's indeed tragic that only those units that the Federal government is somehow subsidizing are going to be built."

FNMA Comments on Conventional Multi-Family Approval

Question. Mr. Secretary, regrettably I agree with you. But I ask you, in view of the precipitous decline in production under the FHA Section 207 program and in view of your realistic evaluation of future conventional multi-family housing, how can the Department justify withholding for over three years its approval of the FNMA conventional multi-family program? (This program was just approved.)

Answer. On April 24, 1980 the Secretary approved FNMA's proposal to undertake a conventional multi-family program. That approval was the culmination of many

months of study and an intensive exchange of ideas between FNMA staff and HUD officials. We believe that the program approved by the Secretary is one which meets FNMA's needs for safety and marketability, yet conforms to the Department's concerns regarding consumer protection and economic feasibility.

The original FNMA proposal had serious substantive problems which became apparent after this Department conducted an in-depth technical analysis. To resolve these problems and reach a better understanding of the concerns of HUD and FNMA, a joint decision was made to engage in face-to-face meetings on this and other topics. We believe the results of these meetings justify any delay that this method of communication may have caused.

The conventional multi-family program is a significant and complex undertaking which required careful evaluation before approval. In view of the limited demand for the program due to general economic conditions prevailing while the program was under consideration, the Department did not believe it necessary to grant approval hastily without the thorough analysis the program required.

Question. Has FNMA commented on the approval of the conventional multi-family program and/or the conditions HUD attached to it? What was said?

Answer. We have received no comments from FNMA on the approval of this program or its conditions.

FNMA-Related Consulting Contracts

Question. Will you please provide for the record a listing of any and all of the consulting contracts that have been entered into by the Department of Housing, which contracts relate in any way to the regulations published by the Department of Housing on September 14, 1978 regarding FNMA?

Answer. There have been two contracts awarded to date which relate to the regulations published by the Department on September 14, 1978 regarding FNMA. They were with the firms of Ginsberg, Feldman, and Bress (Contract No. HUD-3661-78) and Arnold and Porter (Contract No. H-5054).

Description of FNMA-Related Consulting Contracts

Question. Will you provide for the record a list of the contracts, the dates of the contracts, the amounts of the contracts, and a brief but informative description of the work contracted for and the work actually done?

Answer. There have been two contracts with consultants relating to regulations published by the Department on September 14, 1978 regarding FNMA. The specific details of the contracts are outlined below:

1. *Ginsberg, Feldman and Bress.*

Initial contract date: November 14, 1978.

Completion date: July 29, 1979.

Maximum contract amount: $9,000.

Actual contract expenditures: $6,068.

Contract purpose: Provide HUD with legal service related to the development of the FNMA regulations.

Work performed: Advice and opinion provided in connection with the FNMA regulation; alternative approaches developed on legal issues relating to the regulations, research performed on issues arising under the regulations.

2. *Arnold and Porter.*

Initial contract date: January 30, 1979.

Completion date: No later than September 30, 1980.

Contract amount: Not to exceed $47,760.

Contract purpose: To carry out research and provide advice with respect to the legal responsibilities of the Secretary regarding FNMA, the status of FNMA as a Government sponsored corporation, and the policy consequences of alternative regulatory decisions.

Work performed: Developed comprehensive and indexed legislative history of Congressional action concerned with FNMA. In process is a report of the legal and policy question involved in FNMA's dual status as a public corporation and a private business.

Proposed FNMA-Related Consulting Contracts

Question. Finally, Mr. Secretary, please provide for the record a statement indicating what consultants HUD may have under contract now or proposes to contract with in fiscal 1981 regarding any aspect of HUD's relationship with FNMA. If there are any such contracts or any are proposed, I would appreciate information of the type of study contemplated and the estimated cost and the completion date.

Answer. The contract with Arnold and Porter, cited earlier, is the only consulting contract currently operative. No specific contract proposals are under consideration for 1981.

CRITERIA FOR TRIGGERING BROOKE-CRANSTON

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. TRAXLER. The Emergency Mortgage Purchase Assistance program is activated whenever the Secretary makes certain findings. The legend on page R-3 details the conditions. It would appear that our present circumstances and the conditions detailed on page R-3 are the same.

Under what circumstances will the Secretary request funds for this program?

Mr. LAURENT. You are going to have to ask the Secretary, in all due respect, Congressman.

Mr. TRAXLER. You were planning to volunteer?

Mr. MARRERO. I wasn't planning to volunteer. If I am drafted, of course, I will serve.

Mr. TRAXLER. We love Under Secretaries.

Mr. MARRERO. We have been wrestling with the question of under what special, particular circumstances we would trigger this authority, Mr. Chairman.

In all candor, we cannot say that we have been able to determine precisely what conditions would have to prevail before we would think that the authority ought to be exercised.

It is a question of a number of factors related to housing starts, to the total condition of the economy nationwide, unemployment and interest rates, and several other factors. We have been monitoring the economic conditions on a month-to-month basis in order to determine whether at any one particular time the overall picture warrants our exercise of the authority. So far we believe that the overall picture does not require the exercise of the authority.

In doing this, the Secretary does not necessarily act by himself. We must consult other agencies in the Government, certainly the Office of Management and Budget, the Treasury Department, Department of Commerce, the Economic Policy Group. All of these other public officials' opinions bear upon what we do, and it is our collective wisdom that the conditions have not yet prevailed for us to exercise the program.

Mr. TRAXLER. The name of the game is a balanced budget.

Mrs. BOGGS. Mr. Chairman.

Mr. TRAXLER. Yes.

NEED FOR APPROPRIATION ACTION

Mrs. BOGGS. It does say on R-3 that:

The program may be activated whenever the Secretary finds that inflationary conditions related to governmental actions or other economic factors are having a severely disproportionate effect on the housing industry, and that the resulting reduction in the volume of construction or acquisition threatens seriously to affect the economy and to delay the orderly achievement of national housing goals.

But then it goes on to say:

However, mortgage purchase authority, including the use of recapture of purchase authority previously released, must be released in appropriation acts.

Are we saying that once the Secretary finds that the conditions are such that he should allow the program to go into effect, that you have to come back to us for appropriation?

Mr. MARRERO. Yes, that is correct. There is no appropriation in existence at this time which would allow us to use funds if the Secretary would determine that the conditions prevailed.

ALTERNATIVES TO EMPA AVAILABLE

One of the reasons why we feel that it is not yet timely to do this is that we feel there have been other options that we should explore first. The program that is now in Congress for Section 235 is one of the possible alternatives. Bearing in mind that we have to weigh not only the impact on the housing industry, but also the impact on the total economy of what measures we take, we feel that the Section 235 program is a reasonable middle ground. It achieves some relief to the housing industry, but does not trigger the further inflationary spiral that we are trying to prevent.

Mrs. BOGGS. It still meets our housing goals?

Mr. MARRERO. Yes.

Mrs. BOGGS. Thank you.

Thank you, Mr. Chairman.

GUARANTEES OF MORTGAGE-BACKED SECURITIES

Mr. TRAXLER. Turn to Tab T, Guarantees of Mortgage-Backed Securities. As part of the new Federal Credit Control System, the revised 1981 budget requests a $53 billion limitation on commitments to issue guarantees. How will you administer that limitation?

Mr. LAURENT. The administration of that is currently under consideration.

In years gone by, it has been first come, first served; and we think that there is a good possibility that this procedure will prevail at least during 1981.

As the record indicates, in 1979 we issued $41.75 billion in commitments and we estimate $47.2 billion this year. With a ceiling of $53 billion, we think that we can have an equitable system by continuing our program as a demand program. We don't anticipate colliding with that ceiling, so no special allocation should be implemented at this time.

EFFECT OF REACHING CREDIT LIMITATION

Mr. TRAXLER. In the event you reach your ceiling prior to the end of 1981, would the Administration request additional ceiling?

Mr. LAURENT. If we were to collide with that ceiling, we would ask for relief. As you are aware, it is a program that provides more than half the funds in the secondary market and I think we would have to ask for relief at that point.

IMPACT OF ECONOMY ON PROGRAM DEMAND

Mr. TRAXLER. The Mortgage-Backed Securities program is supposed to ensure a steady supply of funds to housing and ameliorate

the cyclical swing in housing. Is the program only intended to work in good times?

Mr. LAURENT. No, that is not correct. We estimate that we will do about $20.5 billion in guarantees in this year. Now, this program is certainly affected by circumstances such as, cyclical swings in the economy, but not to the extent that other programs are, Congressman.

In fact I might compare the first three months of 1979 with 1980 to show you how it has held up even during the environment of high interest rates.

In 1979, during the month of January we did, (and I am rounding,) $1.7 billion in securities guaranteed. During the comparable period in 1980, $2,610 million was guaranteed. During the month of February 1979, $1,361 million, and during the same month of 1980, $1,353 million in guarantees were issued. During the month of March 1979, $1,465 million, and during the month of March 1980, $1,125 million in guarantees were issued.

This program is less subject to swings in the economy than any other type. We think that the full faith and credit guarantee backing GNMA's guarantee reduces the rate, which allows this program to function in good times as well as under adverse conditions.

There is a Federal Reserve study that indicates that this program tends to cut the bottom off the troughs. In addition, this program has done what it set out to do, not only attract the nontraditional investors but allow home purchasers to compete in the capital markets with the larger corporations in the country.

That, coupled with the full faith and credit guarantee, means it continues to function under adverse economic conditions as opposed to other instruments.

PROBLEMS IN MARKET TRADING OF SECURITIES

Mr. TRAXLER. The press has carried a number of articles on the speculation in GNMA certificates. We discussed this matter during the hearings last year. At that time the industry was talking about self-regulation.

Now Congress is considering legislation addressing this problem of speculation. Can you tell us briefly what the difficulty is here and how widespread you believe it is?

Mr. LAURENT. The difficulty started some years ago. If I might, let me tell you what the difficulty is not. The difficulty is not the integrity of the instrument itself. There is no investor in the history of the program who has gone wanting for a payment which he or she was entitled to receive.

The problem is trading in the forward market, where we have a trading date, say, today, but delivery does not take place until some time in the future. This procedure allows any number of investors to speculate, and the problem is exacerbated by the absence of mark-to-market requirements.

So the program in many instances has been subject to unwarranted speculation. In addition to that, some dealers—salesmen of the securities—a limited number, I might add, use boiler-room

sales practices, selling instruments to unsophisticated investors and smaller organizations.

This has been the essence of the problem. This is what has caused the adverse publicity.

RECENT MARKET SCANDALS

Witness, if you will, the recent scandal of Washington Federal Savings and Loan, a small S&L in Cleveland with deposits of $176.5 million, having committed to purchase some $600 million in Mortgage-Backed Securities.

Prior to that, Marion County Taxing District in Salem, Oregon, had a situation where they were not able to accept delivery, and it appears that this was an unsuitable purchase but, of course, no dealers advised them of that.

The Reliance Mortgage Company case, a small S&L in Denver purchased hundreds of millions of dollars of securities—$750 million, long-term and $350 million short-term. We can go on and on. This is the most recent evidence of the problem. GNMA sits in a unique position. We see the mortgages being originated by our issuers and placed in pools and used as a basis for privately issued securities.

We also see the areas of speculation and the repeated scandals and abuses.

DEALER SELF-REGULATION

The dealer community has voiced the opinion, for the last two or three years, that they could regulate themselves. They attempted to do this by proposing self-regulatory regulations but the Justice Department declined to issue a "no action" letter, saying that any proposed mark-to-market regulation, on their part, might be a violation of antitrust laws.

Currently there is a study being done by other agencies keenly interested in government securities. A study is being concluded by the Treasury, the Federal Reserve and the Securities and Exchange Commission. Certainly, we will await the results of their study and recommendations.

NEED FOR LEGISLATION

I cannot speak for the Administration until that study is completed, but I can say personally, as President of GNMA, that Federal legislation is needed. The type of bold and imaginative legislation proposed in S. 2515 sponsored by Senator Harrison Williams is the kind of regulation needed to control dealer behavior and allow this program to continue, without the scandals and abuses we have known in the past.

MARK-TO-MARKET REGULATIONS

Mr. TRAXLER. How long has this problem been evident? An article in the Washington Post by Nancy Ross on March 9, 1980, scrutinized GNMA's future.

Mr. TAYLOR. Yes; if I could add just one point. We at GNMA have not stood idly by while this problem continued to grow. Mr. Laurent can elaborate on the fact that we have proposed mark-to-market regulations which would cover our issuers.

We have control over the issuers of GNMA securities, and, under these new regulations which have been proposed and which we hope to have out in final form within a couple of months, we will require that mark-to-market collateral funds be posted with respect to certain types of transactions. We believe that this will go a long way toward controlling this particular problem with respect to our issuers.

GNMA SUPPORT FOR LEGISLATION

Mr. TRAXLER. I assume from what you have told us then you would support, Senator Williams' bill. It does provide obviously for regulations of the Mortgage-Backed Securities and the dealers.

Mr. LAURENT. We are in support of that kind of legislation, the types of initiatives put forward, whereby it allows the industry to participate in the regulation. I am not prepared to say that we support the Senator's bill as such, but certainly the spirit and direction.

Mr. TRAXLER. Should HUD have been up on the Hill a couple of years ago talking about legislation in this area? The Post says the problem was evident three years ago.

Mr. LAURENT. The program started to reach a peak three years ago. In 1974–75 Dan Kearney, the then President of GNMA, suggested to the dealer community that they prepare regulations for self-regulation.

This was not done. Certainly President De Wilde, and President Dalton were aware of the problem. Whether we should have made recommendations to the Hill, I don't know. I don't think so.

We were at that time talking to the industry, the dealers and various trade associations. We were then only beginning to be stunned by the revelation of the various abuses and scandals. I don't think, even with hindsight, that we should have been on the Hill at that time.

SELF-REGULATION AS A SOLUTION

Mr. TAYLOR. We did study this problem. We had a study prepared by the R. Shriver Associates. The first priority suggested that the solution to this problem was an effective self-regulatory program, and we encouraged such development. It was only after the U.S. Justice Department issued their business review letter indicating that they would possibly file an antitrust suit against the dealer community if they imposed uniform mark-to-market or margin requirements, that the dealer community appeared to back away from their proposal to put a self-regulatory organization (SRO) together.

Mrs. BOGGS. Mr. Chairman?

Mr. TRAXLER. Surely.

Mrs. BOGGS. What kind of encouragement did you offer them in terms of any solid suggestions as to the type of regulations they should pursue?

Mr. TAYLOR. Indeed we did; there was an ongoing exchange of suggestions for many, many months. When they were putting together their proposal, we commented extensively. We went with them to meet with the Treasury Department. In fact the Treasury Department chaired an interagency working group, of which

GNMA was a member that reviewed and recommended changes or improvements in the SRO proposal put forth by the industry.

PARTICIPATION SALES FUND

Mr. TRAXLER. Turn to Tab U, Payment of Participation Sales Insufficiencies. You are requesting an appropriation of $4,967,000 in 1981. This is a decrease of $12,004,000 below 1980. The justification indicates that the decrease results from the College Housing program being transferred to the Department of Education. Is that correct?

Mr. LAURENT. That is correct.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

Mr. TRAXLER. Turn to the Federal National Mortgage Association. The Federal National Mortgage Association is a government-sponsored private corporation regulated by the Secretary of Housing and Urban Development. For the past couple of years, there have been some differences of opinion between HUD and FNMA. Those differences of opinion resulted in revised regulations including up to 30 percent of FNMA's mortgage purchases were to be made in central city areas; and at least 30 percent of FNMA's purchases be mortgages in low- and moderate-income family housing. Are you following those new regulations?

Mr. LAURENT. This would be an appropriate question for Under Secretary Marrero.

Mr. MARRERO. We have been having ongoing discussions with the officers of FNMA on this and several other related issues. We have been following very closely what they have been doing pursuant to a number of agreements that we have reached with them.

I must add for the record also that the difficulties that existed between the two agencies in the past have been substantially if not all together eliminated in discussions betweeen Secretary Landrieu and Mr. Hunter of FNMA. I think that the relationship between the agencies now is a very cordial and cooperative one.

STATUS OF REGULATIONS

Mr. TRAXLER. What is the status? Are you saying that you don't have the regulations in place?

Mr. MARRERO. We don't have precise regulations in place. We have some understandings between the two agencies on specific projects as to how we will relate to one another, the kinds of programs that they will undertake, the point at which they will come to HUD in order to seek the concurrence of HUD for a particular program, and the kind of review that HUD will undertake under the programs.

Those are the items of discussion and the agreement is that on a program-by-program basis they will seek our review and concurrence on the program.

Mr. TRAXLER. It sounds to me like there is a continuing dialogue taking place between the Department and FNMA about the applicability and practicability of what the previous Secretary sought to do.

Mr. MARRERO. Yes; there is a continuing dialogue but, again, I think the atmosphere is quite different. The approach may be different. We now have, I believe, a cooperative working relationship.

Mr. TRAXLER. Cooperative instead of confrontation, I am sure.

FNMA URBAN INITIATIVES

Mrs. BOGGS. Mr. Chairman?

Mr. TRAXLER. Certainly, go ahead.

Mrs. BOGGS. FNMA has Urban Initiative programs to help finance inner city rehabilitation projects. We heard this morning that some of the funds previously targeted to help in revitalization projects were really being pushed aside.

Have these FNMA programs really helped to further rehabilitation objectives? Is HUD still really interested in making certain that these programs are implemented?

Mr. MARRERO. We are still very much interested in making sure that the programs of FNMA do relate as closely as possible to our own activities, and that they complement our efforts to revitalize cities and are targeted as much as possible. These are our overall goals.

There are still some areas of disagreement that we feel must be ironed out before we can say that we have eliminated all of the problems of the past. But, again, I stress that we have made substantial progress.

Just last week, Secretary Landrieu approved a multifamily mortgage program that FNMA had requested. It was the first of a number of items that had previously been on the table. It was formally approved. An article in the Washington Post unfairly characterized the relationship between the agencies.

REVITALIZATION OF URBAN NEIGHBORHOODS

Mrs. BOGGS. I was distressed, for instance, to learn earlier today that the 20 percent increase in mortgages had not been allowed for substantial rehabilitation projects in neighborhoods undergoing revitalization.

I think that this is a really serious mistake. The only way that you can encourage people to come into an area being revitalized and to meet the new crises that revitalization itself brings to neighborhoods is to allow that 20 percent increase in the mortgages available.

Young people particularly would not only bring magnificent revitalization to a neighborhood, but would, in turn, become involved in citizen groups and learn how to pull the community together to use all the various State, local, Federal and private enterprise programs to actually go about the true revitalization of the neighborhood.

They are the ones who are writing grant proposals and getting the community together to assess needs and determine what programs exist to help. I just hope that there will be more cooperation within a city area to make available all types of mortgage and other help from whatever sources exist.

I do think this is part of the centerpiece of the urban initiatives.

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Mr. MARRERO. Yes, we are in full agreement with you on that score, and the programs do in fact achieve some of the objectives that you cite. We have the Section 312 program which is geared for revitalization.

Mrs. BOGGS. That has a fairly heavy cut in it.

Mr. MARRERO. It is being supplemented with Community Development funds. We have been attempting to strike a balance between encouraging revitalization of inner cities and attracting middle-income people to the inner cities through programs such as Section 312, but at the same time affording freedom of choice for the people within the cities to move to the suburbs.

The recognition of this has led us to encourage these types of programs.

Mr. TRAXLER. Mr. Sabo, do you have a question?

SOLAR AND ENERGY CONSERVATION BANK

Mr. SABO. Yes.

If I might backtrack a little bit to the new Solar and Energy Conservation Bank, I think that is what you call it. In terms of how the bank will operate will there be a payment to lending institutions for reduced interest, the difference between normal market interest rates and what they charge to a recipient?

Mr. LAURENT. That is correct.

ENERGY ASSISTANCE OPTIONS

Mr. SABO. My understanding is also on solar purchases, the Windfall Profits Tax indicated a credit of 40 percent up to a credit of $4,000 can be given for solar purchases, and a person who takes that credit is then not eligible for this type of loan.

Mr. LAURENT. That is correct.

Mr. SABO. How are you going to administer that?

Mr. LAURENT. The taxpayers will have an option. They can opt for the solar tax credit or a subsidized loan. If they opt for that credit, then they will not be eligible for a solar home improvement loan that is subsidized by a grant from the Solar Bank.

However, that is only for active solar equipment. It is not applicable to passive solar improvements.

Mr. SABO. Is passive solar eligible for bank loans?

Mr. LAURENT. Yes, it is. The bulk of the solar equipment subsidies should be for passive solar improvements. We think this is the most promising technology for cost-effective energy. In addition, as I pointed out, if we are incorrect and people do not opt for the credit, then, they would be able to also use the subsidy for the active solar system.

NUMBER OF LOANS ASSISTED

Mr. SABO. Do you have any estimates on how many loans will be made for solar units.

Mr. LAURENT. Yes; we think about 9,000 individual solar units will be assisted with funding of approximately $37.5 million.

As I am sure you are aware, some $47.5 million was allocated to the program. However, $10 million of those dollars are for demon-

stration and costs start-up for the solar energy and conservation components of the Bank.

Mr. SABO. Then $37.5 million is for solar and $10 million is for other conservation purposes?

Mr. LAURENT. $10 million is for demonstration purposes and start-up costs.

Mr. SABO. Would that work in the same fashion as the solar loans?

Mr. LAURENT. Yes, it would; up-front grants would be made to lenders who would make loans to individuals at market rates.

PROGRAM FEATURES

Mr. SABO. Is earth-sheltered housing available?

Mr. LAURENT. That is explicitly covered in the legislation because of an amendment sponsored by Congressman Vento.

Mr. SABO. That is still in the mill?

Mr. LAURENT. That is correct.

Mr. SABO. Does the bill contain any money for direct grants other than simply interest write-downs?

Mr. LAURENT. Not that I am aware.

Mr. SABO. Is there a limit on how far down you can write interest, what percent?

Mr. LAURENT. No limit at this point.

Mr. SABO. You could go down to zero?

Mr. LAURENT. Conceivably.

Mr. SABO. Thank you.

BUDGET REVISIONS

Mrs. BOGGS. Could I clarify something?

The solar energy systems loans component apparently has survived any planned budget cuts, is that correct?

Mr. LAURENT. No, it has not. The budget presented in January included a 1980 supplemental request and a higher 1981 level of activity—$150 million.

Mrs. BOGGS. And the deferral of any appropriation request for the energy conservation component, except the $10 million start-up for set-aside, has been done because you are waiting on authorizing legislation?

Mr. LAURENT. It was done as part of the President's amended budget proposal.

Mrs. BOGGS. Do you need further authorizing legislation in order to go into the program?

Mr. LAURENT. No; we don't need any further authorizing legislation.

Mrs. BOGGS. So it is just in accordance with the President's budget request that you are seeking the $10 million in start-up funds, because you don't think you will be needing the rest of it until——

Mr. LAURENT. Until fiscal year 1982.

Mrs. BOGGS. Until 1982?

TYPES OF ELIGIBLE PROJECTS

Mr. SABO. What kinds of limitations are there, if any, and what kind of energy conservation projects do you cover? Can it be insulation, weather-stripping?

Mr. LAURENT. As far as conservation is concerned, all of the conventional approaches of which we are aware—insulation, storm doors, storm windows.

COORDINATION WITH SECTION 312

Mr. SABO. Is it possible for you to coordinate it with Section 312 loans?

Mr. LAURENT. I can't answer that. I am not aware of any prohibition. I don't believe a family eligible for or who receives a loan subsidized under this program would be prohibited from receiving a Section 312 loan.

Mr. TAYLOR. The only prohibition is obtaining the loan and the tax credit at the same time.

Mr. SABO. I am curious, particularly for the energy conservation portion to the degree that you might, coordinate your loans with the Section 312 programs?

Mr. TAYLOR. Yes.

Mrs. BOGGS. I was curious, too. I participated in a noise symposium EPA sponsored this past weekend, and I was wondering if there is coordination between the energy conservation measures, such as insulation, weather-stripping, et cetera, with anti-noise measures.

Mr. LAURENT. We anticipate that these programs could be coordinated. They have not been, however, at this point in time.

Mrs. BOGGS. You must understand that I live on Bourbon Street.

Mr. LAURENT. I know.

COST OF ENERGY TAX CREDIT

Mr. SABO. What is the cost of the 40 percent tax credit up to $4,000?

Mr. LAURENT. The cost?

Mr. SABO. Do you know what that is offhand?

Mr. TAYLOR. I am sure we can supply it for the record.

[The information follows:]

COST OF 40 PERCENT TAX CREDIT FOR SOLAR ENERGY EXPENDITURES

The Energy Tax Act of 1978 created a number of tax incentives to stimulate energy conservation and to encourage conversions to energy sources other than oil or natural gas. Included among the various incentives was a 30 percent tax credit on the first $2,000 of expenditures and a 20 percent credit on the next $8,000 for solar and other renewable energy source expenditures.

The Crude Oil Windfall Profit Tax Act of 1980 (P.L. 96-223) amended the provisions of the 1978 Act to increase the credit to a maximum of 40 percent of amounts expended up to $10,000. This provision had the effect of increasing the maximum amount of the tax credit to $4,000.

Department of Treasury analysts estimate that the provisions of the Energy Tax Act of 1978 would result in revenue lost—in the form of taxes foregone—amounting to $784 million over the period: calendar years 1978 through 1985. It was further estimated that, starting in 1980, the increase permitted under the Crude Oil Windfall Profit Tax Act would add another $600 million to the amount of revenue lost.

Therefore, the combined total of revenue lost as a result of the tax credit legislation would be approximately $1.4 billion over the 8-year period.

GREATER BENEFIT DERIVED FROM LOAN PROGRAM

Mr. SABO. I suspect it is substantially more than what you have in this particular conservation bank.

Mr. TAYLOR. We would have to look at the numbers first.

Mr. SABO. It would be interesting to see. I am of the firm conviction this type of program has much greater payoff in terms of benefits than the tax credits which we hand out so freely around here.

The direct dollars accomplish so much more.

Mr. LAURENT. We are very hopeful that this program will be reviewed as the real beginning of significant progress toward less dependence on imported oil, so we agree with your general thrust.

STATE ENERGY CONSERVATION EFFORTS

Mr. TRAXLER. My recollection is that Minnesota has one of the finest State laws on energy conservation directed to new construction of any State in the country.

Mr. SABO. Well, that sort of got modified the last time around.

Our State runs the second largest rehabilitation program in the country. Section 312 is the only larger one, and we do a great deal with grants, combined with write-down of interest for rehabilitation loans, which are really a combination of Section 312 and this type of program to do the same things at the same time. We also have special programs that provide direct State funds for weather proofing.

Mr. TRAXLER. Thank you very much.

The Committees stands adjourned.

WEDNESDAY, APRIL 30, 1980.

COMMUNITY PLANNING AND DEVELOPMENT

WITNESSES

ROBERT C. EMBRY, JR., ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT
ROBERT DODGE, DIRECTOR, OFFICE OF URBAN REHABILITATION AND COMMUNITY REINVESTMENT
DAVID S. BROWN, BUDGET OFFICER

OFFICE OF THE SECRETARY

VICTOR MARRERO, UNDER SECRETARY
ROBERT S. KENISON, OFFICE OF GENERAL COUNSEL
ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

COMMUNITY PLANNING AND DEVELOPMENT

Mr. TRAXLER. The Committee will come to order. We are pleased to open the Department of Housing and Urban Development hearings this morning. We are delighted to have our friends from Community Planning and Development, especially Bob Embry, Assistant Secretary for Community Planning and Development.

You have a statement, I believe, for the record?

Mr. EMBRY. Yes. I will submit it for the record unless you would like me to go through it.

Mr. TRAXLER. No, submit it, and we will go right into the justifications.

Mr. EMBRY. Fine.

[The statement follows:]

GENERAL STATEMENT

Mr. Chairman and members of the committee, I am pleased to have another opportunity to appear before this committee and discuss with you the 1981 Budget proposals for Community Planning and Development programs.

APPROPRIATION REQUESTS

Our fiscal year 1981 appropriation requests for Community Planning and Development programs total $4,789 million. The appropriations requested include $3,950 million for Community Development Block Grants, $675 million for Urban Development Action Grants, and $40 million for Comprehensive Planning Grants. The original 1981 Budget proposed an appropriation of $188 million for Section 312 Rehabilitation Loans. The Administration's recent amendments to the proposed 1981 Budget contain a $64 million reduction for this program for a new appropriation request of $124 million.

No reduction has been proposed for the Community Development Block Grants and the Urban Development Action Grants programs. These two programs comprise a major portion of the Administration's National Urban Policy and this Administration recognizes the importance and the future potential of maintaining stability in these two highly successful programs.

COMMUNITY DEVELOPMENT BLOCK GRANTS

Over 5,200 communities will receive assistance under the $3.95 billion Community Development Block Grant program in 1981. Of these communities, 577 metropolitan cities will receive entitlement grants, and approximately 2,200 communities will participate in the Small Cities program. Additionally close to 2,400 communities will receive Block Grant funding through cooperation with an estimated 85 urban counties which will receive entitlement grants.

The Block Grant program, now in its fifth year, has made considerable progress in improving the physical and economic conditions in our Nation's cities. Communities have developed extensive experience with program procedures and regulations which have been successfully incorporated with local priorities, producing a major impact on community development needs.

During the past several years, communities receiving funding under the Block Grant program have demonstrated their ability to design their programs according to their own priorities. By using the resources provided by this program, communities have initiated physical improvements to stimulate neighborhood pride and investor confidence, addressed the growing need for infrastructure improvements, and built or improved a variety of neighborhood facilities. They have cleared abandoned or unuseable structures and rehabilitated owner-occupied units which incorporate energy saving measures. Communities are also carrying out an array of community service programs to support the residents of neighborhoods where physical development is occurring.

Our objective is to maintain stability in a program that has been both successful and effective in producing major accomplishments toward solving basic community needs. It is also our desire to continue and further develop the positive and cooperative working relationships that have been created by the Block Grant program between the various levels of government. We are convinced that these objectives can be achieved by adopting the proposed funding levels presented in our 1981 appropriations request.

URBAN DEVELOPMENT ACTION GRANTS

The Administration's Budget request maintains a $675 million funding level for 1981 and proposes no programmatic changes, reflecting the need to maintain budget restraint while recognizing the basic soundness of the current funding level. There has been a distinctive momentum created by the UDAG program that continues to surge forward with the accomplishments of new milestones each year.

Currently, the demand for UDAG funds far exceeds our resources. We expect this demand to increase substantially during the balance of the fiscal year. The advent of the Secretary's new authority to make UDAG eligibility for towns and townships more flexible is in large part responsible for this anticipated increase. We also expect to receive applications from those distressed communities that have never received funds, but have witnessed the many benefits that UDAG grantees have accrued. During this last metropolitan cities round, approximately $125 million was available. We received 144 applications requesting $512 million. We will have available $40 million at the end of this month for our small cities round. Thus far, $201.2 million for small cities projects for this round has been requested.

The Urban Development Action Grant program has become a prominent factor in the effort to stabilize and improve the economic and employment conditions of this Nation's distressed cities. This program provides severely distressed cities and counties with supplemental funding to be used together with other public and private funds to stimulate economic development and neighborhood revitalization.

This program has generated positive and cooperative relationships between Federal, State, and local officials on the one hand, and the private sector on the other. These relationships present an effective and viable force that have been used to improve the economic ills that have penetrated some of our most severely distressed communities.

HUD has given preliminary approval for 648 public/private development projects in 398 cities with action grants totaling over $1.2 billion, as of April 11, 1980. Private investors have committed over $7.1 billion of private funds to these projects. These same projects will create or retain more than 288,000 jobs, 198,734 of which will be new, permanent jobs. In addition, 157,904 construction jobs will be created.

The Action Grant program has leveraged $5.60 of private investment for every $1.00 of action grant funding. New property tax revenues totaling $155 million will be generated annually for distressed cities. Every $1.00 of action grant funding has generated almost ten cents of annual property tax revenues to the cities. New permanent jobs have been created at an average action grant cost of $6,497 per job.

These are merely the direct results of the program. Most of these grants have secondary, or spin-off effects which lead to additional private investment, jobs, and tax revenue to distressed cities.

COMPREHENSIVE PLANNING GRANTS

We are proposing an appropriation of $40 million which is $2.5 million below the $42.5 million appropriation of last year. The Section 701 program has been responsible for increasing the capacity of States, regions and cities to develop and adopt plans and for aiding them to initiate a planning process as an integral part of government. Now we are proposing revisions to the program to make it more relevant to the challenges facing us in the 1980's. The revisions build upon the initiatives started under the program in 1979 which require State and areawide applicants to develop strategies covering major issues and problems that address the National Policy Objectives of: (1) community conservation; (2) increasing housing and employment opportunities, especially for the disadvantaged; and (3) promoting orderly and efficient growth, taking into account the need for energy conservation.

REHABILITATION LOANS

Our appropriation request for the Section 312 Rehabilitation Loan program is $124 million, reflecting a $64 million reduction that was included in the recent amendments to the January Budget submission; part of the broader effort by the Administration to balance the Budget for FY 1981. Approximately 700 local governments now use the Section 312 loan program to rehabilitate deteriorated single and multi-family housing and commercial projects in order to help preserve neighborhoods. This direct low interest, long-term rehabilitation program supports and complements the local rehabilitation funded by the Community Development Block Grant program.

The $124 million in new funds that are requested for fiscal year 1981 together with the anticipated carryover balances and loan repayments, will provide a program level of $176 million. This is comparable to the program level for fiscal year 1980 of $177 million which reflects the rescissions that have been proposed by the Administration.

STAFF RESOURCES

An increase of 18 positions over the 1,881 level provided in the 1980 Budget is proposed for 1981. This increase reflects additional workload requirements in the Action Grant program partially offset by reduced staff requirements in other areas. I believe our staffing proposal is sound and is based on work measurement standards that accurately reflect our real needs. I urge you to give our staffing request a sympathetic hearing.

1981 REQUEST FOR CDBG

Mr. TRAXLER. Turn to Community Planning and Development. The 1981 request for Community Development Grants is $3.950 billion, an increase of $150 million above 1980 enacted. No moneys are requested for the Categorical Program Financial Settlement Fund, compared to a 1980 appropriation of $100 million. This account reflects the lion's share of budget changes proposed to reduce 1981 outlays.

BUDGET RESCISSIONS

A rescission of $65.2 million has been proposed in the Community Development Grant program. The $65.2 million rescission includes $40 million of formula entitlement funds and $25.2 million from the Secretary's Discretionary Fund. This later reduced the disaster fund by $10 million; HUD protested last year saying that any reduction in the program would jeopardize UDAG funds due to a provision in the authorization legislation. The Committee maintained that the appropriation bill would be a later expression of the Congress and that UDAG funds could be used if CD was reduced.

The issue became moot because the bill was amended on the House floor. However, it is most interesting to see that the Department has apparently had a change of mind concerning UDAG availablity relating to CD reductions. Tell us why this change took place.

Mr. EMBRY. The change of mind as expressed by the rescission, you mean?

Mr. TRAXLER. Yes.

Mr. EMBRY. That is an interesting point.

Al, do you have anything?

Mr. KLIMAN. Yes, I will respond to that.

I was perfectly aware of the problem and prior to proceeding we consulted our legal staff. Our legal staff told us that, since the provisions of the law had already been met and the funds had been appropriated, there was no further problem in proposing a rescission. We had already complied with all of the necessary provisions and could, therefore, propose a rescission.

CUT IN SECRETARY'S DISCRETIONARY FUND—OUTLAYS

Mr. TRAXLER. Firm but flexible.

The $25.2 million proposed reduction in the Secretary's Discretionary Fund is comprised of $14.5 million of innovative project funds and $10.7 million of disaster funds. Does this mean HUD views these two categories as lower priorities?

Mr. EMBRY. No. The thought process that we went through was that we were given a mark from the President as to how much in outlays we should reduce in fiscal 1981. We had to look within CPD at all our accounts. Several criteria were used. One was to try to get the closest relationship between authority and outlay. For instance, to save $1 of outlay in the 1981 action grant program would require a $5 or $6 cut in authority from 1980 appropriation whereas a cut in the Secretary's Discretionary Fund would produce almost a two-for-one savings for a comparable period.

Second, we were to look into those accounts where the money had been tentatively committed to someone who had an expectation they would get the money as opposed to those accounts that had not been tentatively committed. In the innovative program, we had a competition outstanding for energy-related uses of block grant money. A complaint that we had gotten from around the country was that multifamily energy-related rehabilitation and weatherization was not happening, and local utility people were paying higher utility bills without any relief. However, since competition wouldn't be completed until this summer, we felt we could put off the awards of that money until October 1 and fund them out of fiscal 1981 discretionary money without significant altering timing of project implementation. This assumes we were fully funded for Secretary's Discretionary Fund, which was in the President's budget.

In the disaster program we had not made commitments for the remaining $10 million. We thought we could push that off until October 1. All the other accounts, trust territories, Indians, technical assistance, areawide programs and new communities, already

had specific recipients of the funds identified and their contracts were in process.

So in effect what we were doing was trying to push into the next fiscal year those things we could.

Mr. TRAXLER. How much do you estimate the 1980 obligations are for these two categories?

Mr. EMBRY. To date, for disasters and innovative?

Mr. TRAXLER. Yes.

Mr. EMBRY. I assume we have not obligated any of the innovative but we have obligated about $9 million for disasters.

STATUS OF REALLOCATED FUNDS

Mr. TRAXLER. Explain the $40 million which makes up the remainder of the proposed rescission. Precisely which funds are involved and what effect will the rescission have?

Mr. EMBRY. Those $40 million are funds that are recaptured from entitlement communities that either do not apply, for the block grant program in fiscal 1979 and 1980, or those whose applications have been turned down because they are not willing to meet the requirements of the act.

That money would ordinarily be reallocated and competed for within that State. But again this was money nobody had an expectation of receiving and that is why we selected that for the rescission as opposed to saying entitlement money.

Mr. TRAXLER. For the record, would you list cities unable for various reasons to receive the funds?

Mr. EMBRY. Yes.

[The information follows:]

ENTITLEMENT CITIES NOT APPLYING FOR ASSISTANCE

The following is a list of entitlement cities which did not apply for or receive CDBG funding in 1979:

Haverford Township, Pennsylvania; Colonial Heights, Virginia; Berwyn, Illinois; Cicero, Illinois; Des Plaines, Illinois; Oak Lawn, Illinois; Farmington Hills, Michigan; Livonia, Michigan; Troy, Michigan; Warren, Michigan; Parma, Ohio; Wauwatosa, Wisconsin; Irving, Texas; Midland, Texas; Richardson, Texas; Newport Beach, California; Orange, California.

REDUCTION BASED ON APPLICATION RECEIPTS

Mr. TRAXLER. Explain the following statement which appears on page 3 of the change sheets:

The $40 million estimated for reallocation occurs primarily when communities do not apply for their entitlement block grant. To the extent that these communities do apply and are approved, the amount available for rescission will be reduced.

What does that mean?

Mr. EMBRY. These communities have not applied in recent years and we do not expect them to apply this year. If they happen to come in this year unexpectedly—we have no reason to think they will—that would reduce the amount of money available in this account.

Mainly, these communities have taken the position for several years that they do not want to build low-income housing; therefore, they don't want to participate in the block grant program. None of them have indicated that they have changed their mind on that, by

beginning citizen participation hearings or the A-95 process or any of the preliminary indications that would show they were going to come in with an entitlement application.

Mr. TRAXLER. What happens if the Congress rescinds the $40 million and the reallocation amount is less than is expected?

Mr. EMBRY. I would assume less would be rescinded.

Mr. KLIMAN. The language we proposed for the rescission includes the words "up to" so that the rescission figure for 1980 funds to be rescinded is maximum. It is not an absolute amount.

CATEGORICAL PROGRAM FINANCIAL SETTLEMENT FUND

Mr. TRAXLER. In the Categorical Program Financial Settlement Fund, $88 million is proposed for rescission in 1980. Isn't this an admission that the Congress could have provided no funding for this activity in 1980 without serious effects?

Mr. EMBRY. It is an acknowledgement that entitlement communities could take the money necessary to settle these projects out of their entitlement money.

The assumption was when this fund was set up in 1975 that there would be some communities that would be overburdened by having to pay these financial settlements out of their entitlement money, but the Congress at the same time permitted up to 20 percent of a community's entitlement amount each year could be mandatorily taken by HUD for financial settlement purposes.

It is our belief, if we have to trade off competing demands for the CPD money, that communities can take the money necessary to settle projects out of their entitlement funds. Nobody had any specific expectation of this money, nobody had been identified as the recipient of this entitlement money, nor was their commitment beginning in 1975 or in the previous Urban Renewal programs that the Federal government would provide more money than was originally committed to carry out the renewal project.

So it is certainly not as high a priority as the other programs that we had left uncut in CPD.

FUNDING FOR CONSHOHOCKEN, PA.

Mr. COUGHLIN. Mr. Chairman?

Mr. TRAXLER. Yes.

Mr. COUGHLIN. There were a number of questions asked about this yesterday. I would like to follow up a little bit because—there was a question as to what this represented. I know Mr. McDade has the same kind of question. I will give you an example which happens to be in my district, but I guess it would apply to lots of places.

The Borough of Conshohocken had an urban development project under way for, Lord knows, ever since I have been in Congress, I think it was the first year, and that was some 12 years ago, almost 14 years ago. And that program, they acquired land, they tore down a lot of buildings, there is now vacant land that has not been rebuilt.

I do not know what obligations there are in that, but if, as that program then went on, and it had the usual ups and downs in terms of support from the Borough Council, what have you, but if

that program now needed it, would that mean there would be no way of funding that? If there are any liabilities involved in that program, there would be no way of funding that because of lack of funds?

Mr. EMBRY. The Administration had not recommended for next year any funds be put into this account. The intention was to end it after the sixth year.

Mr. COUGHLIN. I am trying to get at what happens next.

Mr. EMBRY. If they did not apply for any financial settlement money this year, assuming the $88 million had been left in, next year the situation would be the same. Conshohocken was a hold-harmless community.

Mr. COUGHLIN. Yes.

Mr. EMBRY. They had been held harmless for six years, getting money they would not otherwise be entitled to because of the formula. The justification to Congress at that time was to provide funds to permit them to complete their renewal projects instead of having to compete in the metro small cities pot or nonmetro pot, with all the other communities of similar size in Pennsylvania.

Conshohocken got entitlement money for the last six years. Presumptively, they were spending that money to complete their renewal project, so we don't have any further obligation. But assuming they and other small communities have at the moment a need for funds to settle urban renewal projects, my intention is, once I find out what Congress has done, to go back and look at the small cities competition and perhaps recommend to the Secretary and Under Secretary a priority for funding small cities projects for communities that have unsettled urban renewal projects still outstanding. But we will not initiate that discussion until we see what happens this year and in next year's budget.

Mr. COUGHLIN. Along with the Chairman and others, I agree they should be phased out. I am concerned about what happens when I get a telephone call from the Borough of Conshohocken, and a lot of other Members feel the same way.

Mr. EMBRY. That is generally not a debt of the city or the community. It is debt of the renewal authority which the Federal government has guaranteed. So the community could say, we are not going to come up with the money to do it, for these projects because it is not our obligation. The Federal guarantee does exist and the debt will have to be paid off by the Federal government.

My assumption is the entitlement community will take it out of their entitlement funds over a period of years. We may revise the small cities program so they could compete successfully and get money out of that if necessary.

Mr. COUGHLIN. Thank you, Mr. Chairman.

OUTLAY PROJECTIONS

Mr. TRAXLER. Turn to page A-1. Actual outlays in 1979 of $3,161,229,000 were well above the plan of $2.875 billion. The 1980 and 1981 outlay projections have also been revised upwards. To what do you attribute this? Why is that happening?

Mr. EMBRY. Partially in response to the questions of this Committee over the last couple of years, asking why the money wasn't

being spent more rapidly, we instituted an internal monitoring executive management review system which identifies those cities that are slow performers. Our offices then work out a plan for getting them to perform better.

We reduced funding for our first city for slow performance, Houston, just a few months ago. We put them on a schedule that they agreed to. They would be spending the money at least as quickly as it was being appropriated, not even cutting into the backlog of older unspent funds. They were not able to meet that. So we reprogrammed about $400,000 from Houston.

I think that message is going out to a number of other cities. I would attribute it (a) to pressure by the Department, and (b) to increased experience by the cities and urban counties in running the program. Many of them were new as you know to this program, and were not previous urban renewal or model cities communities. It is taking them a while to learn how to operate.

AUTHORIZATION REDUCTION

Mr. TRAXLER. The increased outlays in the program reverse a trend, as you noted. Despite the increase, however, the unexpended balance in the program will climb to $7.1 billion at the end of 1981, as the chart on page A-16 indicates. Providing ever larger appropriations for block grants may not be the wisest policy when we see these unexpended balances continuing to grow.

The House Legislative Subcommittee has recommended an authorization of $3.790 billion for 1981, a reduction of $160 million below the budget.

There is some strong conviction both here and in the Legislative Committee that you could easily live with that reduction. What is your sentiment on that?

Mr. EMBRY. Over the last few months, the communities are now spending the money cumulatively per month, faster than it is being appropriated. This is due to our pressure. A couple of years ago they were spending 50 percent of the money appropriated per month; now they have been going over 100 percent for the past five months. So the capacity has been built up. The communities are spending—as you just noted the increased outlays—money at a faster rate. So I would think they have shown they have the capacity to use funds.

While there may be some slow performers, most communities are spending the money as quickly or more quickly than they can get it. Also, you have to plan ahead a number of years.

If you look at the inflation rate vis-a-vis the increase in funding over the past few years, it has been going up three or four percent a year, whereas inflation has been going up each year more than the increase in funding.

UNEXPENDED BALANCES

Mr. KLIMAN. I would also point out that figure of $7.1 billion represents the unrevised number. After showing the increased outlays, that figure would be reduced to about $6.6 billion, and the major portion of that would be the appropriation received in the year, since in this program the disbursement happens primarily in

the subsequent years. So the numbers are very deceptive in terms of unexpended balance.

Mr. EMBRY. It is about a year and a half's appropriation. To expect the communities to spend their money in 18 months I think is a pretty quick expenditure of funds for capital progams.

SECRETARY'S DISCRETIONARY FUND REDUCTION—1981

Mr. TRAXLER. Turn to page A–9, the Secretary's Discretionary Fund. The 1981 amount is $109.950 million, or basically 3 percent of the appropriation.

The Housing and Community Development Subcommittee has recommended striking the 3 percent clause of the authorizing legislation and substituting specific dollar ceilings. Do you approve of that approach?

Mr. EMBRY. We oppose that very vigorously. The main problem being the reduction of the amount of money available from $109 million to $90 million, the latest figure of the Committee yesterday. Our problem is that the discretionary money that comes out of this fund goes into things that I think are extremely important, I think are undervalued by Members of Congress, and it is our fault because we have not really educated the Members of Congress on this program.

BENEFITS OF TECHNICAL ASSISTANCE

For instance, technical assistance, has evidently gotten a bad name on the Hill over the past decade or so, we are continually criticized by Congress, by the General Accounting Office, by citizen groups about not helping.

Some cities don't know how to run a rehabilitation program or don't know how to run an economic development program or don't know how to spend their money most effectively. We need the capacity to provide technical assistance to assist cities in these types of functions.

I think if we could spend the time with Committee staff or Congressional staff and go through, for instance, those technical assistance contracts, you would see that the benefit to the government far outweighs the expenditure. The money that goes to Indians, the only Indian money in the Community Development Block Grant program, comes out of the Secretary's Discretionary fund. To the extent it is decreased from $109 to $90 million, and if the Indians are taking one-third of the total cut, their money is reduced down to $20 to $30 million.

Mr. TRAXLER. Are you sure they are not buying any gill nets with that?

Mr. EMBRY. I am not positive. I can check that.

Each one of these accounts we think are extremely important. In fact there is a programmatic reduction of 25 percent, which we think is an inordinately high cut. We would be willing to take the same percentage cuts as other programs.

DISTRIBUTION OF CUTS IN SECRETARY'S FUND

Mr. TRAXLER. The 1981 ceiling the Housing Subcommittee has recommended for the Secretary's Discretionary Fund is some $85

million. If that is the amount ultimately appropriated, how would you distribute the reduction from the request? If the Full Committee so acts and if that ultimately becomes appropriated, where would you make the cuts?

Mr. EMBRY. They amended yesterday, as I said, to make that $90 million. But assuming that is a 19 million cut then, roughly from $109 to $90 million, we would have to go back and review each of our accounts with the Secretary. I have no preliminary indications.

We would have to look at trust territories to see how they are spending their money, at new communities to see whether we can reduce that and to see whether we can continue the areawide housing programs. We need to determine the relative effectiveness of each of our programs to make sure we are spending the money where we are getting the most benefit. But I have no preliminary indication as to where they would be reduced because I don't know.

DISASTER ASSISTANCE—1980 REDUCTION

Mr. TRAXLER. The following statement appears on page A-9:

The allocation for disaster assistance projects has been set at the statutory limit of 15 percent of the Secretary's Discretionary Fund because of the continually high demand for such assistance in recent years.

I find that an interesting contradiction to the proposed rescission of $10.7 million of disaster funds in 1980. How do you reconcile these positions?

Mr. EMBRY. The demand for this money is always very high. We do not have the demand this year yet. It will come in the summer but, as I indicated before, we have not made commitments to anyone for this money and we were hopeful we could carry these requests over since it would be just a few months from this fiscal year to next fiscal year.

Mr. TRAXLER. We have had some recent disasters, two hurricanes. We are surprised——

Mr. EMBRY. It takes a while for the communities to get their applications in for us to process them. The money would not be needed until October 1. We would rather not have cut anyway.

Mr. TRAXLER. I like that.

Mr. EMBRY. We only did this because of the necessity of balancing the budget.

ALLOCATION OF RESCISSIONS IN SECRETARY'S FUND

Mr. TRAXLER. Okay. As you may know, this Subcommittee marked up the 1980 supplemental rescissions and the Subcommittee recommendation is to reduce the Secretary's Discretionary Fund by $35.2 million with no reduction to be applied to the disaster category. If that is a final action, how would you distribute this reduction?

Mr. EMBRY. Well, I just heard about this this morning. As I understand it, it is not only that, it is a specific direction that $10 million come from the technical assistance account, if I have heard that correctly.

Mr. TRAXLER. Yes.

Mr. EMBRY. Which is even more troubling. I would like to appeal that, I do not know whether this is too late, whether this is something the Committee is going to reconsider. But again I think there is a misconception about the value of technical assistance. An educational process is needed to go through our contracts and see what we are doing, talk to some of the recipients and see how it is helping us to get your money spent more effectivley.

Assuming that this remains and $10 million has to come from technical assistance, and $15 million would come from innovative, which we already recommended, that would leave about $10 million to take from trust territories, areawide, new communities, and Indians. There is nothing in the inequities account. So it would come from one of those accounts or combination of those accounts. As I have just heard about this in the last hour, I do not know where it would come within that.

The Indians' account, for instance, was added two years ago when the Secretary's fund was increased from two percent to three percent, with the understanding—and we are checking the legislative history—that they get approximately one-third of the money or not more than one-third.

The Indian account could take a pro rata reduction. For every $3 the total money went down, $1 could come from the allocation to the Indians. However, that may not be justifiable. I would have to go back and see how fast the Indians are spending the money they have been given.

SIS CRITICISM OF INNOVATIVE PROJECTS

Mr. TRAXLER. The Committee's 1980 report, prepared last year by the Committee's Surveys and Investigations Staff, was highly critical of management of certain parts of the Secretary's Discretionary Fund. The report singled out the unsolicited proposal activities of the innovative projects category for special criticism. You have addressed fund management on the bottom of page A–9.

Briefly elaborate on some of the management improvements made in the past 12 months. Is there any evidence so far that these changes have improved the program?

Mr. EMBRY. I do not think the report last year was critical of some aspects of the Secretary's Discretionary Fund. It was critical of only one aspect, the innovative grants part. A number of specific recommendations were made. We have adopted all of those recommendations.

We have not made an unsolicited innovative award since the report came out; we have included outside experts in the panel deciding on who gets the innovative grants; we have published criteria for selecting among innovative grants; and we have improved our recordkeeping system as recommended in the report. So we think that everything in that report, which I praised last year as being very helpful, and I would repeat that, has been done.

INCREASES IN TECHNICAL ASSISTANCE

Mr. TRAXLER. The Committee's 1980 report was critical of the technical assistance category and targeted the recommended reduction to that category and innovative projects. Although the Con-

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ference Report was silent on technical assistance. I'm a little surprised to see it increase $1.5 million in the current 1980 plan and increase another $4.7 million in the 1981 to $21 million. What accounts for this growth?

Mr. EMBRY. Well, I do not think the report, I would have to go back and look at it, was critical of the technical assistance expenditures. As I recall the language, the report mentioned technical assistance and said there was not enough experience with technical assistance to warrant any conclusion by the investigator.

If you have that language handy——

Mr. TRAXLER. We are talking about the House Committee report.

Mr. EMBRY. I am sorry. What did that say?

Mr. TRAXLER. We said that the report also addresses several issues that require additional management, referring to the surveys report. The report also addresses several issues that require additional management attention in the technical assistance category, although it determined it was too early to evaluate the results of many previously funded projects.

For example, "Greater coordination of HUD offices is needed to help determine if technical assistance funds are being properly utilized."

In essence, what we are doing, on page 20 of our report, we are quoting the report, paraphrasing it.

Mr. EMBRY. My recollection was correct then. We have had a number of evaluations done of the technical assistance contracts. We go over those that have been out for a year and not refunded some of them and spend a great deal of time and attention on what we are getting for the money. The reason why we plan to increase funding for it is, I believe that it is one of the most important expenditures of money that CPD makes for anything. That is why we have increased funding for it over the last two years.

DUPLICATION OF TECHNICAL ASSISTANCE ACTIVITIES

Mr. TRAXLER. Page A-10 indicates that eight urban areas received up to $500,000 each of technical assistance funds "to plan, implement and evaluate locally developed strategies promoting better air quality and economic development needs."

Of course this Subcommittee also funds EPA and other subcommittees deal with the Department of Commerce. Both of those agencies have devoted considerable man-hours and funding to these needs. Our question is, do you really believe, in view of their efforts, it is necessary for HUD to get into the act?

Mr. EMBRY. As part of the urban policy issued by the President two years ago, one of the findings was that the environmental rules were poorly understood by local governments and were not being used as an economic development tool. They were potentially inhibiting economic development because they were not permitting the expansion or location of industrial facilities in cities.

It was the recommendation of the urban policy that the three agencies, HUD representing the city interests, EPA the environmental interests, and Commerce, through EDA, the economic development interests, get together and help cities work out a model of how to use these environmental rules in a way to further

economic development. There were no examples of this having been done before.

So the three agencies participated in the funding and jointly selected the participants and all three agencies signed off on the necessity for doing this. So both Commerce and EPA thought this was needed, it was not something HUD——

Mr. TRAXLER. List the eight cities that received over $500,000.

Mr. EMBRY. Yes.

Mr. TRAXLER. Was there any funding in these programs from the other departments?

Mr. EMBRY. I believe there was.

Mr. TRAXLER. Also list that for the record, please.

[The information follows:]

FUNDING FOR AIR QUALITY TECHNICAL ASSISTANCE

Listed below are amounts provided by HUD, the Environmental Protection Agency (EPA) and the Economic Development Administration (EDA) to cities participating in HUD's Air Quality Technical Assistance Program.

AGENCY FUNDING FOR AIR QUALITY TECHNICAL ASSISTANCE

Grantee	HUD	EPA	EDA	Total
Bridgeport/Waterbury, Conn	$213,821	$71,306	$213,872	$498,999
Chicago, Ill	117,436	39,154	117,409	273,999
Boston, Mass	213,821	71,306	213,872	498,999
Minneapolis/St. Paul, Minn	98,983	33,008	99,007	230,998
Elizabeth, N.J	213,872	71,306	213,821	498,999
Buffalo/Erie, N.Y	213,872	71,306	213,871	499,049
Portland, Oreg	213,821	71,306	213,872	498,999
Philadelphia, Pa	213,872	71,306	213,821	498,999
Total	1,499,498	499,998	1,499,545	3,499,041

Mr. TRAXLER. Mrs. Boggs?

CLARIFICATION OF REDUCTIONS IN SECRETARY'S FUND

Mrs. BOGGS. I hate to interrupt the train of thought, the questioning going on, but I would like to clarify a point about the Secretary's Discretionary Fund and the disaster fund.

What we were presented with yesterday was a recommendation that a specific amount of disaster funds be rescinded. I thought what we did was to say that those monies would not be taken out, that they would simply be left in the budget. It was in no way intended that anything would be taken away from technical assistance as a result. It was just that the funds for disaster relief would not be removed.

Mr. EMBRY. That was not my understanding. I thought two things were done. One was the $25 million rescission, which included $10 million for disasters, was kept, with the direction that that $10 million that was going to come from disasters, not come from disasters, but come from someplace else.

Mrs. BOGGS. That was not my understanding of it.

Mr. EMBRY. My information is all second-hand.

Mrs. BOGGS. I am being told that subsequent action by Mr. McDade did reduce some of the program sufficiently so that we had to put into the language that the money not come out of the disaster funds. But when I was talking to the problem, my major objective was to ensure that the $10.7 million that goes to the disaster funds not be taken out.

I did not realize it would come out of technical assistance.

Mr. EMBRY. There were two, as I understand it, separate decisions made.

Our rescission request was for $25 million. We earmarked innovative and disasters.

Mrs. BOGGS. Yes, 14.5 for innovative and 10.7 for disasters.

Mr. EMBRY. Right. As I understand, the Committee said we will accept the 25, but you can't take any of that out of disasters, which means we have to find that 10.7 someplace else, with technical assistance being one of the areas that are candidates.

In addition to that decision, which already attacks technical assistance to some degree, a separate reduction of another $10 million was made in the Secretary's fund for a total reduction of $35 million with the specific direction that $10 million come out of technical assistance which is even more of a shock to our system.

Mrs. BOGGS. That certainly was not the understanding of those who were sitting here.

Mr. EMBRY. As I say, this is all second-hand.

Mrs. BOGGS. I don't think we realized we were doing that.

Mr. EMBRY. If it is possible to reconsider that—I do not know the rules of this Committee—it would be extremely helpful to us.

Mr. TRAXLER. Mrs. Boggs is a very persuasive Member of this Subcommittee. Did you have anything further?

Mrs. BOGGS. No. I just think there was a misunderstanding because we did not realize that an additional $10 million will be rescinded. It was my objective certainly in pointing out the needs for disaster funds that those funds, the $10.7 million, be left in.

Mr. EMBRY. And the rescission decreased from $25 million to $15 million?

Mrs. BOGGS. Yes.

Mr. EMBRY. That would be dramatically different than what happened, or what appears to have happened.

Mrs. BOGGS. Yes. I did not realize what happened subsequent to that. I suppose I wasn't paying proper attention. I did not realize either that there was an additional $10 million rescinded from technical assistance.

Mr. EMBRY. Not only that, but there were two additional $10 million blocks of money rescinded.

Mrs. BOGGS. In categorical?

Mr. EMBRY. No, as I understand your interpretation, the rescission was not $15 million, it was $25 million, with $10 million in disasters to come out of someplace else. In addition to that, another $10 million taking it up to $35 million was rescinded to come out of specifically technical assistance.

Mrs. BOGGS. Perhaps we can have a reconsideration. That was certainly not the purpose of keeping the $10.7 million in for disaster relief.

Mr. EMBRY. If I might, Mr. Chairman, with your indulgence, spend one second on the $10 million additional for technical assistance. I gather that had some connection with the additional $10 million for financial settlement, although that may not be the case. To compare the benefit of $10 million in technical assistance to $10 million in financial settlement which would go to two or three cities to settle their renewal projects, as opposed to us canceling 10 to 15 technical assistance contracts and having them not hire the people and not proceed, the benefits do not seem to be proportionate between those two actions.

Mrs. BOGGS. Well, of course, the big problem, Mr. Chairman, if I may speak to that——

Mr. TRAXLER. Surely.

Mrs. BOGGS [continuing]. Was that the Urban Renewal program projects have continued after the three hold-harmless years that were prescribed in the 1974 Act, when we put all of our categorical eggs into the CD basket. The feeling was that three years would be sufficient to allow for folding the programs into the Community Development Block Grant program.

However, what we all had forgotten early on was the fact that urban renewal monies had been impounded. It took some time to release some of those monies, even in the cities that were in the hold-harmless position. We then had to extend the help over more than the three years originally planned. The feeling was that in the additional three years' time, a total time of six years, that the programs should be phased out.

The current difficulty, of course, is that some cities still have settlements to make in their Urban Renewal programs. It is important that money should still be there to help those cities.

Mr. EMBRY. Not only have they gotten the hold-harmless amount for five years, they have gotten the additional $100 million for four years.

Mrs. BOGGS. That is right.

Mr. EMBRY. I was just trying to compare the relative merits of that additional $10 million for financial settlement in this year, versus that $10 million for technical assistance.

Mrs. BOGGS. Well, I do think there are some cities that do need the settlement funds but I was not aware that providing those funds would be an additional burden upon the technical assistance amount.

Thank you, Mr. Chairman.

Mr. TRAXLER. Returning then, also provide for the record the 16 States that were aided with the $3.5 million in 1978 in preparing Community Development Grant applications. And if any were assisted in 1979, provide those States and the amounts.

Mr. EMBRY. Those 16 States are coming in tomorrow to report on their use of the money and it would be very helpful if any of the staff are inclined to attend those meetings. That is one indication of the effectiveness.

I have not heard the report yet. You may find that you do not think it is very effective. But it is one way of finding out how this money is being used if anybody wants to attend.

Mr. TRAXLER. We would detail staff if HUD were not going to be here tomorrow.

Mr. EMBRY.They will be here Friday, too.

[The information follows:]

TECHNICAL ASSISTANCE FOR COMMUNITY DEVELOPMENT APPLICATIONS

Listed below are the sixteen States that were assisted in 1978 under the State Technical Assistance Program. No assistance was provided in 1979.

Florida	$292,763	New Jersey	$300,000
Georgia	300,000	New York	273,000
Illinois	260,000	North Carolina	273,000
Louisiana	123,483	Ohio	195,616
Maryland	209,911	Pennsylvania	300,000
Massachusetts	116,000	Vermont	90,250
Michigan	201,077	Wisconsin	274,900
Minnesota	250,000		
Nebraska	40,000	Total	3,500,000

ENERGY CONSERVATION INITIATIVE

Mr. TRAXLER. In February, HUD announced a new initiative aimed at encouraging energy conservation. The $11 million grant competition involves $10 million in innovative projects money and a $1 million transfer from the Department of Energy, is that correct?

Mr. EMBRY. Yes, sir.

Mr. TRAXLER. How will this operate and when do you anticipate the first awards will be announced?

Mr. EMBRY. When we announced it, we anticipated the first award would be announced in June or July. Then we got the request to reduce the outlays for fiscal 1981; and we recommended a rescission of the innovative money for fiscal 1980, which means we will not be able to announce any winners in fiscal 1980.

We had assumed that we would have the amounts requested in the President's budget for fiscal 1981 which would permit us to announce in October or November of 1980. That had been our assumption to this point in time. In terms of how it would work, do you want to know what do we anticipate the money being spent on?

Mr. TRAXLER. Yes, broadly.

Mr. EMBRY. Two elements; one was to encourage communities to come up with energy conservation strategies because there were a number of cities, Portland being the leading one, Davis, Seattle, St. Paul, Fitchburg, have come up with very effective strategies to conserve energy. We wanted to encourage that though the money was not for planning.

The second strategy was to use the money to address energy conservation needs in the communities, particularly focused on those of low and moderate income, particularly the problems of rental housing which I indicated before, which is not being addressed by any of the energy programs that are now in effect or before Congress.

USES OF INNOVATIVE FUNDS FOR ENERGY CONSERVATION

Mr. TRAXLER. With the limited funding available in the innovative projects category, you allocated considerable portions of that to this one area. Why was that decision made?

Mr. EMBRY. Because we think that energy is one of the two or three most critical problems facing this country and that every agency, and the President, has agreed and so directed every agency, should be pushing as hard as it can to get its programs used in a way that will maximize energy conservation.

Mr. TRAXLER. Are you going to use any carry-over funds for these grants?

Mr. BROWN. In terms of the innovative funds, there would not be any carry-over funds, we are rescinding all innovative funds.

Mr. TRAXLER. In view of the action of the Subcommittee yesterday?

Mr. EMBRY. Yes, and our recommendations to Congress were that all of the innovative money that we have left be rescinded.

Mr. TRAXLER. Can you tell us what the current unobligated balance is in the innovative area?

Mr. BROWN. I will supply that for the record.

[The information follows:]

UNOBLIGATED BALANCE—INNOVATIVE PROJECTS GRANTS

As of March 31, 1980, the obligated balance for innovative project grants was $25.4 million, of which $14.5 million was included in the 1980 rescission proposal.

TERMINATION OF FUNDING

Mr. TRAXLER. During last year's hearing we discussed drawdown rates and sanctions imposed against laggard communities. I notice on page A-11 that HUD has established drawdown targets for each regional office. Paragraph 8 also indicates: "The Department also has an objective of terminating non-performing grantees, recapturing the funds, and reallocating the funds to communities that can use them."

Have you terminated any communities in the past five years?

Mr. EMBRY. Houston is the one that I indicated before was the first. That was a reduction.

Mr. TRAXLER. You have really not terminated any community?

Mr. EMBRY. We have for poor performance—DuPage County, for instance, has been a poor performer, but it wasn't on the drawdown of funds primarily, although that was one of the problems. None that I know of in terms of not spending the money, we have not terminated any.

Mr. TRAXLER. If we are talking about the block grant entitlement program, cities——

Mr. EMBRY. I was talking about entitlement money. We have not permitted small cities to participate further in the program if they have not performed adequately under the previous grants.

SLOW DRAWDOWN RATES

Mr. TRAXLER. We are looking at the tables you provided during the course of the hearings last year. We notice that Nassau

County, New York, percentage drawdown was 14 percent; Virginia Beach, Virginia, 15 percent drawdown. Have you done anything in the case of those two communities?

Mr. EMBRY. Well, I would have to go back to those two specifically.

We just reviewed with all of our regions the communities not performing up to the schedules that we had set for them this year. Neither of those two communities was on the list. So I will find out specifically about them.

Mr. TRAXLER. Submit that for the record.

Mr. COUGHLIN. Can I ask, this is how fast they accept the funds?

Mr. EMBRY. No, how fast they draw down the money once they have gotten it. Once we have signed the contract with them, approved their application, how fast they actually draw down the money.

Mr. COUGHLIN. Thank you, Mr. Chairman.

[The information follows:]

STATUS OF DRAWDOWNS FOR NASSAU COUNTY, N.Y. AND VIRGINIA BEACH, VA.

[Dollars in thousands]

Locality	1979 grant amount	Cumulative grant amount	Cumulative amount drawdown [1]	Percent drawdown
Nassau County	$9,397	$22,047	$6,578	30
Virginia Beach	2,560	9,105	4,419	49

[1] As of Mar. 31, 1980.

ANALYSIS

Nassau County

Nassau County drawdown of funds, viewed strictly on the basis of the percentage of total funds drawn down, presents only a partial and somewhat distorted picture of this community's use of Community Development Block Grant (CDBG) funds. Prior to 1978, Nassau County received grants which totaled $4,593,000. For 1978 the county's allocation increased to $8,057,000. This amount was higher than all the previous years combined. In 1979 the grant increased to $9,397,000. The reason for the higher allocations, beginning in 1978, was the implementation of the "dual formula" authorized by the Housing and Community Development Act of 1977. Because of this unique funding pattern, and the fact that their drawdown rate has increased, Nassau County was not included as a selected city for the Department's Executive Management Review System.

Virginia Beach

This community has had problems drawing down its allocations. At the beginning of its fiscal year 1979 program year, the community had a large backlog of unspent funds on hand. However, this grantee is now making significant progress in drawing down its funds at a faster rate.

In the last nine months, Virginia Beach has drawn down more than $3 million. This indicates that the city has been able to use funds at a rate equal to new grants and also has begun the process of reducing the backlog. This improvement is due, at least in part, to the selection of Virginia Beach for special attention in the Department's Executive Management Review System.

SECTION 108 LOAN GUARANTEES

Mr. TRAXLER. Page A-12 addresses Section 108 loan guarantee activity. The Department had proposed a limitation of $300 million for this activity. That was reduced to $250 million in the March

budget amendments. Based on 1979 actual experience, even $250 million may be very generous. What are 1980 guarantees to date, if you could give us the number and the amounts?

Mr. BROWN. So far 13 loan guarantees for about $63 million. We have of course, Mr. Chairman, some additional amounts pending that have not yet been approved.

Mr. EMBRY. We would like to submit those also.

[The information follows:]

PENDING SECTION 108 LOAN GUARANTEES

As of April 30, 1980 seven loan guarantee requests in the amount of $41.9 million were under review. In addition, it is expected that a significant number of loan guarantee requests will be submitted together with block grant applications, most of which are just now being received in the Area Offices. On this basis, the Department believes that the current estimate of $200 million in commitment in fiscal year 1980 is reasonable.

ECONOMIC DEVELOPMENT GRANTS

Mr. TRAXLER. Mrs. Boggs, did you have any questions on the Community Development Grants?

Mrs. BOGGS. I have some, Mr. Chairman.

I guess I can pursue them at another point. Are we leaving Community Development Block Grants now?

Mr. TRAXLER. We are. But you can submit them for the record if you prefer at this point.

Mrs. BOGGS. Very well.

[The questions follow:]

TECHNICAL ASSISTANCE THROUGH STATES

Question. I see you awarded $3.5 million in State Technical Assistance Grants in 1978 to 16 States. Louisiana has been an enthusiastic participant and state officials are strong advocates of this form of CDBG technical assistance funding. I know you have been evaluating it. Do you plan to continue using this method?

Answer. The Department plans to continue providing CDBG technical assistance through States as well as using other modes of delivering technical assistance to CDBG participants. The Department believes the provision of technical assistance to communities, through the States, is a productive and efficient use of CDBG funds. State administered technical assistance programs are especially important to small communities, both in applying for CDBG funding and in carrying out a program once a grant has been approved.

USE OF CDBG FOR REHABILITATION

Question. A GAO report on housing rehabilitation funds recommends that the use of direct rehabilitation grants be prohibited under the CDBG program and replaced with deferred payment loans. What does HUD think of this GAO recommendation?

Answer. The Department agrees that grants are often not the most appropriate or effective means of funding property rehabilitation and that they have been used to the exclusion of other more effective financing techniques. In its technical assistance activities, the Department has been actively promoting the use of deferred payment loans as an alternative to grants. However, we believe that there are situations, especially with very low income borrowers, when grants are necessary and that they should not be eliminated as an eligible Community Development Block Grant activity. Moreover, local discretion in the use of Block Grant funds, is the cornerstone of the program and the Department believes it unwise to administratively "prohibit" the use of funds for activities which are permitted under the statute.

Mr. TRAXLER. Mr. Coughlin?

Mr. COUGHLIN. The Community Development Block Grant program is the largest single source of funds available to local communities. It appears more and more funds are being devoted to economic development purposes. Do you expect this economic development emphasis to continue?

Mr. EMBRY. I think that among the distressed cities more of them are realizing that the creation of a permanent tax base and jobs is one of the major enhancements to their situation, and I would think that the level of expenditure would remain at least as high as it is now. I wouldn't expect it to decrease.

Mr. COUGHLIN. Does the authorization bill currently pending contain any direction on this?

Mr. EMBRY. No.

Mr. COUGHLIN. I guess you have a question of whether it is HUD or Commerce in a sense, don't you?

Mr. EMBRY. Yes. There is very little done with the block grant money that is not done by some other agency, streets are paved, sewer lines are built, water systems are put in, houses are rehabilitated, which Farmers Home does; almost everything that is done you could find someplace else in the Federal government.

The EDA, within Department of Commerce, has a discretionary program that funds things on a two-year basis. For instance, staffing and planning assistance, as opposed to the block grant program, which is an ongoing pot of money that the cities know they are going to get and can plan for. SBA, for instance, does a number of things which are related to block grants.

Block grants seem to be filling in the gaps between these other categorical programs and would be needed whether it was in HUD or someplace else, this was the reason the block grant program passed in the first instance. It has always been an expenditure in economic development since the program began and is specifically permitted in the authorization language.

ESTABLISHMENT OF NEW POLICY FOR HAP

Mr. COUGHLIN. On July 5, 1979, a new policy was announced for the 6-year Community Development Block Grant funds, housing assistance goals must be set for every municipality not just the county as a whole. Is this policy now in effect?

Mr. EMBRY. No, sir.

Mr. COUGHLIN. It is not?

Mr. EMBRY. We were requested by the counties, who pointed out some of the down-sides of doing that, and we agreed with them.

Mr. COUGHLIN. You agreed so you do not intend to have it go on?

Mr. EMBRY. No, we took it out of the directive.

REGIONAL HOUSING PROGRAM

Mr. COUGHLIN. Can you tell us a little bit about the regional housing program? We discussed this generally earlier. How much money is the fiscal 1981 budget for this project?

Mr. EMBRY. There is none in fiscal 1981 that I am aware of. I will check and submit that for the record.

[The information follows:]

REGIONAL HOUSING MOBILITY PROGRAM BACKGROUND AND 1981 FUNDING LEVEL

No CDBG funds have been budgeted for the Regional Housing Mobility Program for fiscal year 1981.

The Department did provide $1,859,000 in 1979, for the Regional Housing Mobility Program, to sixteen Metropolitan Areawide Planning Organizations and The Chicago Urban League for the purpose of promoting increased housing choices for low income and minority persons on a regional basis. Organizations participating in the Regional Housing Mobility Program will be utilizing "mobility" funds to develop and implement a mechanism to utilize Section 8 Existing Housing Certificates on an interjurisdictional basis. Also, Regional Housing Mobility funds are used to initiate referral, vacancy information exchanges and other housing counseling services to facilitate the movement of low income and minority persons to housing in non-concentrated locations. Participation in the program is strictly on a voluntary basis.

REGIONAL HOUSING MOBILITY

Mr. EMBRY. I do not think there is any. The money that was in fiscal 1980 was money for particular assistance to metropolitan areawide organizations to help communities provide housing choices throughout the metropolitan area for those persons seeking it. This is the result of a number of court decisions and critiques of HUD that we were not providing for this mobility. It was a criticism by some that we were—the groups carrying this out were forcing, if not forcing at least pressuring, people to get Section 8 certificates to move out of impacted neighborhoods.

We have gone out and made clear that that is not the case. The case must be that those who choose to participate provide the opportunity for persons to stay where they are or move wherever they would like to move, assuming there is someplace that will rent to them. This is a Section 8 existing program. It has been, so far, very successful as opposed to the new construction.

We had a discussion a couple of weeks ago about the opposition to new construction, as opposed to the lack of opposition to families moving into existing units, and we are very excited about what this regional mobility and other similar efforts are showing, that you can provide people housing mobility without exciting this negative neighborhood reaction.

PUBLIC OPINION POLLS

Mr. COUGHLIN. We have discussed at length some of the HUD criteria, particularly some criteria that are being suggested, putting 50 percent in impacted neighborhoods, 50 percent in nonimpacted neighborhoods. Has HUD ever taken any public opinion poll of people in minority neighborhoods as to whether they would prefer to move to another neighborhood or have their own neighborhood fixed up, stay in their own neighborhood?

Mr. EMBRY. There are a number of them. A Lou Harris poll is the most recent one I have seen in this general area, done by PD&R.

Dr. Shalala has not been up here yet.

Mr. COUGHLIN. We will reserve questions for her.

Mr. EMBRY. In fact, she would be the one that would do this kind of opinion sampling. I have seen various studies over the years. When I was running a local program in Baltimore, we always would ask the people in the community as part of our planning process where they would like to live. There is a great deal of data

that I have seen there. So let us supply you with what I can find in terms of this type of information.

Mr. COUGHLIN. Could you provide that personally to my office as well as to the Committee?

Mr. EMBRY. Right.

NEIGHBORHOODS CHANGING ECONOMIC COMPOSITION

It, of course, varies as to how the question is asked. Some people would say they would like to stay if their neighborhood was fixed up. If it was made into a different type of neighborhood—that is not like their present neighborhood. However, it might never become the neighborhood that they are imagining without displacing a large number of low-income people, because many of the problems come from the fact that there are a lot of poor people there.

They say yes, I would like to stay here in this house if there wasn't high crime, for instance, but to reduce the crime rate would mean to change the economic composition of the neighborhood. It is probably impossible to ever make that neighborhood a low-crime neighborhood and still have 80 percent poor, 70 percent, 60 percent poor, without the whole range of educational assistance programs that are far beyond anything the Government is providing or ever would expect to provide. In any event, let me provide you with the data.

[The information follows:]

BALTIMORE OPINION SURVEY HOUSING LOCATION CHOICE

Interviews of 12,348 households were conducted for six Urban Renewal areas in the City of Baltimore to determine their housing location preference. The results showed that 42.3 percent preferred to remain in their present neighborhood, 46.5 percent preferred to leave their present neighborhood, and 11.2 percent were undecided. In four of the six neighborhoods, a greater percentage of the households indicated the desire to leave their neighborhood.

RESEARCH FUNDS SPENT ON HOUSING MOBILITY ACTIVITIES

Mr. COUGHLIN. The reason for my questions is that we spend millions and millions of dollars on research, and I would hope that our research would provide useful information.

Mr. EMBRY. One interesting example is that the TRO experiment in Chicago, where the Supreme Court found that HUD and the City were violating the Federal Constitution by locating all the low-income housing in the minority neighborhoods in the city of Chicago; and as part of the relief under that court action all of the persons on the waiting list of the Chicago Public Housing Authority were asked whether they were interested in moving outside of the city to a nonimpacted neighborhood. I believe a third of those responding said, yes, they wanted to. I can get you the exact statistics.

Mr. COUGHLIN. Thank you, Mr. Traxler.

Mr. TRAXLER. Mr. Sabo?

Mr. SABO. Thank you, Mr. Chairman.

Mr. Embry, first let me simply express my opinion that this is a very good program and I think it does lots of good things, and I guess in terms of the budget this year, if I have one disappoint-

ment it is that while the Administration is searching for some nebulous $500 million for some undefined program, I would much prefer to have seen that effort going to either increasing this program, Title XX Social Services, or splitting and putting it into both of these programs. My judgment is that would have been a better policy decision.

OPERATION OF DISASTER ACTIVITIES

But I have a couple of questions. One comes back to the disaster fund that we talked about. I really don't know much how the program works. Are those 100 percent grants for particular projects?

Mr. EMBRY. Yes, sir.

Mr. SABO. Are they given primarily to governmental units or to individuals?

Mr. EMBRY. They are exclusively to governmental units.

Mr. SABO. When we were——

Mr. EMBRY. Could I elaborate? They may be passed on to individuals by the governmental unit, but they go to the governmental unit.

Mr. SABO. Okay, but do they go to the governmental unit for public improvements or will that vary?

Mr. EMBRY. It varies for activities that are eligible under the block grant program.

Mr. SABO. When we heard the FEMA budget, we visited about the potential of limiting disaster payments that go directly to units of government to only a certain percentage of a project, I forget what percentage we discussed but it was suggested that they pay for no more than potentially 75 percent of the project from the emergency FEMA grant and the balance would come locally.

If we are to move that direction in FEMA, would you have any objection to us moving in the same direction here?

Mr. EMBRY. The limitation would be on the percent of the total assistance that could come from the Federal government?

Mr. SABO. Yes.

Mr. EMBRY. I would assume that, if Congress wanted to move in that direction with FEMA, the same reasoning would apply to the block grant program.

DESIGNATION OF CDBG FUNDS TO NSA'S

Mr. SABO. It would seem to me both should be the same.

The second question relates to a problem that continues to be troublesome to us in our community, and that is the designation of NSA's, particularly when it comes to the provision of social services. I think the requirement is 80 percent of the funds go to residents who live within NSA's. Do the NSA's have to be contiguous geographically?

Mr. EMBRY. Yes, sir.

Mr. SABO. Is that by law or by regulation?

Mr. EMBRY. That is by regulation, and no one has ever asked us to change that. I have never heard any reason why someone, if they are going to have a noncontiguous NSA, would have two NSA's.

Mr. SABO. Here is the particular problem we have in our community, probably more of our funds go for social services than the pattern in some other communities because its the successor to the Model Cities and a variety of other social programs. Our senior citizen high-rise units have been fairly well scattered throughout the city, both the public housing ones and the newer ones, too, so you are dealing with a large group of low-income people there, but most of them tend not to be located near NSA's. They are a large pocket of people who would be eligible for these programs on all other criteria. But because we have successfully scattered them throughout the city they are not living in NSA's.

Mr. EMBRY. I would think that would be statutory. I think the statute would have to be changed. If the law says that we can only permit public service expenditure where concentrated community development physical expenditures are taking place, and that in order to help pockets of low-income people, that are scattered around with just public services, would require a change in the law.

Mr. SABO. That would require a change in the law?

Mr. EMBRY. Yes, sir, it is something that we have discussed with the Committee over the past few years, both Committees, the authorizing Committees in both houses, and they seem to be very strong on wanting to limit public services to support of the physical CD expenditures. That is the only justification for Title XX or CETA or some other account to be included.

Mr. SABO. None of these people really fight for the same types of services and that is part of the problem. The current problem involves an extensive van program of transportation for senior citizens.

Mr. EMBRY. Revenue sharing should be added as another possibility.

Mr. SABO. Yes.

Mr. EMBRY. I do not mean to express an opinion whether it is wise or not. All I am saying is that is something that I think would require a law change and has been discussed by both Committees explicitly over the past few years.

Mr. SABO. So it would require a law change rather than a regulation change?

Mr. EMBRY. Yes, sir.

Mr. SABO. Thank you.

URBAN DEVELOPMENT ACTION GRANTS

Mr. TRAXLER. Let's turn to Urban Development Action Grants. Before we start the justifications, Bob, can you tell us what the disposition is of the Department of Treasury's proposed regulation that is being reviewed by, I believe, HUD counsel at this point. I understand that this regulation qualifies certain bond issues for tax-exempt status where they are going to be financing community portions or private portions of the Urban Development Action Grants program?

Mr. EMBRY. I don't know as of today where that stands. We have been negotiating with Treasury for some time. Treasury wanted to take a rather restrictive view of the Bayh amendment. Ours was a

more permissive view. I don't know as of the last few days where that stands. I will find out and submit it to you.

[The information follows:]

PROPOSED REGULATIONS—TAX-EXEMPT BONDS FINANCING UDAG PROJECTS

Treasury has taken a very restrictive view of the Bayh amendment. This amendment increased the amount of tax-exempt industrial development bonds in connection with a UDAG project from $5 million to $10 million and provided an additional aggregate amount of $10 million capital expenditure. HUD is taking a more permissive view, which we believe was Congress' intent.

The Department is preparing written comments on the Treasury regulations and is in the process of scheduling a meeting with Treasury to review their proposed regulations in detail.

1981 REQUEST FOR UDAG

Mr. TRAXLER. Turn to Tab B, the Urban Development Action Grants program. The 1981 request is $675,000,000—identical to 1980 enacted. The UDAG program was not targeted for reduction as a result of the Administration's budget balancing exercise. However, the House Budget Committee assumed a $175,000,000 rescission in 1980 and a $175,000,000 reduction in 1981. Did the Administration leave UDAG intact because the outlay impact is minimal or because it is viewed as such as a high priority?

Mr. EMBRY. Both.

Mr. TRAXLER. What was the Department's request to OMB for the UDAG program?

Mr. EMBRY. There were different levels depending on the ranking.

Mr. BROWN. For UDAG, our request for 1981 was $800 million.

Mr. TRAXLER. And where did it rank in the ZBB list?

Mr. BROWN. It ranks at 145.

Mr. TRAXLER. Out of how many programs?

Mr. BROWN. Well, Al would have to speak to where the cutoff was.

Wasn't the cutoff at 164?

Mr. KLIMAN. We had 164 decision units, the additional $125 million above the $675 million budget level was ranked at 145.

Mr. EMBRY. $675 million was ranked 15th.

Mr. BROWN. We do the ranking by increments as we go along.

OUTLAY LAGS

Mr. TRAXLER. Outlays in the UDAG program lag far behind obligations. As the justifications indicate on page B–11, this is partly because "to the extent possible, grant agreements call for the commitment and expenditure of private funds before action grant funds are spent for project development."

Mr. EMBRY. I believe the projections for this year were on target. I think as of six months we are almost exactly halfway through our projection. In terms of accuracy of projection, in terms of whether the production should be higher or whether production should be lower, I believe your investigative committee report applauded HUD and its mechanism that it uses, which does keep outlays low and postponed the expenditure of Federal money until the private money is in place.

Mr. TRAXLER. That is certainly a wise policy.

Mr. EMBRY. Yes, sir, we think so.

Mr. BROWN. For the record, Mr. Chairman, the outlay through March is about $90 million, which is about where we should be at this point based on our projection for the entire year.

BUDGET REDUCTIONS IN 1980

Mr. COUGHLIN. Mr. Chairman, I guess I am a little amazed that UDAG was entirely untouched in the budget reduction exercise, because as I have stated at other times, we are not looking at 1981 outlays, really we should not be looking at 1981 outlays; we should be going down the line as well, because that is how we got into this mess in the first place, by having programs that obligated ourselves down the line.

UDAG is one of few programs, realizing this is a worthwhile program and had a great deal of leverage, it is not a formula program or not a program built into a community's budget. We do have the flexibility to reduce or to cut or to defer an expenditure somewhere down the line. I am a little puzzled, seeking to look at areas where you could reduce the budget, why you didn't touch this program at all.

Mr. EMBRY. Some of the points you state are some of the reasons for not cutting, however, unlike many other programs, it is a highly targeted program. It is targeted not only on distressed cities as opposed to being spread out to many communities that don't need the money; but, secondly, it is targeted on opportunities as opposed to many programs that both exist now and in the past that have spent money in the hope that something will happen but nothing ever happens.

A second point, in addition to its targeting, is its leverage. The impact of Federal dollars on action grant programs is measurably greater than the impact of any other economic development program or any other development program in terms of specific private commitment, and I think those are the two primary reasons for not cutting the program.

AUTHORIZATION REQUEST

In terms of the currently proposed 3-year authorization which the Administration recommended at $675 million a year, there is no recommendation for an increase of that amount of money.

Mr. COUGHLIN. But it is one of your largest discretionary programs; am I correct?

Mr. EMBRY. Within CPD or within HUD?

Mr. COUGHLIN. Within HUD.

Mr. EMBRY. In terms of dollars, the discretionary part of the Section 8 program I would imagine is larger, it depends on how you value $675 million. The Section 202 program is discretionary. All of the housing is discretionary in the sense there is no decision as to who gets them within the allocation formulation; its up to HUD to decide who gets the housing money.

Mr. COUGHLIN. Thank you, Mr. Chairman.

POCKETS OF POVERTY PROGRAM

Mr. TRAXLER. The 1979 HCD Amendments included a provision making eligible for UDAG funding "pockets of poverty" in cities otherwise ineligible. Has the Department issued guidance on the Pockets of Poverty program yet?

Mr. EMBRY. Yes, sir.

Mr. TRAXLER. And they are in effect now?

Mr. EMBRY. They were issued for interim effect.

Mr. TRAXLER. The Authorizing Legislation makes available up to 20 percent of funds appropriated for pockets of poverty. However, the eligibility requirements are very stringent. How wide spread do you believe the Pockets of Poverty program will become? When do you plan to make the first Pockets of Poverty grant awards?

Mr. EMBRY. May 1st. We made the first grant award a month ago. In terms of the amount of demand, there has been a large number of communities that have come in and expressed interest. Their interest, however, seems to be toward doing projects that are not in the Pocket of Poverty but using the Pocket of Poverty amendment to justify their funding. Once we have educated them on what we believe to be the intent of Congress, I don't know what the demand will be at that point in time. However, there has been a great deal of interest to date.

UDAG APPLICATION APPROVALS

Mr. TRAXLER. As of March 15, 1980, 1,053 UDAG applications had been received. 594 projects were approved for funding, including 32 which had approval revoked mainly for lack of private funding commitment. That's an extremely high approval ratio of 56 percent.

It is interesting to note that when UDAG funding was increased 68 percent in 1980 to $675 million—applications submitted increased only 10 to 15 percent. I wonder if we are funding only high-quality projects at the $675 million level? Are you convinced that is the case—when 56 percent of applications are funded?

Mr. EMBRY. Well, I would like to make two points. One is that the April and May applications receipts—April for large cities and May for small cities—are the highest level we ever had. For instance, small cities have gone up from 61 to 100, which is an increase of two-thirds. In terms of the large cities, first round that we had in April 1979 there were 45 applications. The last round we had 68. So that is an increase of about 50 percent.

In terms of whether we are funding lower-quality projects, we find the projects are much higher quality. One of the important aspects of actual action is the in-house technical assistance that involves the staff working with the community in making something fundable that was not fundable when it came in. Once a community has some private sector expression of interest in the project, we think that in many of the cases we can work with them to make a fundable project out of it, and that is our aim.

That is why the percentage might be higher in some other program. We think it is a real disservice to a community to have to go out and hold public hearings and get the private sector involved and interested in comment and be turned down by us mostly

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because we didn't work with them to make the application fundable and expect the community next time to go back to the private sector and say, "How about coming in and working with us on an action program?"

So we try to make the application fundable, if possible. In some instances this is not possible.

SIS REPORT—DECISION PROCESS

Mr. TRAXLER. Recently the Committee's Surveys and Investigations Staff completed a review of the UDAG program, which was made available to the Department prior to today's hearing. [Complete report on page 334.] The report is generally complimentary, but it also raises a few points worth pursuing.

For example, page (iii) of the summary states, "A concise clear audit trail on project decisions is nonexistent, although with some effort and discussions with the specific team member a decision logic can be documented" What does that mean?

Mr. EMBRY. That means that much of the negotiation back and forth with the community is done in person or by telephone. Our staff does not always have the time to put down in the file a memo on each conversation. We try to act within the shortest time period. I believe we have the fastest turnaround time of any Federal program 60 days after the application period ends. This means that many of the negotiations are continuing until the last moment and the reviewer is not concerned that conversations are always recorded. We will try to do better, but there is a tradeoff with the amount of writing in the file and the speed with which we can respond to the applications.

Mr. TRAXLER. In these kinds of applications, the projects that are involved, I suppose time is of the essence. Developers of communities are always anxious to get the program underway, especially if they are going to get advantage of the latest downswing in interest rates, I am sure.

Mr. EMBRY. Right! Whether the interest rates are coming down or going up, every year since the Second World War the costs of construction have been going up. If the private sector cannot move into the ground, their commitment becomes questionable and has to be renegotiated.

NEED FOR ADDITIONAL DOCUMENTATION

Mr. TRAXLER. Pursuing this issue, looking at the bottom line on page 11, the report addresses the documentation issue. Even though considerable project documentation is done by phone, as the report notes, "More needs to be done to formally document these matters." What are you doing in this particular area?

Mr. EMBRY. We have review sheets that we are using which respond to earlier comments, and we are directing our staffs to try to record as much as possible. There is going to be a limit as to what is possible. We are trying to respond, and will respond, for the record, as to what we are doing specifically, if that would be helpful.

OUTSIDE INFLUENCES

Mr. TRAXLER. Page 13 indicates that due to the somewhat subjective nature of the program, it is "open to various types of pressure on the decisionmaker." The last paragraph on the page states, "The documentation or process should but does not indicate, what, if any, weight a Congressional or White House letter of support or frequent urgings by a community, mayor or large corporation provide, or how much harder or easier negotiation with UDAG staff may be for a particular applicant."

Mr. Secretary, how do you assess the program's susceptibility to pressure?

That is the kind of question Mr. Coughlin would ask.

Mr. EMBRY. We think that every action grant we have awarded can be objectively demonstrated as to why that grant was awarded as opposed to why one was denied. No grant since the program has begun has been either approved or denied because of outside extraneous pressure. I believe the investigator verified and was unable to find any instance where that was not the case.

In every case, we can show the leverage of private funds to public funds, the amount of jobs, percentage of low-income jobs, distress of the city, and when we arrive at the end of a round and decide between grants, we have that fully documented in terms of numbers. I don't want to say that we disregard the calls of Congress when we value them very highly, but the use of them gives us additional information or requires us to go back and look at something we may have overlooked, but no Congressman nor the White House ever indicated we should fund anything that was not otherwise fundable.

Mr. TRAXLER. It must be difficult balancing the subjective and objective criteria of this program.

Mr. EMBRY. No, I think it is fairly easy. We have tried to make it objective. We have tried to have criteria because it is so competitive and there is so much interest in it. When we come over and explain why something was not done, we want a clear objective reason as to why it was not funded, and I think that we have been able to achieve that.

I would register one concern, if I might, and comment, that it was an otherwise excellent investigative report. There was a quote late in the report about a conversation with a researcher at MIT who called up some lenders and quoted one of them as saying that the area was not necessary for the hotel, it was gravy? This is for a report that is being prepared for EDA which has not been approved by MIT, much less by EDA. We located the researcher, who is studying for a master's degree, who called up three lenders, one of whom had never made an action grant. One of them said the action grant helped the deal, the one who made this comment.

We then questioned the researcher as to what question he had asked of the lender, The questioner agreed that the question was not framed in a way to get at the point of whether the action grant was necessary for the deal to proceed, and he was going back and requestion the lender—he would not identify the lender—I think the questioning of one lender by a researcher who is rather junior is hardly justification for that comment in the report.

FUNDING DOCUMENTATION

Mr. TRAXLER. Which raises a question, does HUD require adequate documentation that UDAG funds are mandatory for a project initiation and completion?

Mr. EMBRY. The Chairman asked that question or alluded to it at the hearing with the Secretary. I believe the investigative report has numerous references where your investigators found that to be the case. We require more than any other economic development program has ever required, in terms of trying to make sure that the Federal moneys are necessary or the project would not proceed. We require a letter from the developer, and require the mayor to say that in his or her best judgment this money is necessary. We continue to evaluate our projects to make sure that is the case, and your own investigators have indicated that is the case.

PROGRAM NEGOTIATIONS

Mr. TRAXLER. The investigative report also indicates that "often times the project character and composition changes radically between the initial application submission and final approval as a result of negotiations."

Does this disturb you at all that your staff is engaged in negotiations between the communities and the private sector and assisting them in perfecting the application?

Mr. EMBRY. No; in fact as I indicated I do not think there is any negotiation that has led in the history of the program to a more beneficial deal for the private sector. The negotiation results in a tighter deal and more benefits to the local community in terms of higher taxes or higher payback or participation in profits. The cities have very little incentive to make a tough deal because this is 100 percent Federal money and they want that private development to take place, which is very understandably their primary short-term concern. They also do not know what is possible because this may be the only action grant they have ever had or the only one of this nature. They do not know what is going on in other places. It is very important we perform that function.

Mr. TRAXLER. Oftentimes, you have used your position to really leverage the private industry, in the payback portions of the grant, into a better deal for the municipality.

Mr. EMBRY. I would say in most cases.

Mr. TRAXLER. For the reason that you stated earlier?

Mr. EMBRY. Yes, sir.

Mr. TRAXLER. Can you tell us how many projects have been funded in a later round after being held over from initial consideration? Is that a usual thing or unusual thing, or how does that break down?

Mr. EMBRY. I will have to give you that for the record. I do not know what the breakdown is.

[The information follows:]

URBAN DEVELOPMENT ACTION GRANTS PROJECTS FUNDED IN LATER ROUNDS

It is estimated that about 50–60 percent of all action grant projects are held over from the initial submission round for consideration in the next or subsequent funding quarter(s). Upon reconsideration of additional documentation, usually con-

cerning firmer private sector commitments, approximately half of the holdover applications are subsequently funded. For example, in the last funding round, for metropolitan communities, announced April 11, 1980, 24 of 54 awards were for projects held over from previous rounds.

GAO REVIEW OF ELIGIBILITY REQUIREMENTS

Mr. TRAXLER. The GAO has also been reviewing the UDAG program and has issued a report entitled "Criteria for Participation in the Urban Development Action Grant Program Should be Refined." One observation made by the GAO is that the age of housing criterion measures the age of all housing, even though a 1979 HUD study stated that age of rental housing may be a better indication of poor housing conditions. Is that a fair statement?

Mr. EMBRY. Yes.

Mr. TRAXLER. Does HUD intend to take a look at the eligibility requirements in this regard.

Mr. EMBRY. Yes, sir.

Mr. TRAXLER. When do you think you might complete that review and those changes?

Mr. EMBRY. There are two reviews. One is a review of these factors in terms of the allocation of the block grant funds, which would be made for the reauthorization in 1983. In terms of the action grant eligibility, we would hope to review those within the next 6 months and make whatever recommendations for changes we think are justified.

VALIDITY OF LOCAL UNEMPLOYMENT DATA

Mr. TRAXLER. Another question raised in the GAO report was the validity of local unemployment rate statistics. What is your view of that GAO assessment?

Mr. EMBRY. We are responding to GAO and will submit to this Committee our response in some detail. I think GAO's concern is justified. The question is the alternatives that are available to address the same issue. We think, as of this point in time, that it is a useful indicator. Whether it can be refined or not, whether the Bureau of Labor Statistics or some other provider of data can be used to get more up-to-date and helpful information, is something that will have to be determined. We think it is certainly very relevant.

Mr. TRAXLER. The GAO recommended that HUD should refine the eligibility process by utilizing a method which recognizes severity of distress for each of the criteria. What are your thoughts on that recommendation.

Mr. EMBRY. Well, I do not understand GAO's comments on how we would utilize that. We had six different rankings of cities. How we would translate that into a decision criteria among the cities is something we are going to explore with them.

IMPACT OF HIGH INTEREST RATES

Mr. TRAXLER. What effect have the high interest rates had on the UDAG program?

Mr. EMBRY. It seems to have given us more business.

Mr. TRAXLER. That is interesting. Can you explain.

Mr. EMBRY. Well, because, in many instances, the only way to put together a deal is to come to a distressed city. If you do not do that, you get an action grant that would reduce the interest rate from 16 percent to 10 percent or something similar over the life of the deal. Many of these things will not go ahead at 16 percent outside distressed cities and, therefore, cities become more attractive, which is, of course, the aim of the program.

Mr. TRAXLER. When we recess for lunch will you be sure and check to see what the Department of Treasury's regulation is that you are negotiating with them?

Mr. EMBRY. All right.

PRIVATE FINANCING LIMITATIONS

Mr. TRAXLER. Are there projects that have fallen through recently because private funding has been difficult to obtain?

Mr. EMBRY. We have about a 5 percent fallout rate, which has continued since the beginning of the program. It has not increased dramatically over the last couple of months.

Mr. TRAXLER. The final question that I have is what do you see as the limiting factor in terms of the growth of the UDAG program? Is it the number of HUD positions, is it private financing?

Mr. EMBRY. The major limitation is local competence, in putting together a deal. There is a lot more to be done by cities in terms of preparing applications than is being done today. A second limitation is the availability of Federal funds because we are getting applications at a greater rate than $675 million a year. Finally, there are problems related to staff. We need a very high degree of technical assistance which requires very competent people who will work very hard. Finding them and having them work for the Federal government and then holding them is very, very difficult. I think that the major problem in the future is going to be continued motivation of staff and high performance level of the staff.

SUCCESS OF UDAG PROGRAM

Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

First, Mr. Chairman, I would like to say that I agree with all of the support that our own investigative report gave to the UDAG program. I do think it has been one of the most successful programs we have had. I am particularly pleased with its focus on spending private monies first and then coming along with the Government monies afterwards. Leveraging the amount of money that it does in the private sector, the UDAG program does more to the private economy in cities than many of the other programs with which we have been associated. I can attest to the fact that they are very, very strict about their criteria, especially when Congresspersons inquire about proposed projects.

Mr. TRAXLER. Were you not pleased, Mrs. Boggs, with the education process?

Mrs. BOGGS. I am not sure it was as a difficult process for you, Mr. Chairman, but I am very supportive of the way in which the UDAG program has indeed been very careful. Its technical staff has been used to help the cities with their requests and the private

sector as well. It has been a tremendously helpful program and I am glad that it is being kept in at $675 million.

I do have to ask a question about the GAO study that you referred to, Mr. Chairman, and I will confess to regional considerations when I do. The GAO study concluded that HUD should revise its eligibility requirements for the UDAG program to better recognize the severity of distress. Criteria should be tested for 3 out of 6 indicators now in use—population growth lag, job lag and age of housing. The study also recommended that census data should be used as soon as possible.

Another study has once again aroused my concerned about the impact of the age of housing variable, used by both UDAG and CDBG, on southern cities. The problem was highlighted in a recent study done by the Southern Growth Policies Board with which I am sure you are familiar.

SOUTHERN GROWTH POLICIES BOARD STUDY

Mr. EMBRY. Yes, ma'am.

Mrs. BOGGS. It is pointed out that the percentage of pre-1940 housing and population density describe the physical condition of a city, but neither provides enough information to serve as an indicator of need for community development money nor for any other intergovernmental aid.

High density living can be good or bad. An older home can be a charming showplace or a delapidated health hazard. The data being used does not reveal that this is the case. However, the report goes on, the pre-1940 housing measures are very efficient from a regional point because few cities in the South and West grew up before World War II.

The prominent position of pre-1940 housing in the CDBG dual formula is best understood in the context of the political decision to increase CD funds for the Northeast and Midwest at the expense of the South and West.

As I said, this is a regional complaint and certainly not a complaint on my part in behalf of my very old city that has a great deal of pre-1940 housing and also density of population.

Could you address yourself to that complaint?

DUAL FORMULA APPROACH

Mr. EMBRY. As you point out, there are a number of cities in the South, such as New Orleans, that benefit from the age of housing factor and receive more money because of that than they would otherwise.

The report doesn't acknowledge the fact that the first formula that was put into effect in 1975 had a regional bias. The formula moved money from the older urban renewal model cities in the Northeast and Midwest to the South and West. The 1977 amendments added an alternative formula, not a substitute, whereby a new community could continue to use the first formula which benefitted the South and West, and an alternative formula was added that did benefit older areas of the country that had higher infrastructure needs.

Additional funds were added so no community would lose money because of the addition of this alternative formula. The alternative formula, including age of housing, was introduced by the previous Administration and ratified by this Administration, and by Congress, to correct some of that regional shift that had taken place in 1974. Age of housing does have an impact toward the older areas of the country, most of which are in the Mideast and Midwest and the Northeast. However, there are other factors in the formula that have the effect of moving money away from the Northeast and West.

We think they balance each other.

Mrs. BOGGS. Which are those?

POVERTY AND GROWTH LAG

Mr. EMBRY. Poverty, for one. That is the largest factor in the first formula. The poverty is not adjusted by cost of living so that Northeast and Midwest which have a higher cost of living and use the national poverty figure, don't show as much poverty as they would if poverty was adjusted for cost of living. The South and West have lower cost of living benefit from the lack of an indexing. This results in a shift to the South and West.

Mrs. BOGGS. But what about population growth lag? We are just beginning to play catchup in the South.

Mr. EMBRY. Growth lag would be a factor that benefits the Northeast, Midwest, although it does correlate very highly with distress. However, in cities like New Orleans that are experiencing the same type of distress that the Northeast and Midwest are, they are finding the same problems of out-migration that the older northern cities are experiencing. So we think that factor is aimed at distress wherever the city might be. Los Angeles and San Francisco have stopped growing, and there are indications that some of the problems are being demonstrated by Detroit, and Philadelphia and other cities that are distressed.

USE OF CENSUS DATA

Mrs. BOGGS. This report suggests that the census data that we are now collecting should be used as soon as possible. Do you have plans to do this?

Mr. EMBRY. Yes, ma'am, as soon as we can get it. This is for the grant eligibility?

Mrs. BOGGS. Right. This report seemed to indicate that three out of six alternative criteria now in use impact adversely against the South and Southwest regions.

Mr. EMBRY. And three out of six impact adversely against the Northeast and Midwest.

Mr. TRAXLER. I would say that is a classic Congressional compromise.

Mrs. BOGGS. I think perhaps we can say the cup is half full or half empty. We say the three impact in a very splendid way on the South and Southwest and three on the North and Northwest.

Thank you, Mr. Chairman.

Mr. TRAXLER. Mr. Coughlin?

CHANGES IN ECONOMIC DISTRESS FACTORS

Mr. COUGHLIN. Thank you very much. This is just a follow-up, I don't think it was answered. Effective on February 20, 1980, HUD changed five of the six standards used to measure economic distress in awarding UDAG. What kind of changes were made?

Mr. EMBRY. I think it was just updating of the data. We can supply that for the record and also as to what the cities were.

Mr. COUGHLIN. Some communities move on and off the eligibility rolls?

Mr. EMBRY. Yes sir.

Mr. COUGHLIN. If so, could you furnish that for the record?

[The information follows:]

MINIMUM DISTRESS STANDARDS

A notice was published in the February 20, 1980 Federal Register (Volume 45, No. 35), "Revised Minimum Standards for Physical and Economic Distress for Metropolitan Cities and Urban Counties" for the UDAG program. This notice was necessary to revise the Notice published December 29, 1978 (43 FR 61017) because new data from the Bureau of Census and the Bureau of Labor Statistics change five of the six minimum standards of distress for metropolitan cities as of fiscal year 1979.

The new Census data are 1976 population, 1975 per capita income, and 1970 poverty and housing counts (adjusted to reflect boundary changes through 1977). The previous Census data were 1975 population, 1974 per capita income, and 1970 poverty and housing counts (adjusted for boundary changes through 1976). The Bureau of Labor Statistics data is updated from 1977 unemployment rates to 1978 unemployment rates. The minimum standard for job lag has not changed because more current statistics are not universally available.

The most current minimum standards of physical and economic distress are:

Age of Housing.—At least 33.77 percent of the applicant's year-round housing units must have been constructed prior to 1940, based on U.S. Census data.

Per Capita Income.—The net increase in per capita income for the period 1969–1975 must have been $1,762 or less, based on U.S. Census data.

For the unique distress factor, the 1975 per capita income must not be greater than $4,888.

Population Lag/Decline.—For the period 1960–1976, the percentage rate of population growth (based on corporate boundaries in 1960 and in 1977) must have been 16.68 percent or less, based on U.S. Census data.

Unemployment.—The average rate of unemployment for 1978 must have been 5.95 percent or greater, based on data compiled by the Bureau of Labor Statistics.

Job Lag/Decline.—The rate of growth in retail and manufacturing employment for the period 1967–1972 must have increased by 7.08 percent or less, based on U.S. Census data. If data is not available for both retail and manufacturing employment, the percentage used will be the median for either retail employment or manufacturing employment, based upon the median for those cities on which both sets of data are available.

Poverty.—The percentage of persons within the applicant's jurisdiction at or below the poverty level must be 11.07 percent or more, based on 1970 U.S. Census data.

For the unique distress factor, the poverty level must be 16.605 percent or more.

The following cities and urban county meet the minimum standards of physical and economic distress for the first time:

Fort Smith, Arkansas
Bellflower and Hawthorne, California
Lakeland, Orange County, Orlando and Winter Haven, Florida
Columbus, Georgia
Springfield and Waukegan, Illinois
Indianapolis, Indiana
Lincoln Park, Michigan
Lorain, Ohio
Cranston, Rhode Island
Eau Claire, Wisconsin

The following cities no longer meet the minimum standards of physical and economic distress:

Fresno, California

Fort Myers, Florida
Champaign, Illinois
Lafayette, Indiana
Lafayette, Louisiana
Jackson, Mississippi
Tonawanda Town, New York
Abilene, Odessa, San Angelo, Sherman and Wichita Falls, Texas
Lynchburg, Virginia
Madison, Wisconsin

Cities which cease to meet the minimum standards of physical and economic distress by virtue of a change in the data used by HUD will be permitted to submit an application during the two quarters following the change in data. HUD will continue to consider those applications which have been submitted and are under review prior to a change in the minimum standards which makes them ineligible. The final date for submission of an application by the ineligible cities listed above is July 31, 1980.

ELIMINATION OF NONDISTRESSED CITIES

Mr. EMBRY. What we do very religiously is take cities off when they become nondistressed. Some Governmental programs grandfather communities in. If you are once in, you stay in and eventually up to 90–95 percent of the country becomes eligible. We have tried to hold our percentage down to the percentage we started with.

HISTORIC PRESERVATION

Mr. COUGHLIN. I want to share the sentiment expressed in being pleased that our staff investigation report is complimentary. I don't want everything I am saying to be taken as criticisms.

The charge has been made that UDAGs are nothing more than, and I quote: "A large scale expensive highly political downtown renewal program that have steamrollered citizens and historic preservation opposition and yet UDAG has not been used for preservation purposes."

Mr. EMBRY. We have made approximately 600 grant awards. There have been six that have had significant complaints regarding historic preservation. In none of those six did the Advisory Council on Historic Preservation recommend that the project not proceed. In each of those six the State Historical Officer signed off on the project.

In any large program there are going to be people who don't like what happens and they are going to use whatever tools that are in their hands to try to stop a project. On the other hand, there are at least 70 projects—we just prepared a booklet on this which I would like to supply to you and the other Members of the Committee—in which action grant money was used to preserve historic structures. So we think that the action grant program is probably the most effective historical preservation program in terms of volume of preservation work that is done, and we do not think it has steamrollered over historic interests.

One more point on that. In the 1960's during the days of urban renewal there was no historic preservation law, the Environmental Protection Act didn't exist, there was no citizen participation requirement of any magnitude, and there was no Relocation Act in effect.

In 1980 under the action grant program, all of these protections exist that didn't exist ten years ago. I think the critics of the program would be hard put to name an interest in the United

States where the attitude that you expressed in your quote was evidenced.

[The information follows:]

UDAG Funds for Historic Preservation

The Office of the Assistant Secretary for Community Planning and Development has prepared a report, "Action Grants—Revitalizing and Conserving Our Cities". This report, consisting of 53 pages, has been provided to the Committee. The Introduction to the report follows:

Action Grants—Revitalizing—Conserving Our Cities

INTRODUCTION

The Urban Development Action Grant Program (UDAG) is a major Federal assistance program administered by the Department of Housing and Urban Development (HUD) and directed to the economic development, revitalization, and conservation of America's older and distressed cities. The Congress enacted the program in 1977 with a special mandate to stimulate private investment in central cities by providing Federal funds for projects jointly sponsored by public and private sources, and with an authorization of $400 million annually, which has since been increased to $675 million. To date the program has funded 594 different projects in large and small cities throughout the nation, expending over $1 billion in order to leverage nearly $6 billion in private investment.

Since it began operation in 1978 UDAG, or as it is sometimes known, the Action Grant program, has been remarkably successful in generating economic development; its capacity to create jobs, spur industrial and commercial revitalization, and increase tax revenues is well-known. Its success in promoting urban conservation and preservation is, however, less well-known. The purpose of this report is to clarify this picture by demonstrating how UDAG has helped to establish a balance between economic development and conservation in the broader context of urban revitalization which seeks to preserve the city itself.

In a time when the end term of a cycle of disinvestment and capital depreciation indicates to economists and businessmen the possibility of profitable reinvestment in the inner city, the most important function of the UDAG program is to bridge the gap between present tentative signs of recovery and a future in which the private sector on its own will build and conserve the city. UDAG's role is to compensate private investors for the difference between costly urban and less costly suburban development. Its mission is to leverage private investment by obviating the discrepancy between what the private sector will risk or can afford and what, with government subsidies, it is willing to support.

The UDAG program is framed so as to achieve its aims with maximum efficacy and discretion. Past government programs for urban revitalization expended Federal funds to encourage private investment often long before such investment was forthcoming. UDAG does not engage Federal funds for any purpose until both cities and private investors give written evidence of a firm private commitment to development. The program provides federal "seed money" only for those projects that are "ready to go," and no project is funded unless it can be clearly demonstated that its realization is contingent upon the award of an action grant. Projects supported by UDAG that involve clearance and redevelopment are restricted and discrete. No UDAG project is so large as to involve demolition of large sections of a city. And where projects do entail demolition and relocation of households and businesses, every effort is made to minimize displacement, insure relocation, and observe government regulations relating to social and environmental impact.

Because UDAG, within the broad spectrum of Federal programs for urban revitalization, is precisely devised so as to help cities and the private sector achieve their own ends rather than ends dictated by the Federal government, many of the projects which UDAG supports are those which have a special appeal for private investors for cities seeking to revitalize their central business districts and older neighborhoods—projects for new construction such as convention centers, hotels, parking garages, shopping malls, and the like. Older distressed cities may often require new development, both to stimulate further investment and also as a sign and symbol of a city's commitment to recovery; urban vitality requires periodic rejuvenation of the city in response to the nation's needs and to new developments in economics and technology.

In most cases, however, the intent and the result of new construction is to insure the survival and enhance the existing built environment of the city. In the wake of

selective reinvestment for new development, related older buildings and historic districts that were previously in disuse or decay take on new life. UDAG funds for a new shopping center can be the catalyst which spurs a private developer to rehabilitate or reuse an old office building or a vacant arcade as part of his or her enterprise, and to help renovate older commercial and residential structures in the vicinity of new construction. The impetus for the rehabilitation and conservation of an old run-down neighborhood may be new construction on its borders. A downtown parking garage sometimes makes the difference between a blighted and vacant row of stores, superannuated by a suburban shopping mall, and a revitalized older commercial district with many rehabilitated historic structures. Rather than demolition and waste, the impact of UDAG is rehabilitation and adaptive use. Without the vital injection which UDAG funds for new construction often provide, neither central city reinvestment nor central city conservation would occur.

UDAG funds are also specifically targeted for projects that involve or are wholly concerned with historic preservation and conservation. HUD's Office of Evaluation for Community Planning and Development will soon complete a quantitative study of UDAG's efforts in this regard, but as will be seen below, the qualitative evidence of such concern is clearly demonstrable. Whereas earlier attempts at urban revitalization frequently suffered from an historical bias that equated whatever was old with ugliness and decay, the UDAG program, aided and abetted by a grass-roots appreciation of the utility and beauty of historic architecture and environments, encourages and enables cities to rehabilitate older structures and entire neighborhoods. The promise of UDAG support is often the crucial factor in persuading cautious private investors that it is feasible to support the costly renovation of an old hotel or office building—to install new electrical wiring, new plumbing, heating, and air-conditioning, and to rehabilitate the building with care for its structural and architectural integrity. Without the promise of UDAG funds many a small business person would be unwilling to restore the historic facade of his or her store and might choose instead to give up a store in the central business district or a run-down historic neighborhood and move, like so many others before, to a suburban location.

Still another contribution of the UDAG program to historic preservation is that in many instances it is the award of an action grant which ensures that a city will comply with Federal regulations specifying environmental and historic preservation review. Applicants for an action grant must satisfy these requirements before their projects are approved or funded, and in cases where UDAG is the sole source of Federal funds, it alone serves to trigger Federal historic preservation review, commonly known as "the 106 process." More important yet, since the UDAG program is legally authorized to provide funds *only* for projects that would not be implemented without UDAG support, every instance in which the program promotes or has a positive impact on historic preservation necessarily represents a case where UDAG made the crucial difference for the cause of urban conservation.

The preservation movement has drawn attention to the historic built environment of our central cities. But the fact that a building or district is put on the National Register does not in and of itself insure its preservation. What is required to make preservation an everyday reality is a partnership between the public and the private sector that can translate the growing sentiment for preservation into an active will to rehabilitate and reuse whatever is worth saving and to rebuild and redevelop whatever cannot be saved. So defined these are, as will be shown, goals and strategies perfectly consistent with the UDAG program.

IMPACT OF HOUSE BUDGET COMMITTEE REDUCTION

Mr. COUGHLIN. Finally, I know this is a difficult question, can you tell me what effect it would have on the UDAG program if it were reduced by $175 million in 1981 as proposed by the House Budget Committee, not because the projects are unneeded, but because we don't have the money?

Mr. EMBRY. Well, it would mean that approximately 80 projects would not be funded. It would also mean a private investment of six times $175 million or about a billion dollars would not take place in distressed cities.

Mr. COUGHLIN. It would be stretched out?

Mr. EMBRY. Well, if they can hold, because we would probably have to almost shut down business until next fiscal year since we have funded two rounds of large cities and two rounds of small cities using the $675 million as our mark, we probably committed upwards of $400 million.

Mr. BROWN. We have announced $431 million.

Mr. COUGHLIN. Out of the original $675 million?

Mr. BROWN. Yes, sir.

Mr. COUGHLIN. In 1980?

Mr. EMBRY. Yes, it would mean almost a shutdown and whether projects could hold from now until October 1st——

Mr. COUGHLIN. I am talking about 1981.

Mr. EMBRY. You are talking about 1981? I see. Well, in 1981 it would just mean we will fund that fewer projects. Projects would hold over but they would begin bumping into other new ones coming in.

Mr. COUGHLIN. Thank you.

Mr. EMBRY. Also, there would probably at least be a slowdown in the economy with higher unemployment, particularly in these cities that are beneficiaries of action grants and, therefore, the effect would be even more dramatic.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. TRAXLER. Mr. Sabo?

IMPACT OF HIGHER INTEREST RATES

Mr. SABO. Thank you, Mr. Chairman. Have you noticed any impact because of higher interest rates? Have people been unable to get financing?

Mr. EMBRY. No, as I indicated, the failure rate of those applications that we have approved is about the same as it has always been. We have noticed a reduction in the leverage, however, it takes more action grant money to make a deal today than it took six months ago. One of the attractive aspects of the action grant program, is its flexibility to adjust to market conditions.

Mr. SABO. Thank you.

Mr. TRAXLER. We will recess until 1:30 this afternoon.

Thank you, gentlemen.

AFTERNOON SESSION

COMPREHENSIVE PLANNING GRANTS

Mr. TRAXLER. Turn to Comprehensive Planning Grants, page C–1. The 1981 request is $40 million, identical with the 1980 request and $2.5 million less than the 1980 appropriation. The Conference report on the 1980 bill stated: "The Committee on Conferees urges the Department to give priority to small communities and areawide planning organizations from within the funds provided."

The 1980 current estimate column, including carryover of prior-year funds indicates the largest increase, $2.390 million, is in the metropolitan planning organization category. Tell us the specific change in each category of the current estimate?

Mr. BROWN. We can do that or we have a description of that we can supply for the record.

Mr. TRAXLER. Fine.
[The information follows:]

1980 CURRENT ESTIMATE FOR SECTION 701 PROGRAM

The distribution of the fiscal year 1980 Budget Estimate versus the 1980 Current Estimate for the Comprehensive Planning Assistance (Section 701) program, by applicant category, was determined in the following manner:

[In thousands of dollars]

Applicant category	Budget estimate 1980	Current estimate 1980	Increase
States	$10,160	$10,500	+$340
Metropolitan areawide planning organizations	15,360	17,750	+2,390
Nonmetropolitan areawide planning organizations	7,520	8,187	+667
Localities	6,200	7,250	+1,050
Other	760	1,000	+240
Total	40,000	44,687	+4,687

The total increase of $4,687 thousand includes $2,187 thousand in carryover funds allocated by the Department for specific purposes and $2,500 thousand of appropriated funds allocated, primarily, to areawide planning organizations and local assistance in accordance with the Committee of Conference of the 1980 Appropriation Act.

Of the $2,187 thousand in carryover funds, $800 thousand has been allocated for "bonus" funding for the Areawide Housing Opportunity Plans competition currently underway. These funds will go to metropolitan or nonmetropolitan areawide planning organizations. The balance of the carryover funds have been reserved for a demonstration on the development of strategies to achieve the National Policy Objectives. States and areawide planning organizations will receive funding under the demonstration.

Of the additional $2,500 thousand of appropriated funds, $1,250 thousand was allocated to areawide planning organizations and $1,000 thousand was provided for local assistance, and $250 thousand to the Other category (Indians, and the Work Study Program).

SECTION 701 CARRYOVER FUNDS

Mr. TRAXLER. Explain the reason for the carryover funds in this account? The carryover into 1979 was $3.2 million. The carryover into 1980 was $2.2 million. Why shouldn't the appropriation request be reduced by at least that amount?

Mr. EMBRY. These are late approvals. I do not know it has been any different over the years. It is a pretty low percentage.

Mr. BROWN. What was the question; is this the carryover funds?

Mr. TRAXLER. Yes. $2.2 million for 1980.

Mr. BROWN. Most of that money was for several projects canceled, and recovered in the last quarter of the previous fiscal year.

LEGISLATIVE PROPOSAL

Mr. TRAXLER. Page C–2 indicates that in 1981 HUD is proposing legislation to improve the Section 701 program. Can you tell us any specifics about your recommendations?

Mr. EMBRY. Yes, sir. The essence of the recommendation is to change the Section 701 planning program from a general planning or encouragement of planning program, which it has been since its

inception, to target it more on developing urban strategies by States and metropolitan areas.

We will require communities, States and areawides, in order to receive Section 701 money, to come up with strategies focusing growth toward the central, more distressed areas, providing jobs to areas of high unemployment, developing energy, and conserving land use patterns, as none of these were required in previous legislation. We also would be denying money to communities that are not both developing such a strategy and carrying out such a strategy.

REDUCTION TO 1981 REQUEST

Mr. TRAXLER. The House Legislative Subcommittee Chairman recommended only $35 million for the Section 701 program, $5 million less than is being requested. What is your reaction to that?

Mr. EMBRY. Negative.

Mr. TRAXLER. Why are they doing that? Is it because they disapprove of your recommendations?

Mr. EMBRY. I do not believe so.

As I understand it in discussions with the Subcommittee Chairman, the desire was to stay within the President's budget and to increase Section 312 funding. In order to increase Section 312 funding they had to reduce someplace else, so they took a $5 million reduction from Section 701.

SPECIAL FUNDING COMPETITION

Mr. TRAXLER. What is the special $2.75 million funding competition for States and metropolitan areawide planning organizations mentioned on page C-3?

Mr. EMBRY. That was to develop some examples of effective urban strategies. This would provide a model for requirements until the bill that we are proposing for 1981 is enacted.

APPLICANT PERFORMANCE

Mr. TRAXLER. The Secretary's prepared statement, addressing the Section 701 program, indicated that "In the future, funding will be based increasingly on applicant performance." Does this imply that in the past unworthy applicants have received funding and, if so, why haven't there been some steps to improve the program's operation?

Mr. EMBRY. Well, the performance we are talking about is the carrying out of the strategy. There was no strategy requirement in the past. There were general plan requirements and various kinds of capacity building, but in the legislation that is proposed, communities—States and areawides in particular—will be required to come in with the specific actions that they are going to undertake.

Mr. TRAXLER. Provide us the 1980 obligations and outlays in the Section 701 program through March. Do that for the record.

[The information follows:]

FISCAL YEAR 1980 OBLIGATIONS AND OUTLAYS BY RECIPIENT CATEGORY IN THE SECTION 701 PROGRAM THROUGH MARCH

As of March 31, 1980, obligations for fiscal year 1980 are:

Metropolitan areawide planning organizations	$355,400
Other	60,000
Total	415,400

Normally, most of the obligations for this program do not occur until the third quarter of the fiscal year.

As of March 31, 1980, outlays for fiscal year 1980 are: $28,209,553.

FUNDING FOR METROPOLITAN AREAWIDES

Mr. TRAXLER. Mrs. Boggs, did you have any questions in this area?

Mrs. BOGGS. Because Mr. Sabo isn't here, I would like to mention an area of concern he addressed yesterday. This was funding of the metropolitan areawide 701-type planners, who have no tax base from which to derive their funds. I wondered if there is any special protection intended in any cuts to take care of the metropolitan areawide entities involved in Section 701 planning.

Mr. EMBRY. Well, the cuts, you mean the rescission I gather was recommended?

Mrs. BOGGS. Right.

Mr. EMBRY. I do not know whether they have any recommendations on that as to who will suffer under the Committee's rescission proposal.

Mrs. BOGGS. Well, the concerns expressed yesterday by Mr. Sabo, who is very supportive of the Section 701 program, were especially in regard to the regional commissions and those program planners who have no recourse to any kind of a tax base and depend upon Section 701 planning grants.

Mr. EMBRY. Is this Committee's recommendation that if money is reduced from this year that it come from places other than from metropolitan bodies?

Mrs. BOGGS. No. I just wish to make certain that you are aware of the concern of some Members of the Subcommittee that cuts may go into cutting the metropolitan areawide bodies.

Mr. EMBRY. My personal assumption, not speaking for the Secretary and Under Secretary, is that, if there were a cut, it would be roughly proportionate. It would mean that areawides, since they are one of the major users, would suffer a cut depending on the magnitude of the rescission. We had not of course recommended a rescission in Section 701 for fiscal year 1980.

Mrs. BOGGS. Right.

Mr. EMBRY. A 25 percent reduction in the program would have a significant effect on hiring of these agencies that depend on Section 701 money, particularly the areawides.

Mrs. BOGGS. Of course Mr. Sabo felt the cuts would be deeper there because, unlike a metropolitan unit or a State unit, they would have no tax base to refer to.

PROPOSED LEGISLATION

Your justification says that modifications are being recommended to improve the Section 701 program through improving the role of the States in the development of comprehensive strategies for achievement of community development objectives. Could you summarize the proposed legislation? Doesn't this have some potential for being overly binding on activities under Section 701?

Mr. EMBRY. As far as States are concerned, we are going to be requiring them to come up with strategies that address their older distressed areas, housing mobility, energy conservation, and land use patterns. It is somewhat restrictive on States. It is not a general program any longer if passed by the Authorizing Committee. It is no longer necessary to merely encourage the States to plan because, unlike 20 years ago, States are planning. Every State has a planning agency.

It was our thought that the original Federal purpose is being served and it is time to shift and encourage States and metropolitan areas to do things that they are not now doing. This would be the only real reason now for a Federal program. Therefore, the proposed new program would be more restrictive.

FEDERAL/PUBLIC INVESTMENT STRATEGIES

Mrs. BOGGS. I was reading a story from the National Association of Regional Councils paper. Apparently NARC has presented legislation changes to the Authorizing Subcommittee, which would require that all Federal agencies administer programs consistent with public investment strategies developed under the Section 701 program. Would you like to comment on that?

Mr. EMBRY. Well, that is a general point that we are very much in sympathy with. The legislation we proposed encourages other agencies to do that and, if enacted, we plan to take a very activist role with other agencies. Once a State has come up with a strategy that meets Federal objectives and is approved by HUD we will encourage other agencies to review it, approve it, and follow it. So their general point is one we certainly share.

Mrs. BOGGS. Thanks very much, Mr. Chairman.

Mr. TRAXLER. Mr. Sabo, we are on the Section 701 program. Do you have any questions?

Mr. SABO. I am sorry I was late.

Mrs. BOGGS. I was filibustering.

FEDERAL SUPPORT FOR PLANNING

Mr. SABO. I am not sure what has been said or not said but I guess as we go through rescissions I start with a bias that planning is good, and it is an ongoing process that never ends. I do not think in planning you ever devise the perfect plan. I think it is more a process than a result. But my concern has been that we be particularly helpful on the Federal level for some of the type of planning that is the most difficult to develop support for at the State and local level, that is the multijurisdictional planning which may be either metropolitan or rural.

My observation has been that that is the most difficult to develop funding for on the State and local level: City planning is a part of the ongoing city process. At the State level it is again a part of the ongoing State process. But when you have the more nontraditional units of planning, such as in Minneapolis-St. Paul Regional Council or regional development councils in rural Minnesota, it is a little more difficult to get funding at the local level. If we are cutting back, it is my judgment that these units should be the last area of cut-backs.

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Mr. EMBRY. For that reason and others we had not recommended a rescission of Section 701 money for this year. The Section 701 money goes to jurisdictions that don't get block grant entitlement money.

COMMITTEE RESCISSION PROPOSAL

We did not cut Section 701 money because they do not get block grant money. The choice, I gather, in this Committee was between Section 312, which is another favorite of yours and of the Committee's. The reason we had cut Section 312 rather than Section 701 is that you can use block grants for rehabilitation loans but you can't use block grants for Section 701 planning activities.

The recommended rescission is a 25 percent cut in the program for the remainder of this year. If the Congress eventually adopts that proposal, we would be very interested in the Committee's guidance as to where to take that cut, as I indicated to Mrs. Boggs.

Mr. SABO. I think our recommendations have some guidance along that line.

Mr. EMBRY. In the rescission?

MEANING OF LEGISLATIVE PROPOSALS

Mr. SABO. What is happening with the revised legislation? I looked at the summaries in the justifications but I really didn't understand it.

Mr. EMBRY. It is in the House being marked up, probably tomorrow.

Mr. SABO. And what direction is that likely to go?

Mr. EMBRY. In the direction of encouraging States and regions to develop strategies that focus on the objectives stated in the national urban policy.

Mr. SABO. I know. I read that language. But what does it mean?

Mr. EMBRY. The development of an urban strategy, which directs State facilities into older distressed communities, which encourages economic development to take place in areas of high unemployment, which encourages land use plans which preserve farmland and directs growth toward in-fill and back toward the center.

Mrs. BOGGS. The three areas that the Southern Growth Policies Board was concerned with?

Mr. EMBRY. Yes.

Mr. SABO. Thank you. I have no other comments.

SECTION 312 PROGRAM

Mr. TRAXLER. Let's turn to Rehabilitation Loans, Section 312. The justification for the Section 312 program appears under Tab D. A rescission of $38 million has been proposed to the 1980 appropriation enacted of $135 million. In addition, the 1981 request has been revised from $188 million to $124 million. Both actions are proposed in response to the Administration's budget balancing exercise.

In order to get the maximum 1981 outlay reduction, $30 million of the proposed $38 million 1980 rescission is in the multi-family program. The result would be a decrease in the number of multi-family loans from 280 to 130. The number of multi-family units would decline from 5,600 to 2,575. Because outlays occur faster in the single family program, it was targeted for the entire $64 million 1981 reduction. The effect would be a reduction in the number of single family loans from 9,800 proposed in January to 6,100. The number of units would decrease from 13,200 to 8,185.

The second yellow sheet indicates "The funding reductions will be applied to the least distressed cities to the extent feasible."

APPLICATION OF SECTION 312 REDUCTIONS

How does the Department intend to apply the reductions in both 1980 and 1981.

Mr. EMBRY. The 1980 reductions will be made in multi-family and single-family.

Mr. TRAXLER. Among those cities?

Mr. EMBRY. Yes, among the distressed cities, we would use our action grant distress criteria to determine the distress of the city. We would use that as a factor in making the cuts.

Mr. TRAXLER. Last year we talked about formula funding in this program. You brought that to our attention.

Mr. EMBRY. That is right.

Mr. TRAXLER. How would it affect that?

Mr. EMBRY. We have not decided exactly because we have not known what the results would be of our rescission recommendations and our appropriation requests. But the assumption is we would give more weight to the distress of the city than we have in the past in making whatever cuts were required.

SECTION 312 CARRYOVER FUNDS

Mr. TRAXLER. Page D–2 indicates the carryover balance of unused funds at the end of 1979 was higher than anticipated. We would concur in that. The estimate had been $17.0 million. Actual was $49 million. What accounts for this?

Mr. EMBRY. Largely getting the multi-family program under way. Our regulations for the multi-family program were not in effect until May 11, at which time we began to obligate funds.

OUTLAY ASSUMPTIONS

Mr. TRAXLER. Outlays for 1979 had originally been estimated to be $176.6 million. The 1980 justifications contained a revision to $91 million and the following explanation:

"The decrease in outlays results from a recomputation based on changed assumptions on the rate at which obligated funds will be disbursed."

Actually 1979 outlays were $100.3 million. The January submission reflected a 1980 outlay increase from $125 million to $170 million. The explanation appears on page D–2.

"The increase in outlays results from the higher 1980 program level plus a recomputation based on changed assumptions on the rate at which funds obligated for the single-family program will be disbursed."

Major changes in the 1980 and 1981 programs have been proposed—based in part on the estimated outlay savings to be achieved. Your track record in estimating obligations and outlays in the Section 312 program causes us some concern.

How do you defend this record and what basis do you have for the everchanging outlay assumptions?

Mr. EMBRY. I assume it is increased, David, as to what in fact is happening.

Mr. BROWN. It is that experience, also the mix of multi-family versus single-family loans will change during the year, the average cost per project changes also.

Mr. TRAXLER. Our problem is that your track record is not very accurate in your estimates for this program. It causes the Committee some concern. We would like to be able to make the appropriation based on some relatively accurate estimates.

Mr. BROWN. Another factor, too, is that this year we had a freeze on our loan approvals because of authorization problems. It is a dynamic program, but the change between the mix of single-family/multi-family often is the reason for it. Outlays through March in round figures are roughly $78 million, about where we ought to be at this point in time.

Mr. KLIMAN. One of the factors for 1979 was the major increase in the program which took place. There was the problem of sorting out the exact mix between single-family and multi-family that was being proposed.

As you know, single-family and multi-family programs have substantially different outlay effects. Now that we have precise numbers between single- and multi-family, as well as some experience to base the multi-family estimates on, we believe that the estimates are fairly decent.

SECTION 312 CONSTITUENT COMPLAINT

Mr. TRAXLER. This is a program I had some familiarity with as a representative of a constituent who had a complaint in connection with Section 312. There was a General Accounting Office study done. You probably have not had a chance to look at it.

Unfortunately, GAO did a grant overview and missed the point that my constitutent was trying to make. Let me give it to you. It is kind of an interesting problem.

He is elderly and he lives in an inner city area; he is retired and he is very appreciative of low-interest moneys to rehabilitate his roof. He made an application; he was approved. The city, of course, discussed with him whether he—he told them the options he had relative to the contractor, that they had an approved contractor or he could get any contractor he wanted. He said I want to go with

whoever can get the job done the quickest, therefore, why don't I take your contractor? He is on line.

They said that is fine. Sign here. He signed. He talked to the contractor first. Seemed to be okay. He signed. Time went by, 30 days, 35 days, in the mail he got a payment book and it says you owe this institution this monthly payment, make your payments starting now. He said wait a minute, what is going on? I haven't had my roof repaired.

Mr. EMBRY. No work has been done?

Mr. TRAXLER. No work has been done. The city had received the moneys, the city escrowed the moneys. This is done all over the country. The contractor is busy, or he goes out of business, leaves town, whatever. He signed a contract with the contractor, the contractor says I will get to you when I can.

In the meantime he is obligated to a financial institution to make a monthly payment for money and services that he has never received, and in some instances it could be six months before the homeowner gets the work done. But in the meantime you have paid the money over to the city, the city is getting the benefit of your money, the contractor does not get paid—I am not suggesting the contractor got paid. But there is a lending institution out there that wants to be paid. And he is supposed to make monthly payments on a job that never occurred. Eventually it did. He was unhappy with this. Many people are not because they think the subsidized interest rate is worth something to them, they don't want to rock anybody's boat.

That is what that report is about. You might find it interesting.

EARLY DISBURSEMENT PROCEDURE

What troubled GAO, incidentally, is that you are so efficient, you provide these funds sooner than required to municipalities.

Mr. EMBRY. We have adjusted our procedure in response to that. Let me give you our response to GAO on that problem.

Mr. TRAXLER. Thank you.

[The information follows:]

CASH MANAGEMENT PROCEDURES—SECTION 312

The Department has adopted several measures to insure better cash management of Section 312 funds and is currently developing additional procedures to ensure that large sums of Section 312 funds are not being provided to municipalities sooner than required.

In the past, all loan proceeds were requested prior to loan settlement and were deposited in an escrow account held by the city to become available for payments to contractors as work progressed. Often work was not started on time or delayed for long periods which resulted in large loan escrow balances.

To counteract this problem, and to disburse funds closer to actual use, the Department instituted the modified loan settlement procedure for all loans in excess of $60,000 or those requiring longer than a four-month construction period. For loans over a specific amount (not yet determined, but under $60,000), payments will be disbursed in stages. In addition, the Department is considering a letter of credit procedure for those localities receiving a funding target of at least $120,000.

All requests for funds for payment to the contractor shall be limited to the minimum amounts necessary for immediate disbursement needs and shall be timed to be in accordance with actual immediate cash requirements for payments related to a borrower's account. In addition, under the modified loan settlement procedure, loan repayments would not be required until constructuion is completed.

Another area requiring additional attention is construction management by the Local Public Agency (LPA). The Department is in the process of examining ways to assist LPAs in streamlining payment processing to contractors through voucher systems and to manage the construction process more efficiently. With the implementation of improved drawdown procedures, the Department will monitor localities to insure that these procedures are used properly. If a locality is drawing down funds and not disbursing them promptly, the Department may consider it feasible to impose a moratorium on further requests for funds until timely completion of construction is achieved.

These corrective measures are expected to improve both fund and construction management in the Section 312 program.

VARIABLE INTEREST RATES

Mr. TRAXLER. Last year we inquired if HUD charged an interest rate greater than 3 percent for loan recipients with incomes greater than $20,000 or $25,000. Your response, on page 454, was that you had not but were preparing regulations to that effect.

Page D-3 of the justifications indicate that "The Department is currently developing comprehensive program regulations which will provide for interest rates which will vary depending on the income of the applicant."

You haven't made much progress in this area in the past year, have you? What is the status of the regulations?

Mr. EMBRY. Those regulations are out for comment.

Mr. TRAXLER. Presently?

Mr. EMBRY. Yes.

Mr. TRAXLER. Okay. Will the regulations contain an upper income limit above which the applicant could not receive a Section 312?

Mr. EMBRY. No.

Mr. TRAXLER. No?

If the Committee were to put a limitation in the bill, would that cause problems for you?

Mr. EMBRY. Yes.

Mr. TRAXLER. Tell us why.

Mr. EMBRY. The Section 312 program has two major functions. One is to help a low-income person rehabilitate a house that would not otherwise be rehabilitated. The second is to encourage middle-income people to move into lower-income areas and rehabilitate houses that otherwise would not be rehabilitated by anybody.

A person may have an income of $70,000 and may come in and rehabilitate a house that they take $32,000 of Section 312 money and $40,000 of their own money. If it weren't for the Section 312 loans, that house would sit vacant, abandoned in the community.

We think the communities should be permitted that flexibility. I am not aware of any showing of any abuses of this, that there are loans being made that should not have been made.

The new regulations do adjust the interest rate, which is one of your concerns, and one of the Authorizing Committee's concerns last year.

Mr. TRAXLER. How high would that rate go then?

Mr. EMBRY. Nine percent.

Mr. TRAXLER. That is substantially below market. Very well. Any questions?

Mrs. BOGGS. I think it is going to encourage people to do this if it is below the market rate; it is an encouragement program. I was really distressed by any kind of cuts in Section 312. This end of the table apparently is very supportive of that program.

Mr. TRAXLER. You know when I sat down there I used to feel the same way and I was around the corner.

REDUCTIONS TO JANUARY BUDGET

Mrs. BOGGS. I was very pleased because I assumed the Department shared our enthusiasm when you presented your fiscal year 1981 request earlier. The fiscal year 1980 appropriation was $135 million; the fiscal year 1981 budget request was $188 million. Unfortunately, the current revised request for fiscal year 1981 is $124 million. With the planned reduction of $38 million, the fiscal year 1980 amount would be only $97 million.

Can you tell me why this dramatic reduction from your original budget request for fiscal year 1981?

Mr. EMBRY. For fiscal year 1981, it was necessitated by the President's direction to all of the Executive Departments to come up with cuts in outlays for 1981 that would result in a reduced budget. The Section 312 dollars had a high corollary between outlay and savings. It was projected that 80 percent of the authorized amount would affect outlays during that year.

Any cuts in the authorized level of the entitlement portion of the block grant program or the action grant program during the fiscal 1981 would result in very little outlay savings. With regard to the Section 312 program, as I indicated before, the entitlement communities can use block grant money to do the same types of rehabilitation that the Section 312 program permits. So they would have the ability to make up for the shortfall during that year with block grant money.

CDBG FUNDS FOR SECTION 312 SHORTFALL

Mrs. BOGGS. Are there sufficient block grant monies to make up the shortfall?

Mr. EMBRY. As indicated by the Chairman earlier today, there exists in excess of $6 billion in unspent money among the entitlement communities. Over the long run I would hope we would not have to reduce Section 312 money but for a period of one year; most communities have had trouble building up their capacity to rehabilitate buildings and already have community-funded rehabilitation programs. A one-year reduction hopefully would permit them to continue building up their capacity and would not require a slowdown. Hopefully the Administration would not be recommending a decreased level of Section 312 money beyond next year.

Mrs. BOGGS. What upsets to me though is that we have various programs within the communities to revitalize neighborhoods, to preserve the built environment when it is good and to make certain that the physical environment is made better. Here we have a program that is working well and quickly toward these goals and if we cut down on that program, then we really are slowing down all of the other programs as well.

Mr. EMBRY. Well, that is certainly true. It would be our preference not to cut any of them and hopefully to increase them if the Federal government had the resources.

The choice we had just in light of our earlier conversation, to cut $10 million from the Section 312 program means a 5 percent cut. To cut $10 million from the Section 701 program is a 25 percent cut.

This Committee evidently has shifted $10 million from the Section 701 program to the Section 312 program and sees the difficulty in weighing these alternative programs in the choice that had to be made. I think I have given you the reason why we made the choice where we would cut. Our original recommendation was not to cut either. Hopefully we can arrive at a day when we don't have to do that.

Mrs. BOGGS. Mr. Chairman, I would like to submit two questions on Section 312 for the record at this point.

Thank you very much.

[The questions follow:]

SECTION 312 INTEREST RATES

Question. The same GAO study of the use of housing rehabilitation funds concluded that Section 312 loan payments and interest rates should be adjusted to fit the recipient's ability to repay. The GAO report points out that if higher interest rates and shorter repayment terms were used for higher income loan recipients, it would make more money available for more loans. Your newly published proposed regulations for Section 312 would create a sliding scale of up to 9 percent. The regulations also encourage use of the shortest repayment term possible. How much do you expect to save by using higher interest rates and shorter repayment periods? Do you think that such practices will tend to discourage some revitalization activity among higher income persons?

Answer. For 1980, annual loan repayments (including interest) are estimated at $47 million, with all outstanding loans at a three percent rate and the majority at a 20-year term. The Department believes that over 70 percent of future loans will continue to be made to borrowers below 95 percent of median income who would be eligible for loans at the three percent rate. Because it will require individual judgments by the local processing agency, it is difficult to determine the overall result of the use of higher interest rates and shorter terms in effecting program savings. Clearly, the higher interest rates and shorter terms will reduce the level of Federal subsidy required in order to facilitate rehabilitation without unduly jeopardizing the loan risk.

In response to the question about discouraging revitalization activity among higher income persons, it is our belief that 9 percent loans will still offer substantive savings over current rates and terms for conventionally financed home improvement loans. In addition, borrowers will be able to receive Section 312 funds at 6 or 9 percent where conventional financing in the area to be revitalized may be totally unavailable.

ISSUANCE OF 312 REGULATIONS

Question. Why had regulations governing the Section 312 program not been issued in the past and what caused you to issue them now?

Answer. Regulations governing the Section 312 program had not been issued in the past because the Department felt that the existing handbook (7375.1 Rev.) provided sufficient guidance in administering and governing the program. The Department has developed proposed comprehensive regulations to respond to Executive Order 12044, issued on March 23, 1978, "Improving Governmental Regulations". HUD's own efforts to issue regulations of all programs under its revised rulemaking policies were based on the Executive Order.

Regulations have been under development and have recently undergone significant change to implement variable interest rates and the new multifamily component of the program as recently enacted by the Congress. Issuance of comprehensive regulations was the best means to implement such broad changes.

Mr. TRAXLER. Mr. Coughlin?

LONG-TERM BUDGETARY CONCERNS

Mr. COUGHLIN. I guess once again, following what Mrs. Boggs said, I call attention to the fact what we are doing here. Everything is being looked at in terms of outlays for 1981; balance the budget in 1981 but continue on with the programs, loading up the out years.

Somehow to me there is some lack of prudence in this kind of an approach because it is not looking to the long-term balanced budget, it is looking to the one-year balanced budget and then we are faced with huge programs coming up in succeeding years. I really worry about that.

If you are talking about jobs, it is outlays that produce jobs. All the commitments that we get, say the UDAG program, we are talking about high leverage, but it does not go out and produce the jobs in the immediate future.

Mr. EMBRY. Right.

Mr. COUGHLIN. There is a certain amount——

Mr. EMBRY. In fairness, if you look at the block grant program for the last three years, the increase has just been at a two or three percent rate. If you look at the three-year authorization requested by the Administration, it is at just a two or three percent rate. The action grant program for the out years is zero percent increase. So assuming inflation continues at same rate we are not even staying even with the present level.

Mr. COUGHLIN. If you take action grant programs, I beg to differ, because if you take it from when it was started to today, it has gone from zero to $675 million.

Mr. EMBRY. I was addressing to future years; we are building up a major commitment in future years. These programs are not even holding even for the next three years, that is the point I was making.

SECTION 312 "SHOPSTEADING" PROGRAM

Mr. COUGHLIN. One question I had on the Section 312 program. We did not talk about the importance of economic development and community revitalization; I understand the 312 homesteading proposition involves a shopsteading program under this program. People can buy small shops, as I understand it, and rehab those. How successful is that program, the shopsteading program?

Mr. EMBRY. The shopsteading has been very limited with Section 312 money. The Homesteading program under Section 312 is taking Federally foreclosed homes and making them available at $1. There isn't, to speak of, any equivalent shopsteading in that there are Federally foreclosed commercial facilities which we are turning over. the shopsteading that has been done with Section 312 is with city-owned properties that have come in through city tax delinquences and been given out for a dollar. I would be surprised if that is being done in more than five cities in the United States, so it is not a widespread program.

Mr. COUGHLIN. You do not know how extensive Section 312 money has been involved?

Mr. EMBRY. I know that the amount of Section 312 money that goes into commercial loans nationwide is less than five percent of the program.

Mr. COUGHLIN. And as a shopsteading program, is it successful where it has been implemented?

Mr. EMBRY. It is too early to know. The concept is not even a year old.

Mr. COUGHLIN. I would like to place some questions from Congressman Conte, on the areawide Housing Opportunity Plan, in the record at this point.

Thank you, Mr. Chairman.

[The questions follow:]

AREAWIDE HOUSING OPPORTUNITY PLANS

Question. What is the purpose of the Areawide Housing Opportunity Plan?

Answer. The Areawide Housing Opportunity Plans program was created in fiscal year 1976 as a special effort to further promote the objectives of the Housing and Community Development Act of 1974, e.g., to provide for the deconcentration of lower-income households in neighborhoods of high concentration, and to provide for interjurisdictional mobility of lower-income households among localities within a region.

Question. Under what authority was this program created?

Answer. Section 7(d) of the Department of Housing and Urban Development Act authorizes the Secretary to "make such rules and regulations as may be necessary to carry out his functions, powers, and duties." Also, Section 107(a)(2) of the Housing and Community Development Act of 1974 provides that grants may be made "to States and units of general local government which join in carrying out housing and community development programs that are areawide in scope". In addition, the Conference Report (H. Rept. No. 95-1792) on the Housing and Community Development Amendments of 1978 states that "the Secretary should encourage communities to participate in such housing opportunity plans through the use of incentive bonus allocations of section 8 authority, increased Section 701 funding for the state or areawide agencies, community development block grant funds and other existing authorities. . . . (and) to actively utilize the authority conferred by section 107(a)(2) of the Housing and Community Development Act of 1974 . . . ."

Question. Why is it included under CPD rather than Housing?

Answer. The Areawide Housing Opportunity Plans program is an intradepartmental program which involves Housing (Section 8) and Community Planning and Development (Community Development Grants and Section 701 Comprehensive Planning Grants). Lead administrative responsibility for the program was transferred from the Assistant Secretary for Housing to the Assistant Secretary for Community Planning and Development (CPD) in April 1979. This decision recognizes that the program is more consistent with the responsibilities of CPD, which include the administration of housing planning activities carried out with Section 701 funds and the development of Housing Assistance Plans.

Question. It has been brought to my attention that participating AHOP communities are automatically given 50 bonus points in the scoring of their community development small cities applications. Is this true? If so, what is the rationale for this?

Answer. HUD awards 50 points to Community Development Block Grant applicants that are participating in a HUD-approved Areawide Housing Opportunity Plan (AHOP). The AHOP program is designed to increase housing opportunities for lower income persons outside areas with concentration of lower income and minority persons, an important Departmental objective. Awarding 50 points to communities participating in an AHOP recognizes their extra efforts to provide increased housing opportunities for lower income persons and, at the same time, encourages other communities to do likewise. This is one way HUD balances the varied—and competing—needs and characteristics of the small cities it serves.

On April 8, 1980, HUD published a proposed rule in the Federal Register which, in part, deals with AHOP-related issues. Through the proposed rule, HUD is soliciting public comment about elimination of the 50 points for AHOP participation for nonmetropolitan Small Cities program applicants. This change is being considered because concentrations of lower income persons and minorities is not an issue in all nonmetropolitan areas.

HUD is also proposing that only those communities in the first year of participation in the AHOP program, as well as those communities which are participating actively and supporting their AHOP's, receive the 50 points. Communities "partici-

pating" in an AHOP only for the 50 points, and not for achieving the purposes of the AHOP program, will not be awarded the 50 points.

Question. Recently it was brought to my attention by one of the AHOPs not selected for refunding that they were informed informally by HUD staff that the reason they were not being refunded is because they are considered a rural area and the focus of the program is on metropolitan communities.

This rationale concerns me very much because it occurs to me that if participating AHOP communities are given bonus points in the scoring of small cities applications and yet rural areas are not being allowed to participate in the AHOP program, then you are in fact biasing the community development program against rural areas. How do you respond to this?

Answer. The Areawide Housing Opportunity Plans (AHOP) program does not exclude rural areas. Currently, there are ten out of forty-one approved AHOPs from rural areas. In the most recent selection for AHOP bonus funds, two of the winning AHOP's are from rural areas. These AHOP's were from the Western Piedmont Council of Governments in Hickory, North Carolina, and the White River Planning and Development District, Inc., in Batesville, Arkansas. There have been a number of AHOP submissions from rural areas which have not been approved, but this is because they did not meet the requirements of the regulations.

Question. I understand that the Department recently announced second-year funding decisions for the participating AHOPs. How many AHOPs were refunded? Please list for the record those AHOPs that were not refunded. What were the criteria used in making the refunding decisions? How much money is involved in this program?

Answer. There were eight Areawide Housing Opportunity Plans (AHOP) refunded in the recently announced second-year funding decisions.

Two AHOPs were not refunded. They are: Franklin County Planning Department, Greenfield, Massachusetts; and Lower Pioneer Valley Regional Planning Commission, West Springfield, Massachusetts.

An AHOP, approved by HUD, must meet one or more of six criteria to be considered for special allocations. An Areawide Planning Organization (APO), whose AHOP has been selected previously as the basis for awarding special allocations, must meet or must demonstrate significant progress in meeting at least three of six criteria. These six criteria are:

1. The APO has established a program, has provided initial funding for administration of a program, or is otherwise significantly participating in or assisting a program which provides housing information, referrals, counseling, and related assistance to lower income and minority households desiring housing assistance outside areas and jurisdictions which contain undue concentrations of low income or minority households.

2. When participating jurisdictions use the Section 8 existing housing program, eligible families currently are permitted to use and are assisted in using their Section 8 Certificates of Family Participation in two or more participating jurisdictions (half of which do not have undue concentrations of low-income households) representing at least 50 percent of the area population.

3. Residency preferences or requirements for admission to low-income housing have been eliminated in all participating jurisdictions by all Public Housing Agencies (PHAs) administering a low-income housing program.

4. The APO has taken an active role in combating discrimination on the basis of race, color, sex, religion, or national origin in the private housing market within the AHOP area.

5. The AHOP includes, as participating jurisdictions, 75 percent to 100 percent of the jurisdictions in the AHOP area.

6. Any other activity or activities, as developed or administered by the APO and acceptable to the Secretary, that address the program objective.

The selection procedure, based on the above criteria, included three parts: (1) the number of criteria met; (2) how well the proposed use of funds addressed the program objective—for previous winners, APOs were also rated on their past use of funds; and (3) the overall quality of the AHOP relative to other approved AHOPs in achieving the program objective.

The Budget estimates $25.8 million for this program in 1980—Section 8 contract authority, $15 million; Community Development Grant funds, $10 million; and Section 701 funds, $800 thousand.

Mr. TRAXLER. Mr. Sabo?

ADVANTAGE OF SECTION 312 LOAN PROGRAM

Mr. SABO. Thank you, Mr. Chairman.

While I think this program is well known, I think it is a good program in terms of what its goals are, it is probably one of the most important we can have.

I was very pleased with the original recommendations made by the Administration. It is not only its goal that pleases me. It is also its structure which I would hope we could think about somehow in incorporating the other housing programs, insofar as it is a loan repayment program.

I notice in 1980 the estimate is that $46 plus million of the program is coming from loan repayments and other income. That is projected to jump to $59 million in 1981. I just think this structure makes an attractive one. It is not dollars that disappear forever from the Federal Treasury; they accomplish a worthwhile goal and then return, albeit, if we are borrowing money, obviously they return at less interest than we paid for at the Federal level. But I think its structure is a useful one.

I hope we try and devise other programs to make use of this structure. It is also my judgment, while I agree we need to get a handle on inflation as it relates to the immediate period, there are some ingredients of it that may be of a temporary nature. Unfortunately, a large part of our inflation is much more structural and we have to deal with it in the long term.

To the degree that we maintain a decent supply of housing in what is going to be a shortage for the foreseable future, it is one little component of trying to keep that long-range structural inflation down.

I think Section 312 relates to this. I think it also relates to, what I personally agree with, continuing commitment of the Administration to developing Section 8 units, where I am fearful the end result in Congress will be a reduction in the name of temporary inflation which will only spur long-term inflation.

I think it is a good program.

COORDINATION OF SECTION 312 AND SOLAR ENERGY LOANS

One particular question, when we had the Solar Energy Bank in GNMA, of my questions to them was whether they intended to have any coordination with Section 312 as it relates to either their solar energy loans or their energy conservation loans. The answer was not really yes or no. It would seem to me there would be some useful cross-communication between Section 312 and the new energy conservation bank as it gets established.

Mr. EMBRY. I had not thought of that potential but it is a very good idea. Let me make sure that there is such coordination.

Mrs. BOGGS. Also, at the same time I suggest, since I just participated in an EPA noise symposium, that we may consider the anti-noise devices in the neighborhood, as well as within the buildings themselves, as part of the same comprehensive planning.

Mr. EMBRY. Very well.

Mr. SABO. I would think at times Section 312 loans are going on, particularly with some of the passive solar things that they are able to fund there, it might be useful to have coordination.

Thank you, Mr. Chairman.

ELIGIBILITY FOR SECTION 312 LOANS

Mr. TRAXLER. Before we go on, let me give you a scenario. Assume there is a home which is within a community development program under Title I of the Housing and Community Development Act of 1974, or it could even be an Urban Homesteading program under Section 810 of the same Act. According to the justifications, it could be a person who owns it, wants to rehab it, and with a higher income such as $62,500. If it is necessary to promote neighborhood revitalization, then that person or persons would be eligible for a 312 loan.

Mr. EMBRY. Yes, sir.

Mrs. BOGGS. That is good.

Mr. TRAXLER. We just figured it out.

Are those kinds of programs in Washington?

Mr. EMBRY. Yes.

Mr. TRAXLER. Do we have Title I, Sections 312, 810?

Mr. EMBRY. Yes, sir.

Mrs. BOGGS. We had a model program in Washington under the homesteading.

Mr. EMBRY. There are fewer and fewer areas that would be eligible in Washington as the middle class moves back into the city.

Mr. TRAXLER. Buy now, rehab now, is that what you are saying?

Mr. EMBRY. That is right.

Mrs. BOGGS. That is particularly good for young people.

Mr. TRAXLER. Thank you.

SECTION 312 TECHNICAL ASSISTANCE

Mr. EMBRY. Could I point out one thing before you go on to another part of HUD. You referred to a GAO report. I just happened to be looking at this GAO report on using rehabilitation money more effectively. Two of the five recommendations that GAO makes to HUD deal with increased technical assistance.

I only make that point because we continue to get from the General Accounting Office, and various groups that review our programs, the admonition we could be saving a lot of Federal money and using it more effectively with more technical assistance. I know that doesn't agree with the views of some on this Committee about the value of technical assistance. I have stressed it oftentimes today. It seems to me it is such an important part of our program that I really wish I could convince the Committee of my view.

CDBG TECHNICAL ASSISTANCE

Mrs. BOGGS. Mr. Chairman, I would like to reiterate that in my plea not to cut the Secretary's Discretionary Fund for the disaster portions of that fund, I did not realize that was impacting adversely on the technical assistance program. In reference to those uses of CD monies and also planning and other types of programs which fit under CD, I note that when cutbacks in other programs are discussed it is often said that the slack can be taken up by Commu

nity Development Block Grant programs. I really feel that technical assistance in some of those areas would be, maybe, the key.

I certainly know that efficient and effective use of available resources can only be accomplished by effective planning. That function should not be cut back. But I have been worried for a considerable length of time about the planning function under the CDBG program. I would like to know if a study has been made or if there are any ongoing studies to monitor any sort of discrepancy between CD plans submitted to HUD and the actual expenditure patterns.

Mr. EMBRY. Yes, ma'am. We currently have a study underway on a selected number of communities. The study deals with the degree to which they are planning; the effectiveness of that plan—are they just paper exercises or really strategizing for the future—and the degree to which the communities are using that plan to actually guide their expenditure of funds.

We will be happy to give you the results of that as soon as they are submitted.

CDBG PLANNING/TECHNICAL ASSISTANCE

Mrs. BOGGS. I would assume that just as the UDAG program sends in people to help with the technical skills, to readjust the plans or to make the planning more compatible with being able to be funded under the program, to leverage more money in the private sector, et cetera, that it would be just as valuable to try to help communities to actually carry out the programs outlined in their plans submitted to you.

Mr. EMBRY. That is our assumption in undertaking the study. Before we began any technical assistance in this area we wanted to be clear as to what the problem was. At the present time we do not provide any technical assistance. The word we are getting back from communities around the country is, there is a great need for it.

Once Section 701 funding was ended for large cities, communities stopped spending money on planning because it is not politically popular. When a mayor has to allocate his block grant money among competing neighborhood demands, planning suffers. We are trying to determine whether that is correct or not.

There was a reference in Congressman Traxler's question about the last year's negative report on technical assistance by the investigations staff. I would just stress again if it is possible to go back and read that, that the investigator did not, to my knowledge, make any negative recommendation.

I would urge the Committee to investigate the technical assistance program. I know I am going out on a limb and asking for trouble, but I think it is such a worthwhile program that it should be looked at closely and maybe the concerns of this Committee could be made clear. If we are doing something wrong, we could stop doing it. I have yet to learn exactly where the concern lies. There must be some failure of communications.

Mr. TRAXLER. I want to refer to page 147 of last year's hearing volume. The Investigative Staff report indicates that: "The wisdom of this strategy cannot as yet be evaluated. Most of the TA awards

to local groups, or on their behalf, are just getting underway. Similarly, it is too early to tell if waste and duplication has taken place because of the large number of relatively small awards that were made. For example, the Investigative Staff was advised that the HUD Regional Office in Atlanta sought TA proposals which focused on neighborhood community revitalization. This was done without the knowledge of or coordination with the NVACP, which had devoted a large share of its TA efforts in this same vein." I say this for whatever it is worth.

URBAN HOMESTEADING

Now let's turn to Urban Homesteading. The justifications begin on page E-1. There is no appropriation request for 1981. The program will be funded with prior year moneys. This program has slowed markedly from earlier projections. The original 1979 program—which was supposed to support a $20 million appropriation—was to transfer 3,200 properties. Last year that was revised to 2,500. Actual experience was only 950. Similarly, the 1980 estimate of 3,200 properties has been reduced to only 1,500. What has happened to the Urban Homesteading program? Why has demand been so much less than estimated?

Mr. EMBRY. The stock of homesteadable houses we are serving through foreclosure is so much smaller than we had anticipated. In January 1974 there were 77,000 properties in the HUD inventory, versus 20,000 in January 1980. Only 10-20 percent of these are available for homestead use, and a small portion of these are located in neighborhoods selected for homestead programs.

Mr. TRAXLER. That is certainly good news to those of us from Detroit.

Mr. EMBRY. Yes, Michigan.

REIMBURSEMENTS TO VA AND FMHA

Mr. TRAXLER. Appropriation language has been proposed in the 1981 budget to allow funds to be available to reimburse the VA and Department of Agriculture for the value of properties to be used in HUD's Urban Homesteading programs. Tell us why you need this legislative proposal?

Mr. EMBRY. Well, to use VA and Farmers Home properties the same way we are using FHA properties, their funds have to be reimbursed. They cannot give away the properties.

Mr. TRAXLER. How many VA and Farmers Home properties do you estimate will be involved in the homestead program?

Mr. EMBRY. Not more than a hundred a year.

Mr. TRAXLER. Thank you. We will place the UDAG—Surveys and Investigations Staff Report in the record at this point.

NOT FOR RELEASE UNTIL AUTHORIZED BY THE COMMITTEE

April 3, 1980

MEMORANDUM FOR THE CHAIRMAN

RE: Urban Development Action Grant Program

By directive dated November 26, 1979, the Committee requested an investigation be made of the Urban Development Action Grant Program of the Department of Housing and Urban Development. The investigation has been completed and the results are set forth in this study.

Respectfully submitted,

Anthony J. Gabriel, Director
Surveys and Investigations Staff
House Appropriations Committee

C. R. Anderson
Chief of the Surveys and
Investigations Staff
House Appropriations Committee

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SUMMARY, OBSERVATIONS, AND RECOMMENDATIONS

Section 119 of PL 95-128, October 12, 1977, established the Urban Development Action Grant (UDAG) program. Action grants are designed to assist severely distressed cities and urban counties in revitalizing their stagnating economies and reclaiming deteriorated neighborhoods.

Congress has authorized and appropriated a total of $1.475 billion for action grants for FY's 1978, 1979, and 1980. Appropriations are available for obligation for 3 years. For example, funds appropriated for FY 1978 remain available for obligation until September 30, 1980. HUD has obligated funds on a timely basis and it is unlikely that any funds will revert to the Treasury unless some existing FY 1978 obligations are cancelled after September 30, 1980.

As of March 15, 1980, 1,053 UDAG applications have been received and reviewed by the UDAG staff. Of these, 459 projects were given no further consideration (rejected) for funding or withdrawn. There have been 594 projects approved for funding, of which 32 projects have had their funding approval revoked by UDAG usually for lack of private funding commitment.

There are currently 77 metropolitan (metro) city projects and 52 small city projects in a "hold over to the next funding round" status. Program officials advised approximately 135 to 150 metro projects are considered each funding round. Roughly one-half are "hold overs" from previous rounds. Small city application experience reflects a project round universe of about 10-20 projects smaller than the number of metro projects with a similar holdover ratio. An average range of 40 to 50 projects are recommended each round to the Assistant Secretary for funding, 35-45 of these are approved for funding.

Eligibility to apply is determined through criteria demonstrating the physical and economic distress of the city and demonstrated results in equal employment opportunities and in offering housing for low and moderate income persons.

The first grants were announced in April 1978. Grant application submissions are followed by negotiations between the applicant and UDAG staff located in Washington, D.C., to make all applications as "competitive" as possible. Competitive position is determined through a set of thresholds based on criteria outlined in the enabling legislation and in UDAG policies and regulations.

Grant announcements are followed in 4-8 weeks by drafting and signing by HUD of a contractual grant agreement obligating the city to the project and submission of documented Legally Binding Commitments (LBC) of private investment and participants in the project. Grantees generally are given 6-9 months to secure LBC's.

This evidence must be submitted before there is any drawdown on the grant funds. Quite frequently the action grant funds may not be drawn down until all or most of the private investment is expended, therefore it is not surprising that the first outlays under the program did not take place until after the beginning of FY 1979. Because the program is designed to stimulate private investment, UDAG officials believe to insure private commitment Federal funds should be spent last whenever possible. While this produces low expenditure to obligation ratios, it is in keeping with the program policies and accomplishes the intended objective with small risk to Federal funds.

In the opinion of the Investigative Staff the UDAG program is successful in its attempts to stimulate economic development in industrial and commercial areas but the program falters somewhat in the area of conservation of viable residential neighborhoods in terms of that being the primary program emphasis as described in House Report 95-236, May 2, 1977. While successful and potentially successful neighborhood category projects can be identified, the relative attractiveness of commercial and industrial projects to developers, the present economic realities and the apparent priorities of cities as well as UDAG thresholds, work against residential projects and favor industrial and commercial projects. UDAG policies and procedures do consider the impact on displacement of low and moderate income persons, and provide that neighborhood category projects compete only with other neighborhood projects in terms of comparisons of rating criteria. However, agency officials admit the UDAG program is designed to stimulate private investment and create jobs rather than rehabilitate or replace housing stock for which other HUD programs exist.

The Investigative Staff found available project documentation widely divergent in terms of coverage, content, and quality. As the UDAG program is a national competition, applications are reviewed and evaluated by UDAG staff in Washington.

The UDAG review staff of approximately 19 is divided into 6 regional teams. Funding decisions are announced 60 days after the application submission deadline. The regional teams review the applications and negotiate with the cities to make the application as competitive as possible using the set of guidelines that operate as minimum thresholds. These criteria thresholds include: (1) number of new jobs created or jobs retained, (2) number of low and moderate income persons and minorities that benefit, (3) Comprehensive Employment and Training Act (CETA) participation, (4) ratio of private dollars invested to Federal dollars requested (2.5 to 1 minimum), (5) physical, fiscal, and economic impact, (6) comparative degrees of distress of applicant, (7) recapture and recycling of funds, and (8) need of UDAG to make the project go. The more a project surpasses the minimums of these thresholds the better its chances of receiving funding. Funding decisions--held for further consideration, and no further consideration--are made on the basis of the applicants' relative success in achieving high marks in the criteria categories.

As most of the negotiations with cities is done via telephone, documentation of data and negotiations is based on the original application submitted and any notes or correspondence generated during negotiations aimed at maximizing the project benefits as judged by the criteria categories.

The notes are sparse in some cases although current threshold data is submitted as received into the program computer data system. A concise clear audit trail on project decisions is non-existent, although with some effort and discussions with the specific team member a decision logic can be documented. The introduction of a standardized project rating form has contributed to significant differences between documentation in early round projects and recent projects.

The Investigative Staff attempted to analyze and compare grants awarded early in the program with those more recently awarded. Significant differences were noted. Differences that correspond to agency officials explanations of program evolution and maturing. Agency officials advised the first four rounds of grant review occurred during a period of program definition and regulation development and refinement. Several projects approved in early rounds would not, according to officials, be approved for funding under the competitive situation existing today.

The Investigative Staff learned UDAG staff are dependent on data supplied by applicants for their analysis and application review. While UDAG staff conduct verification checks on data whenever possible, estimates of jobs created or added within companies and retail establishments are derived from documents submitted by the employer attesting to their intentions or plans for employment. Letters of commitment on minority employment, training programs, and overall hiring goals are sought whenever possible and made a part of the contractual grant agreement, if possible. While deliberate applicant misrepresentations are difficult to discern, data analysis of the overall application usually provides UDAG staff with an indication of estimate validity.

The Investigative Staff found in the completed or near completed projects reviewed that job estimates were generally on target. Some projects were behind for valid reasons, others were slightly ahead of estimates. Several company representatives stated they deliberately underestimated the number of jobs and private commitment to make sure the company made its commitment. They preferred to be congratulated for being over their goal than criticized for not meeting their commitment. Many of the employment benefits in applications are phased over one or more years or available at completion of construction so verifiable employment data was not yet achievable. In those area office jurisdictions that had completed UDAG projects or projects authorized drawdown, monitoring visits by area office personnel were accomplished or planned under their management objectives system.

Community development representatives in most area offices served as focal points for UDAG reviews and monitors of awarded UDAG grants.

The Investigative Staff found UDAG staff had reduced benefits claimed in circumstances where their analysis indicated the estimates were overly optimistic or included employment figures that were not related to UDAG activity. The Investigative Staff believes the UDAG staff makes an honest effort to analyze and present reasonable benefit estimates for the grant projects funded based on the information available and accessible to them. In one grant reviewed, the estimate of jobs to be created was reduced during negotiations by UDAG staff from 1,200 to 300+ because some of the activity would have taken place whether UDAG had occurred or not.

Recommendations

1. The Investigative Staff believes the UDAG program is successful in its attempts to stimulate economic development in industrial and commercial activities. However, the attractiveness of these type of projects and their ability to overshadow residential projects in some rating criteria, places some neighborhood projects in a poorer competitive position both with UDAG and the cities. The Investigative Staff suggests the Committee consider (a) retaining the reasonable balance provision in the legislation, and (b) requiring the Secretary of HUD to develop further efforts to stimulate more neighborhood revitalization applications.

2. The Department of Housing and Urban Development (HUD) is currently designating an Economic Development specialist in each area office. The Investigative Staff suggests the Committee advise the Secretary of HUD to emphasize the designation and training of these individuals in UDAG-related skills to provide a uniform information resource available to potential applicants that can provide authoritive advice and guidance and relieve UDAG staff of at least preliminary information demands. The position could also serve as a method of technical assistance to small cities and community organizations that cannot generate sufficient resources to secure development expertise. Further, the position could also help to alleviate the understaffing problem. It is also suggested that the Committee request the Secretary alleviate the severe overcrowding in the office space occupied by the UDAG staff.

3. The Investigative Staff suggests the Committee direct the Secretary of HUD to retain the present funding decision process in the UDAG program, even though the procedure may be open to various types of pressure on the decisionmaker. Because projects must meet minimum thresholds and the program requires a very high degree of flexibility, the Investigative Staff believes the risk of inappropriate or erroneous funding decisions is minimal in terms of the benefits of the completed projects. In the opinion of the Investigative Staff, removal of the judgmental factor and substitution of mathematical formula would ensure

objectivity but result in fewer projects that meet the needs of the country. However, the Secretary of HUD should be required to establish uniform documentation to provide support for these judgmental factors and subsequent review and audit.

4. The Investigative Staff suggests the Committee discuss with the Secretary of HUD the merits of:

(a) Inclusion in the annual UDAG report an evaluation of labor and job data with respect to types, numbers, costs, actual and relative, of jobs created by UDAG-funded projects.

(b) Inclusion in the basic application private investment data on the area drawn from the Home Mortgage Disclosure Law Data files.

Such information could provide data to evaluate the effectiveness and validity of UDAG projects on employment and the need of UDAG stimulation of private investment in a given area based on an analysis of the current investment as reported under the law.

5. The Investigative Staff suggests the Committee might wish to consider broadening to all federally supported programs the UDAG legislative restriction against Federal funding participation in relocation of industrial or commercial plants or facilities from one area to another if it adversely affects employment or the economic base.

I. INTRODUCTION

A. Directive

By directive dated June 26, 1979, the Committee requested an investigation be made of the Urban Development Action Grant (UDAG) program of the Department of Housing and Urban Development. The review was to include but not be limited to the program's regulations, practices, obligation, and expenditure rates, equity and documentation of project selection. The study was to analyze the degree to which the program was meeting its goals and the necessity of the UDAG grants in the projects.

B. Scope of Review

The Investigative Staff conducted over 100 interviews with Department of Housing and Urban Development officials, State and local officials, bankers, developers, contractors, community organization representatives, and private individuals. The Investigative Staff visited projects and solicited opinions and conducted interviews in 10 States in 6 regions involving 8 HUD area offices.

II. BACKGROUND AND HISTORY

Section 119 of PL 95-128, October 12, 1977, Housing and Community Development Act established the Urban Development Action Grant program. It is administered by the Department of Housing and Urban Development (HUD) within and as a complement to, its Community Development Block Grant (CDBG) program. HUD describes action grants as designed to assist severely distressed cities and urban counties in revitalizing their stagnating economies and reclaiming deteriorated neighborhoods. "The program seeks unique opportunities where qualifying communities can use Federal funds to stimulate new or increased private investment."

Congress authorized $400 million a year for FY's 1978 and 1979. In response to the President's request, the authorization for FY 1980 was increased to $675 million. The funds are appropriated and can be used for 3 years. HUD practices obligating oldest money first via a "first in first out" policy. If a grant announced in FY 1979 is ready for obligation before a grant announced in FY 1978 is ready for obligation, the FY 1979 announced grant uses FY 1978 funds for obligation and the FY 1978 announced grant uses FY 1979 funds even though the awards were announced in different fiscal years.

Not all cities are eligible to participate in the program. Eligibility criteria demonstrating the physical and economic distress of the cities, and demonstrated results in offering housing for low and moderate income persons and equal employment opportunity are minimums that must be met.

HUD, using available census tract data, and HUD-established ratios publishes a computer generated list of eligible cities. The enabling legislation specifies minimum eligibility factors that are interpolated into Urban Development Action Grant (UDAG) distressed and impacted ratios. While the validity of the eligibility ratios can be debated, the criteria in the legislation is utilized by the program with the exception of one factor.

The law stipulates the standards established by the Secretary of HUD for determining the levels of physical and economic distress--"shall take into account factors such as the age and condition of housing stock." HUD data deals only with the age of housing. Condition of housing is not included in the basic consideration of eligibility. HUD officials state they are dependent upon census data for the eligibility evaluation factors, and therefore only age not condition of housing is meaningful in terms of the data received or available. HUD officials contend, the housing condition variable, even if reportable and usable, would not significantly affect the basic eligibility of a city under the present rating system.

Potential applicants are divided into "metro" (cities with over 50,000 population) and small cities (populations under

50,000). Twenty-five percent of the appropriation is set aside for small cities. City is defined as inclusive of towns, urban counties, and cities--both large and small. HUD has currently identified as eligible for UDAG grants 330 plus metro's and approximately 10,000 small cities. All of which may submit applications for consideration. Compliance with Equal Employment Opportunity (EEO) requirements and Fair Housing Standards is determined through a preapplication process, after basic eligibility is established. Several applicants have been turned down because of noncompliance with EEO criteria. Minimum criteria for the purpose of determining basic eligibility are defined in the enabling legislation and further refined in HUD regulations. These minimum standards involve (1) population growth, (2) unemployment rate, (3) employment growth, (4) housing stock, (5) poverty level, and (6) per capita income. Unique distress factors are also considered in determining eligibility.

Similar criteria in conjunction with additional HUD objectives and subjective criteria are used for funding selection among submitted applications. An evaluation of the eligibility and selection criteria is presently being accomplished by the General Accounting Office (GAO). A report is expected to be issued in April 1980.

III. THE APPLICATION PROCESS

UDAG grants are made to cities and urban counties. Applications are submitted by metropolitan cities during the first month of each quarter and by small cities in the second month. Metro cities and urban counties apply in January, April, July, and October. Small cities can apply in February, May, August, and November. Awards are made by the end of each quarter, 60-90 days after the application is submitted.

Practically, application review is accomplished simultaneously by the HUD area office and the UDAG program staff, which is located in Washington, D.C. Area office comments are supplied by the area office to the UDAG staff in Washington. HUD regional offices may submit comments and recommendations with area office comments. UDAG program staff have responsibility for review of all applications, assessing field comments and recommendations, negotiations between HUD and the applicant, and making recommendations for funding to the Assistant Secretary for Community Planning and Development. Area offices have 30 days from receipt of application to provide comments to UDAG program staff on applications. Negotiations which are generally extensive, are carried out directly between UDAG program staff in Washington and the applicant.

Area office involvement in negotiations is minimal. Because the applicant is relatively free in choosing the content of the projects and methods of funding, each grant application whether successful in securing funding or not, requires extensive individual negotiation and handling which consumes vast amounts of UDAG staff time.

If a project is approved, the award is announced and the applicant is sent a contract detailing the provisions and requirements of the grant. Obligations are not made until the contract is drawn and signed by HUD, usually several weeks after announcement of award.

Although an award has been made and funds obligated, according to HUD regulations, a community will not receive funding authorization until any necessary environmental impact assessment is completed and the city has submitted to HUD evidence of Legally Binding Commitments (LBC) covering the provisions of the grant contract. The commitments are jointly approved by the UDAG program staff and HUD area office.

This process can take anywhere from 1 to 9 months to accomplish. Several grants are running even longer. HUD usually places a 9-month deadline for submission of Legally Binding Commitments but extends the deadline with a justification.

The program is so designed to insure the stimulation or involvement of private funds before HUD fund expenditure. Therefore, while obligations can be made soon after grant approval, expenditures of HUD monies usually run well behind obligations.

IV. LEGISLATED GOALS

Section 119(a) of PL 95-128 states: "In order to promote the primary objective of this title of the development of viable urban communities * * * the Secretary is authorized to make urban development action grants to severely distressed cities and urban counties to help alleviate physical and economic deterioration through reclamation of neighborhoods having excessive housing abandonment or deterioration and through community revitalization in areas with population outmigration or a stagnating or declining tax base."

House Report 95-236 on the Housing and Community Development Act of 1977 states in part, "Primary emphasis in this program would be on revitalization and conservation of viable residential neighborhoods, and stimulation of commercial and industrial development essential to the vitality of central cities and their residential neighborhoods."

In the opinion of the Investigative Staff, the UDAG program is successful in its attempts to stimulate economic development in industrial and commercial activities, but the program falters somewhat in the area of conservation of viable residential neighborhoods in terms of that being the primary program emphasis as described in the House Report. While successful and potentially successful neighborhood projects can be identified in various stages of UDAG grant approval, award, and execution, circumstance rather than UDAG policy places the residential neighborhood project in an inferior competitive position unless it is coupled with a strong industrial or commercial project.

The present economic realities, priorities of the cities, interests of developers, and the UDAG program project evaluation guidelines work against residential projects and favor industrial and commercial projects.

For example, program literature and officials indicate the creation of new permanent jobs; a minimum private to Federal funding ratio of 2.5 to 1 and impact on low and moderate income people are primary considerations in funding decisions. Traditional residential projects in themselves generate few permanent jobs, and unless the housing is "market rate" (sold or rented for current market prices), private investment must be heavily subsidized to generate a return for the builder or developer, which negates a high positive private to Federal dollar ratio. The creation of market rate housing in a city generally impacts little on low and moderate income people in a direct positive manner. Present interest rates, inflation, and building costs, generally require substantial subsidy for low and moderate income housing. Conversely, creation of hotels or shopping centers are attractive to developers and can generate significant private to Federal funding ratios, significant numbers of jobs, and various forms of revenue to cities. As the neighborhood

revitalization category can include commercial and industrial activities, mixed-use projects rather than residential only projects can by definition be better competitively.

UDAG officials stated the neighborhood projects compete only against neighborhood projects and are considered for funding prior to industrial and commercial categories to avoid any funding shortfall pressure and meet the reasonable balance goal contained in the legislation. Agency officials emphasized the UDAG program is designed to stimulate private investment and create jobs rather than rehabilitate or replace housing stock, for which other HUD programs exist. Approximately 63 percent of UDAG announced neighborhood category grants contain at least some housing activity. Neighborhood projects limited to residential activities only, comprise according to program officials, less than 40 percent of the total neighborhood projects. The Investigative Staff suggests HUD remain aware of the social goal conflicts of the "luxury hotel" phenomenon described in section XI in the report and attempt to encourage submission by cities of more "neighborhood revitalization" projects.

V. NEGOTIATION OF GRANTS

The UDAG program staff is structured into six teams, each with the responsibility of stimulation, technical assistance, application review, and monitoring for one or more specific HUD regions. For example, one team is responsible for all projects submitted from region III, Maryland, Pennsylvania, Virginia, West Virginia, etc. Responsibility for individual projects is distributed among team members by the team's senior development officer. Additionally, the UDAG program director redistributes projects between regions if warranted by workload requirements.

All negotiation, correspondence, and monitoring, before, during, and after application review, approval, turndown, or holdover are the responsibility of the assigned team member. Contracts for the grant award are written in conjunction with a lawyer/advisor assigned to each team.

This procedure allows for quick decisions, single point of contact, a good span of control for management and familiarization with all projects by team leaders and most projects by the program director and deputy.

The disadvantage is the size and complexity of the workload assigned to individual teams and team members. As of March 1980 594 awards for $1,123,084,072 have been made; 459 projects were given no further consideration (rejected) for funding or withdrawn; and 32 approved projects have had funding subsequently revoked by UDAG. If projects were evenly distributed and staffing constant, each of the 19 UDAG team members would handle approximately 55 project negotiations and contracts over the past 2 fiscal years with each project having a goal of 60 days for review and negotiation.

Negotiation as defined within the UDAG program is a broad term that encompasses all direct exchanges between HUD and the grantee, project principals and collaterals, financial supporters, other Federal and local agencies, and anyone involved in or contributing to the project.

UDAG staff are expected to verify data in applications. It would not be unusual therefore for UDAG staff to contact all principals and references named in a project, verify past performance of a developer, and review financial and net worth statements of general and limited partnerships involved in the project.

The team member basically reviews, analyzes, and verifies data submitted in an application, making judgments on validity of estimates and the feasibility of the project or a project's critical components. The team member than analyzes the data against "thresholds" informally established and promulgated by the program. These thresholds constitute the legislated and

HUD-established minimum areas and levels of consideration, i.e., private to Federal dollar ratio, number of jobs created, etc.

Negotiations are then opened with the respective city to increase the distance above the thresholds for the project, to make the project as competitive or fruitful as possible. This may require major changes in the project or greater financial involvement by participants. Often times the project character and composition changes radically between the initial application submission and final approval as a result of these negotiations. Because of this negotiation, the survival potential of any application mandates consideration by the UDAG team of all applications submitted. Any prescreening of applications by HUD area offices would preclude full consideration by the UDAG team responsible for funding recommendations.

As project review is to be completed within 60 days, with area office comments and recommendations due in the first 30 days, most of the negotiations are conducted via the telephone. Negotiations about a project do not necessarily begin with application submission or grant award. UDAG teams provide application presubmission reviews or advice at regional meetings each quarter. These meetings held at the regional office provide an opportunity for cities to meet individually with UDAG staff to discuss project concepts or specific applications in various stages of preparation for advice and guidance.

Subsequent to award, projects experiencing difficulties securing necessary commitments are invited to Washington to explore problem areas for avenues of solution. Attendance at either meeting is open to State representatives, developers, or any involved entity which the city (grantee) wishes to include.

HUD area office involvement in any negotiation is minimal because of the specialized experience and knowledge required and the practical logistic problems after submission of their initial position paper on the project.

VI. EQUITY AND DOCUMENTATION OF PROJECT SELECTION

The Investigative Staff found available project documentation in need of improvement because of widely divergent coverage, content, and quality.

The UDAG program is a national competition for funding and therefore funds are not allocated among States or regions according to program officials. The enabling legislation requires a "reasonable balance" among three types of projects--industrial, commercial, and neighborhood revitalization. Removal of this requirement would cause a change in the present balance that would favor industrial and commercial projects.

That balance according to agency officials is achieved through the funding decision process practiced, rather than any fund allocation process. As the definition of "neighborhood revitalization" is elastic and may include industrial and commercial undertakings the program has, at least in terms of numbers of projects, maintained an approximate equal distribution among categories. In terms of monies allocated by categories, a disparity is apparent. The following schedule provides a breakdown of the figures provided by agency officials.

GRANTS AWARDED THROUGH MARCH 15, 1980

	Metropolitian Cities				Small Cities				Total Metropolitian/Small Cities			
	Number of Projects	Percent of Total	Amount of Award (000)	Percent of Total	Number of Projects	Percent of Total	Amount of Award (000)	Percent of Total	Number of Projects	Percent of Total	Amount of Award (000)	Percent of Total
FY 1978												
Industrial -	32	24	$ 72,220	18	53	50	$ 43,353	45	85	36	$ 115,573	24
Commercial -	54	41	213,152	54	30	29	30,398	31	84	36	243,550	50
Neighborhood	45	35	108,047	28	22	21	22,156	24	67	28	130,203	26
Total --	131		$393,419		105		$ 95,907		236		$ 489,326	
FY 1979												
Industrial -	29	20	$ 60,417	16	71	52	$ 59,896	56	100	35	$ 120,313	25
Commercial -	58	40	211,349	57	34	24	21,794	20	92	32	233,143	49
Neighborhood	59	40	98,216	27	34	24	26,497	24	93	33	124,713	26
Total --	146		$369,982		139		$108,187		285		$ 478,169	
FY 1980 (To Date)												
Industrial -	9	24	$ 9,256	7	16	48	$ 22,618	70	25	34	$ 31,874	21
Commercial -	17	45	72,069	59	13	37	5,165	15	30	41	77,234	49
Neighborhood	12	31	41,613	34	6	15	4,868	15	18	25	46,481	30
Total --	38		$122,938		35		$ 32,651		73		$ 155,589	
Cumulative												
Industrial -	70	22	$141,893	16	140	50	$125,867	53	210	35	$ 267,760	24
Commercial -	129	41	496,570	56	77	28	57,356	24	206	35	553,926	49
Neighborhood	116	37	247,875	28	62	22	53,522	23	178	30	301,397	27
Total --	315		$886,338		279		$236,745		594		$1,123,083	

NOTE: columns may not add due to rounding.

The above chart shows, in terms of project numbers, industrial claims 35 percent, commercial 35 percent, and neighborhood 30 percent. In terms of funding, however, industrial claims 24 percent, commercial 49 percent, and neighborhood 27 percent. A rigid interpretation of neighborhood revitalization would in the Investigative Staff's opinion increase the disparity, if "reasonable balance" is defined as an equal balance. As the type or category of application submitted reflects the wishes, priorities, or available circumstances of the grantee (cities). Direct actions by HUD affecting the "balance" are somewhat limited. UDAG officials agree elimination of the "reasonable balance" requirement would probably lead to a reduction in the numbers of neighborhood projects.

Agency officials described the project selection process as evolutionary. Grant applications are submitted by eligible cities to the HUD area office and UDAG program staff simultaneously. Area office officials have 30 days to review the application and submit an evaluation, comments, and recommendations to the UDAG staff.

UDAG staff, divided into regional teams, for the next 60 days, reviews the application and negotiates with the city to make the application as competitive as possible using a set of loose guidelines or thresholds that operate as minimum standards. These criteria include but are not necesssarily limited to the following: (1) number of new jobs created or retained and the amount of UDAG dollars per job; (2) number of low and moderate income persons and minorities to benefit with regard to jobs and housing, and/or entrepreneurial opportunities; (3) Comprehensive Employment and Training Act (CETA) participation; (4) ratio of private dollars to be invested to the UDAG dollars requested; (5) physical, fiscal and economic impact on the locality; (6) comparative degree of distress among applicants; (7) amount of fund recapture; and (8) "But For" the probability of the project occurring without UDAG funding.

Each application is provided a numerical value in as many categories of these criteria as is appropriate. This information is provided on a summary standardized rating form for each project and input into the UDAG Action Grant Information System (AGIS) computer system. This data is submitted to the AGIS from the initial application and updated as negotiations continue and the data changes.

Documentation for the original data is the application. Documentation of the negotiations and the changes to the original application data and in some cases project description is the individual notes of the UDAG staff members. As most of the negotiation is done by telephone, the documentation has a tendency to be brief, cryptic, incomplete, or nonexistent until a final point is reached with the funding decision. In the opinion of the Investigative Staff, more needs to be done to formally document these matters. Changes in application data, if any, are fed into

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the AGIS computer system up to and including the day of the funding decision.

Midway through the 60-day review cycle, a presentation of project particulars for each application is made by the teams to the program director. A discussion is held on each project with informal notes on each project annotated on a computer summary sheet. The projects do not compete against each other, per se, according to UDAG officials, but rather an analysis of the application's "competitive" position is made. This is used as guidance to the team for areas in the application to be further negotiated, terminated, accepted, etc. Individual project negotiations by teams are pursued for the remainder of the review cycle.

At the end of the cycle the projects are presented for a final time by the teams to the program director. The projects are not ranked by the teams in any manner but are presented as individual projects standing alone. Recommendations of projects to be held over or given no further consideration for funding are also made by team members at this time.

After all teams have presented all projects the program director and deputy make similar presentations to the assistant secretary for his consideration and recommendations to the Secretary of HUD for funding. Here some ranking occurs. The project data bank is manipulated to provide several listings or rankings of project applications by threshold criteria, i.e., private to Federal funding ratio, number and cost of jobs, relative distress of applicant, etc.

During this 60-day review and negotiation period, projects fall out of the competition because minimums cannot be met or more time is needed to generate a better project profile or acquire necessary commitments. HUD officials contend a relative ranking of projects was not necessary because at a funding level of $400 million (FY's 1978 and 1979) and again at $675 million (FY 1980) the number of projects received and surviving the review and negotiation period about equaled the available funding. Therefore, a relative ranking of projects and establishment of a fundable ranking cutoff was not necessary. However, UDAG officials advised a system for developing a ranking method to compare applications in the same category to be available if necessary. In fact, rankings of projects considered for funding does occur. Various manipulations of the AGIS data base are used to examine the relationship of the projects to the rating thresholds. According to program officials very few projects are cut at the final level because funding is available for those that reach this plateau.

As a result, documentation in terms of evaluating funding decisions on applications does not generally exist per se. Sponsors of projects denied funding or held over for consideration in the next round do receive letters detailing the reasons, generally a failure to meet or exceed a threshold.

Projects are funded, rejected, or held over for another round based on the subjective judgments of the program director, Assistant Secretary for Community Development, and the Secretary of HUD. These judgments are based on the success or failure of the UDAG teams and applicants, in submitting or negotiating a project that is optimized in as many criteria as possible. This information coupled with knowledge of the relative distress of the city and any other factors or influences result in funding decisions.

Because projects must meet minimum thresholds and the program requires a very high degree of flexibility, the Investigative Staff believes the risk of inappropriate funding decisions is minimal in terms of the benefits of the completed projects. The procedure, however, is open to various types of pressure on the decisionmaker who is charged with the responsibility of accomplishing the objectives of the program within its regulations.

All participants in the UDAG program interviewed by the Investigative Staff named program flexibility and absence of rigid regulations as the primary factor in their willingness to work with the program and the program's successes. In the opinion of the Investigative Staff, removal of the judgmental factor and substitution of mathematical formula would ensure objectivity but result in fewer projects that meet the needs of the country.

For example, strict adherence to ratios and maximum thresholds would in all likelihood hurt the most distressed cities because those cities have the most difficult time of attracting private investment because the return is riskier and usually smaller. The flexibility of the program to go with a marginal benefit project in a highly distressed city rather than a more solid project in a relatively less distressed area would be gone. For example, one neighborhood project in a large city, required an additional $200,000 a year to provide necessary security for the commercial enterprises involved, an extra cost not generally incurred in suburban locations. Those additional costs and concomitant risks were enough to discourage private investment in the area and limit the amount of private capital available. Similarly, present program flexibility allows UDAG staff to consider the limited public resources available to smaller cities in undertaking large infrastructure expenditures.

Because the project selection decisions are subjective judgments rather than mechanical entitlements or selections, the equity of the process is difficult to determine. The documentation or process should but does not indicate, what, if any, weight a Congressional or White House letter of support or frequent urgings by a community, mayor or large corporation provide, or how much harder or easier negotiation with UDAG staff may be for a particular applicant. The Investigative Staff identified documentation in the project files where one UDAG staff generated letter rejected an apparent overt attempt at influencing a grant award. As HUD's objective is to fund as many projects as can meet the guidelines

and the funding will allow, the question becomes is the project viable and how successful is it in meeting threshold criteria. UDAG officials stated present levels of funding do not occasion any backlog of fundable projects. The Investigative Staff during its review did not learn of any UDAG practice or procedure that would adversely effect the equity of project selection.

The HUD Office of Inspector General in February of 1980 issued its initial audit report of the UDAG program. The report described the UDAG files as inadequate and not maintained in an orderly and complete manner. The report also criticized the length of time consumed between grant award and release of funds. The Investigative Staff agrees the time requirements of the early round grants were and are excessive and believes the weakness of those projects and the newness of the program to be contributory. The project files are far from the standards required by HUD regulations. UDAG officials explained that the dynamics of negotiation and review time requirements inhibit orderly recording of the process and individual steps in negotiation. The Investigative Staff suggests a greater effort toward file documentation would benefit both program and auditor but does not suggest the orderliness of the files be the primary objective of the UDAG negotiators. The Investigative Staff with a little diligence and help from team members was able to trace most project histories through the sparse handwritten notes in the file. The more recent the project application the more complete the file although some recent applications were inadequate in terms of documentation.

In the opinion of the Investigative Staff, a HUD policy of frequent evaluation of legislated program goals and objectives relative to the completed project results would be an effective use of resources and an effective method of determining compliance with legislative intent, purpose, and goals, more than any emphasis on standardization and mechanistically determined project funding decisions.

VII. CONTENT AND QUALITY OF APPLICATIONS

Although considerable negotiation and information exchange may take place after a UDAG application is submitted to HUD for consideration, the UDAG staff is dependent upon the information supplied in the application as the basis of their analysis. UDAG officials stated they do not accept the data supplied at face value but verify information wherever and whenever possible. The Investigative Staff noted UDAG program officials do analyze the data and information in the application for discrepancies and seek their resolution. However, the validity and variety of the statements and claims made are, of necessity, accepted at face value, unless there is some basis for a question or UDAG verification activities indicate discrepancies.

The UDAG application guidelines specify the following:

"section e Necessity of Action Grant * * * provide convincing evidence that an action grant is needed for the project on this transaction.

"Note: Action grant program policy requires that all private sector investment which is to be counted as leverage must be contingent upon an action grant. If the private investment or any part thereof, will take place irrespective of the action grant, the applicant should not seek an action grant. THE APPLICANT MUST STATE UNEQUIVOCALLY THAT, IN ITS OPINION, UNLESS AN ACTION GRANT (OR COMPARABLE FUNDING) IS RECEIVED, THE PROJECT WILL NOT PROCEED.

"* * * Section 7.c(1) Project Financing, Documentation 'requires the documentation * * * MUST ALSO EXPLICITLY AFFIRM THAT THE DEVELOPERS INVESTMENT IS CONTINGENT UPON RECEIPT OF THE TOTAL ACTION GRANT (OR A SPECIFIED PORTION THEREOF) AND WILL NOT TAKE PLACE WITHOUT THE ACTION GRANT (OR OTHER PUBLIC FUNDING).'"

If a developer or city is willing to submit an inaccurate, misleading or even false "but for" statement, UDAG staff or the HUD area office cannot deny its credibility unless there is evident basis for such an action. UDAG staff has and does request stronger, or more direct statements or reconfirmation of commitments from principals involved in projects. Data concerning jobs generated is also subject to manipulation if an applicant chooses to do so. The Investigative Staff did not learn of any pervasive misrepresentations, but was advised of occasional "overenthusiasm" in filling out an application and at least one formal complaint of misrepresentation with respect to the need of a UDAG grant. Additionally, some independent non-HUD research has occurred that indicates the veracity of the "but for" statements are questionable in some cases, specifically with some hotel

projects. In many situations the input of the area office is helpful in identifying weakly based or questionable data because of their proximity to the project. UDAG staff negotiations with grantees can then resolve the questions raised.

More than a majority of the individuals interacting with the UDAG staff stated the competence and negotiation toughness displayed by the UDAG staff was of the highest caliber and demonstrated an awareness of the nuances as well as the obvious problems involved in development.

Several cities complained the UDAG staff was, in their opinion, too protective of the cities' interest. For example, some local entities had determined they were willing to provide significant tax abatement as an incentive to a developer or industry and UDAG staff was resistant because they felt the additional incentive by the city was not necessary or warranted in these cases. Some hard bargaining achieved satisfaction on both sides according to the principals involved.

Just as UDAG staff is primarily dependent on data submitted with an application so too HUD is dependent on the cities to develop and submit the best applications. The Investigative Staff found the more sophisticated the grantmanship of a city or developer was, the easier it was to get a project submitted for consideration. This was reflected in some of the complaints received by the Investigative Staff. Some community organizations expressed concern they were unable to progress through the local political entity to reach consideration by HUD.

It was suggested that large developers with available resources could put a project together with all necessary qualifying financing (for a luxury hotel or large shopping complex for example) and given the support and submission of the project by the city because such a method relieved the city of a large amount of staff effort and resulted in readily identifiable revenue benefits to the city.

Smaller entrepreneurs or community groups without access to adequate funding could not gain the interest of the city because of the amount of staff time and resources necessary for project formulation. The UDAG program as a result can become the object of a conflict between local political entities or local priorities and lead to criticism of the program and its projects.

Resolution of these local priority questions while not necessarily the responsibility of the UDAG program can be ameliorated by providing technical assistance to HUD-judged viable projects as requested. HUD presently provides such assistance but only with the concurrence of the local mayor. As with many programs the success of the activity is the result of an understanding of the program goals and requirements and the applicants' ability to provide the necessary data and justification.

As experience and knowledge of the program grows in the field the number of grants and their quality in terms of threshold ratios grows placing additional burdens on the UDAG staff, and increasing competition, among and between projects. UDAG officials stated the numbers of applications received for consideration each round has remained relatively constant. The recent 60 percent increase of $275 million in appropriations only resulted in an approximate 10-15 percent increase in applications submitted.

VIII. STAFFING

The Investigative Staff believes the UDAG program to be understaffed and assigned inadequate office space, factors that detract from the efficiency of the program. The Investigative Staff suggests a greater effort be made by HUD to alleviate the severe overcrowding in the office space presently occupied by the UDAG program.

The program utilizes approximately 55 people with approximately 19 involved in grant negotiation. Efforts are underway to increase those numbers. Those 19 divided into 6 regional service teams, provide all review, technical assistance, negotiation, contract writing, assessment of Legally Binding Commitments (LBC) and monitoring for all projects in their respective geographic areas. As an example, one staff member in a recent round had for review 5 metro city projects, 3 of which appeared fundable, 3 preliminary small city applications, pending for the next month, and approximately 25 other projects in various stages after preliminary approval--contract writing/negotiation/submission of LBC's, drawdown, completion, and monitoring.

The UDAG program director indicated five or six additional positions allocated among the teams would provide much needed staff support. The Investigative Staff concurs and agrees the addition of any personnel over and above that number would work as a detriment to the present successful span of control presently exercised by the director. The Investigative Staff believes the smallness of the staff relative to other Federal programs of equal funding magnitude is an asset in terms of communication and interaction with all participants in the program.

As an alternative to staff increases, the Investigative Staff suggests consideration be given to the further development and training of the economic development specialist positions currently assigned to area offices. These positions could provide extensive technical assistance and prescreening of applications that is presently performed by UDAG headquarters staff. The present level of UDAG support in HUD area offices is dependent on the abilities and experience existent in the area offices and varies widely. The particular experience and knowledge needed to advise and review UDAG applications is usually best developed outside traditional Government. This experience in private development and mortgage financing is necessary to adequately serve the applicant and relieve headquarters staff of preliminary inquiries to concentrate on data analysis and negotiation of submitted applications.

IX. EARLY ROUND VS. LATER ROUND GRANT APPROVAL

The Investigative Staff attempted to analyze and compare grants awarded early in the program with those more recently awarded. Significant differences were noted. Differences that corresponded to agency officials explanations of program evolution and maturing. Agency officials advised the first four rounds of grant review and approval occurred during a period of program definition and regulation refinement based on experience.

Several projects approved in early rounds would not, according to officials, be approved for funding under the competitive situation existing today. For example, program officials have stated in Congressional testimony and promulgate to the HUD field office a minimum private to Federal dollar ratio of 2.5 to 1 for consideration of UDAG funding.

The Investigative Staff identified approximately 29 projects that had ratios below this minimum. All of the projects were awarded in the first or second round of approvals. Similarly, UDAG officials advised grant funds are not approved for operating capital. Two projects were awarded in early rounds involving operating capital. Both projects were reviewed and visited by the Investigative Staff. One is successful to date, the other is experiencing difficulties in cost allocations that are under HUD review. As the program has grown and evolved, thresholds for consideration of applications have risen and commitment requirements have become tougher. Typically, several of the earlier approved projects have experienced greater difficulty in coming to fruition than later projects.

Conversely, of the projects completed or nearly complete, most of which were early round approvals that were visited by the Investigative Staff, some had met their minimum stated goals of production expansion and employment or were within their stated time frame for expansion. A smaller number were experiencing difficulty acquiring the necessary commitments.

Some of the projects exceeded their projections either in private investment or employment, primarily due to the effects of inflation or a cognitive understatement in the application of projected employment. Several project participants interviewed by the Investigative Staff stated their data was usually understated wherever possible to avoid any stigma of not attaining their projection.

No projects that achieved or surpassed the status of grant drawdown authority were termed failures by either city or HUD officials because some positive redevelopment activity was taking or had taken place and figures in applications are considered as best estimates. While the Investigative Staff agrees that stimulation of redevelopment activity meets at least the intent of the legislation, an argument or criticism can be made on the

comparative or relative success of any project when compared with the goals of another or a possible project. For example, further refinement of a grant that was approved might produce more jobs or more private investment, as a denial of a particular grant may stimulate a comparatively "better" one. Because each project application is unique in terms of content, provisions, financing, and results projected both direct and indirect, the Investigative Staff believes any speculation on comparison of project results to have little practical purpose especially since there are essentially no unfunded approved applications. Of the almost 600 applications approved, 400 are under construction, and 35 of the previously approved applications, representing less than 5 percent of the funding have had their approval terminated by HUD primarily for lack of private funding commitment.

However, the Investigative Staff believes the review and evaluation of project review and funding decisions can provide a basis for program administration commendation or criticism. Such an evaluation of early round applications is extremely difficult because of a lack of documentation of decision processes in project files. Incorporation of a standardized rating sheet in recent application rounds does provide a basis for review that does not exist in many project files. It is apparent from such a review that UDAG staff attempt to assist all applicants in meeting thresholds. It is also apparent that the program cannot at present staffing levels and design eliminate deliberate misleading or false statements submitted to UDAG.

X. FUND DRAWDOWN RATIOS

The Investigative Staff reviewed program authorizations, obligations, and expenditures and found grant fund drawdown amounts significantly lower than obligations but observed the ratios are apparently in keeping with the program structure and objectives.

The UDAG program in its attempt to stimulate private investment, requires firm, Legally Binding Commitments (LBC's) prior to release of Federal funds. Program procedures and policies insure private participation prior to Federal fund expenditures.

In practice, a grant is given preliminary approval and announced. A contract defining the grant agreement based on application data and negotiations discussions is signed by HUD and forwarded to the grantee for signature, usually 4-8 weeks after preliminary grant approval and announcement. Obligation of funds occurs when the grant agreement contract is signed by HUD. Sometimes questions arise concerning the contract either on the grantee's part or HUD's, thereby delaying the signing of the contract by HUD or the city. Typically, a period of 9 months is provided the grantee, after grantee acceptance of the contract, to submit the LBC's for the project that are required by the grant agreement contract. Often additional delays by the grantee can occur in this process which must be completed prior to release of Federal funds. The time frame outlined represents a minimum of 2 months to a maximum of 12 months (extendable in practice) from grant award to authority to expend Federal funds. UDAG officials admit the grants awarded during the first year of program funding were by comparison to current applications weaker in terms of firm commitments being available and so as problems arose in securing the legally binding commitments necessary before release of Federal funds, the time frame between award, obligation, and expenditure was lengthened. Some approved announced projects were unable to meet commitment requirements and awards were cancelled by HUD or grantees withdrew themselves from the program. Funds on these projects were then available for reobligation. This resulted in an initiation of a new award-obligation-expenditure-time frame for the previously obligated funds. Many of the projects funded through the UDAG mechanism utilized UDAG funds as "gap" financing at the time of settlement for conversion of construction financing to permanent financing. Therefore, those projects must of necessity await completion of construction prior to release of Federal funds, which added additional time segments to the award-obligation-expenditure-time frame.

The Investigative Staff believes in the case of the UDAG program a low expenditure rate is indicative of the program accomplishing its objective, the stimulation of private investment, and an indication of the low risk of the dissipation of UDAG funds without a completed project.

The following table shows current UDAG status of funds as of January 1980. UDAG officials advised approximately 29 projects of the 594 announced were at or near completion.

Urban Development Action Grants

Status of Funds

	Actual 1978	Actual 1979	Estimate 1980	Actual 1980 Through 12/31/79
	($ in Thousands)			
Appropriations -	$400,000	$400,000	$675,000	$675,000
Announcements --	323,387	518,500	633,113	125,608
Obligations ----	119,403	615,050	740,548	128,483
Outlays --------	-	73,167	180,000	50,598

XI. CONFLICT OF SOCIAL GOALS

During the review of the UDAG program the Investigative Staff encountered several organizational representatives that believed some UDAG program activities to be inconsistent with the UDAG program legislation and overall goals of HUD. Discussions with these representatives, city officials, and others pointed to a conflict of social goals that can occur in some UDAG projects.

Urban revitalization involving housing is viewed from at least two perspectives in this situation. Some cities want to attract middle and upper income persons to the city because they have a greater disposable income that can create the demand necessary to support other income producing activities for the city. These individuals also through property and other taxes pay for more city services than they require. Others view the construction and rehabilitation of low and moderate income housing as a first priority for the city. These individuals and organizations view the "gentrification" of a neighborhood as a displacement of low and moderate income persons and an activity that should not be supported by Government funding. As a result, the UDAG program occasionally finds itself embodied in this conflict of social goals and the target of complaints. Although the prospective grantees (cities) are free to submit whatever projects they deem appropriate, UDAG review procedures have established checklist points and review criteria that considers displacement and impact, in its evaluation of projects.

In those projects reviewed by the Investigative Staff where complaints were received on these and other points, UDAG staff satisfactorily investigated the validity of the issues in their overall evaluation of the application. The recognition of this issue as a problem of concern to HUD was recognized by the Secretary of HUD in a March 24, 1980, interview in U.S. News and World Report. The article quoted Secretary Landrieu as follows:

> "HUD has several programs of housing and neighborhood rehabilitation that we hope not only encourage some middle and upper-income people to move back but also provide housing for the poor who are in those neighborhoods and want to remain there."

XII. RETENTION OF JOBS

During a field visit the Investigative Staff became aware of a well publicized proposal of General Motors Corporation to close a major plant in the city of St. Louis and build a new facility in a rural area 40 miles distant. The plant closing would mean the loss of approximately 4,000 jobs in St. Louis.

The proposed new site of approximately 400 acres could require major site and public improvements to accommodate the plant. The city of St. Louis, according to officials, subsequent to the General Motors announcement identified a site within the city limits that it believed could accommodate the new plant but would require extensive site preparation. The city of St. Louis ranks among the top distressed cities and under provisions of the legislation, UDAG funds cannot be used to assist in relocation of an activity from a distressed city without a specific determination by the Secretary. Therefore, the rural site would not be eligible for UDAG assistance. However, the rural site may be eligible for other Federal funding sources. The Investigative Staff did not pursue the methods considered to fund the infrastructure necessary at the proposed rural General Motors plant site but considers some form of Federal assistance or guarantees would be sought by the gaining community. The Investigative Staff suggests the Committee might wish to consider incorporation in appropriate appropriations bills, language similar to that contained in the UDAG legislation that would prohibit expenditure of any Federal funds or use of Federal guarantees to provide support or assistance for relocation of industrial or commercial plants from an area identified as distressed unless the Secretary of HUD and other participating agencies jointly find that such relocation does not significantly and adversely affect the unemployment or economic base of the area from which it is to be relocated. The Investigative Staff believes such an action or a similar one would provide further stimulus for private activities to consider alternatives that are more in keeping with the legislative intent of urban revitalization programs such as UDAG.

XIII. ALLOCATION OF FUNDS

The Investigative Staff examined the alternative of allocation of appropriated funds among States or regions to insure equity of consideration. The Investigative Staff also considered a funding allocation program by grant category, Industrial, Commercial, and Neighborhood as a means of stimulating projects with higher benefits and a more equitable balance among categories. Both alternatives are considered by the Investigative Staff, HUD officials, and UDAG participants as disfunctional to program objectives. An allocation requirement could result in acceptance of marginal projects in some areas at the expense of very productive projects in others. Achievement of an equitable fund distribution formula would be extremely difficult. An allocation process would discard program flexibility that can at present capture development opportunities attuned to any given current market.

XIV. ADDITIONAL DATA SOURCES

The Investigative Staff interviewed the principal researcher in the hotel and motel industry segment of an economic analysis study of the northeastern section of the United States that is jointly funded by the Economic Development Administration (EDA) and the Department of Labor (DOL). The study due for release in June 1980, touched on the involvement of UDAG grants and the hotel/motel industry. Some analysis of a hotel/motel supply and demand history, long-term financing and labor factors were involved in the study.

The researcher interviewed advised that interviews with senior real estate officers of major insurance companies, the primary financing agents for hotels, revealed commitments to finance projects without UDAG assistance, even though a developer may have provided HUD his affirmations of his need for UDAG funds. The UDAG grant was viewed in their own words, as the "gravy" in the deal. Hotel projects are very attractive investments to the extent that, according to him, one hotel chain established an office specifically to assist developers or cities with submission of UDAG applications. A recent article in a national magazine described one city as "besieged by 28 firms wanting to build new hotels downtown. Ten will be selected to provide badly needed rooms * * *."

Analysis of the labor and job data provided observations that may be of concern in evaluation the effectiveness of UDAG job creations at least in the hotel projects.

According to his research findings, 60 percent of the permanent jobs created in hotels are variable according to occupancy. As a result, the jobs are in reality seasonal. Costs for establishing these jobs in an urban setting far exceed costs for a position in industry and can reach $80,000 per job.

The quality of the job is also an issue. The positions created are chronically unstable, and therefore possibly returning workers to welfare or unemployment roles. Wages are less than one-half the average worker, and the jobs do not provide the worker with a marketable skill that would add to the marginal productivity of that worker.

His analysis of long-term national data 1966-1975 indicates the majority of workers in these positions were not minorities but young white women.

The Investigative Staff was unable to review the study, however, the researcher's comments suggest areas of analysis that HUD officials should consider in evaluating projects. The Investigative Staff recommends HUD consider an analysis in its annual UDAG evaluation report of the types and costs of jobs

created with UDAG involvement and the relationship of those factors with other types of industries and jobs both nationally and regionally. Such an analysis could provide data necessary to consider the weighing of job creation criteria used in evaluation and competitive review of UDAG applications.

Similarly, the Investigative Staff suggests the Committee consider asking HUD to consider inclusion in its UDAG applications, data drawn from the Home Mortgage Disclosure Law data files, wherever applicable. Such information provides an indication of the amount of private investment presently active in a neighborhood and would provide UDAG staff with an indication of the validity of the effect or possible need of private stimulation through UDAG activity. Similar comparative data acquired at completion of a UDAG project could provide UDAG monitoring or evaluation activities with an index of increased investment that could be attributable to UDAG activity.

In the opinion of the Investigative Staff, the UDAG program is in some cases stimulating urban revitalization and in other cases assisting already acting market forces. However, the Investigative Staff found UDAG staff does attempt to differentiate between the former and the latter in its project evaluations, and in so doing attempts to meet the spirit and intent of its legislation as perceived by the program director.

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NEW COMMUNITY DEVELOPMENT CORPORATION

WITNESSES

A. RUSSELL MARANE, DEPUTY GENERAL MANAGER
JOHN B. CLINTON, DIRECTOR, OFFICE OF PROGRAM POLICY AND MANAGEMENT
DAVID C. NIMMER, BUDGET OFFICER

OFFICE OF THE SECRETARY

VICTOR MARRERO, UNDER SECRETARY
GRANT E. MITCHELL, OFFICE OF GENERAL COUNSEL
ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

NEW COMMUNITY DEVELOPMENT CORPORATION

Mr. TRAXLER. We want to welcome Mr. Russell Marane, Deputy General Manager, New Community Development Corporation. You are accompanied by some of your staff people. We would be very pleased if you would introduce them at this time.

Mr. MARANE. John Clinton, Director of the Office of Program Policy and Management; Grant Mitchell from the Office of General Counsel; David C. Nimmer, our Budget Officer, to my right.

Mr. TRAXLER. We certainly want to welcome them.

You have a statement which we will make part of the record. If you wish to paraphrase it or summarize it, you may do so. If not, we will proceed right to your program.

Mr. MARANE. We are prepared to answer questions.

Mr. TRAXLER. Your statement will be placed in the record at this point.

[The statement follows:]

GENERAL STATEMENT

Mr. Chairman and Members of the Committee, I am pleased to have the opportunity to report to this Committee on the program and budget of the New Community Development Corporation. As you undoubtedly know, I am new to this job with the Corporation, having been appointed in March 1980.

The efforts of the Corporation have been focused on resolving the financial problems of many of our ongoing projects to assist them in meeting goals and objectives of Title VII. Secretary Landrieu has reaffirmed the Administration's decision regarding the future of the New Communities program as the policy of this Department; that is, projects which are determined not to be viable should be closed out and viable projects should be maintained. In order to explore other forms of support for the viable new towns projects, I have initiated meetings with officials in other Federal agencies. I will be seeking information as to how the tools in our program and our experience with large scale development might be usefully joined with other Federal assistance programs. I already have met with officials in the Department of Energy whose response has been most encouraging; I intend to hold future talks with officials in such closely allied agencies as the Departments of Transportation and Commerce (Economic Development Administration), as well as the Department of Defense.

As of April 1, 1980, thirteen new communities had received loan guarantees and another three had been determined to meet the requirements for Certificates of Eligibility by which assistance other than loan guarantees may be provided. Of the 13 loan guarantee new communities, five have been acquired by HUD and four are in the process of acquisition. It is hoped that, with some restructuring of their financial obligations, the remaining four new towns can continue to develop as Title VII projects. It is possible, further, that some of the projects which have been or are in the process of being acquired can be disposed of to new public or quasi-public developers for continued development as new communities.

Fiscal year 1979 was, overall, rather successful in terms of production. Residential sales were up 16 percent over 1978. Approximately 3,000 dwelling units were constructed, a 60 percent increase over 1978; and 3,596 units were occupied, a 58 percent increase.

Commercial and industrial land sales of 173 acres represented a 55 percent increase while occupancy of aproximately 2 million additional square feet of commercial/industrial space marked a 40 percent increase over 1978.

Assisted housing starts of 1,201 units comprised 31 percent of the total housing starts, up from 25 percent in 1978. In addition, 302 units of assisted housing were completed during fiscal year 1979.

Approximately 7,000 people moved into Title VII new communities in fiscal year 1979 and nearly 3,000 new jobs were created. Minority residents make up 14 percent of the total population in our New Towns.

Analyzing those projects for which comparable numbers are currently available, we estimated that as of December 31, 1979, approximately $800 million of non-Federal capital had been invested in nine of the Title VII new towns as contrasted to $219 million in loan guarantees and $103 million in Federal grants for the same projects. These Federal grants include Title I, HUD and other Federal agency basic grants and HUD supplementary grant funds. I am extremely hopeful that, although general economic conditions and interest rates specifically are dampening the availability of housing nationally, our existing and active new communities can continue to develop land for affordable housing and attract industry at a rate comparable to or in excess of the achievements in 1979.

Mr. Chairman, I will be pleased to answer any questions you may have regarding the New Community Development Corporation at this time.

BUDGET AUTHORITY INCREASE

Mr. TRAXLER. Mrs. Boggs, do you have any questions at this time?

Mrs. BOGGS. I want to welcome all of them. I see Grant Mitchell, a former Tulaneian across the table.

Mr. TRAXLER. Let's turn to the justifications. Tab H—the New Communities program. As in prior years, no appropriation is requested in 1981 for this program. It is estimated that budget authority—in the form of Treasury borrowings—of $37.618 million in 1980 and $38.921 million in 1981 will be required to help finance program costs. Why has the current 1980 budget authority estimate increased $3 million over the original estimate?

Mr. NIMMER. I think generally the answer to that is some increase that we have had in our project operations, which is funds that we have expended on those new communities that we have been forced to take over and to liquidate.

Mr. KLIMAN. I would simply point out that the interest on outstanding borrowings from Treasury keeps going up. In this program we must borrow from the Treasury to pay interest to the Treasury, and it is about a $3 million increase in borrowing from the Treasury to pay that interest.

ACQUISITION AND LIQUIDATION OF NEW COMMUNITIES

Mr. TRAXLER. Approximately one and one-half years ago, the New Communities program was reorganized and redirected. Decisions were made to liquidate certain new communities, acquire others for continued development, and continue the remaining projects with added assistance from the Department.

Were any projects liquidated since you last appeared before this Committee a year ago?

Mr. MARANE. Of the 13 loan guarantee projects we started with, we are currently working with only four as active projects. The Board of Directors of the New Community Development Corporation in March voted to acquire an interest in the Shenandoah project just outside of Atlanta. Prior to that, the acquisition of Soul City was authorized by the Board. At the present time, we are negotiating the acquisition of Shenandoah and Soul City. We are resolving litigation on two other projects.

We expect our total acquisition and liquidation functions to probably continue at least over the next 18 to 24 months, because of litigation and complications of obtaining title to the property and finding purchasers for assets that are required to be in the name of the Secretary. Of the four remaining projects, three continue to have financial difficulty. Whether we will need to move to acquire an interest in those projects or not we do not know at this time.

We are evaluating these three projects and are working with them on an annual basis right now under what we call our Annual Budget Control Document, which gives us an opportunity each year to look at their financial situation, their marketing program, their development program, to determine if they are going to be able to remain financially feasible. At this point we are optimistic about the three. We are facing a recession which affects the real estate market, but typically the housing industry leads us out of the recession. These projects are well-postured to capture a substantial part of the market in their particular areas.

The fourth project, The Woodlands in Texas, is financially very sound. There are substantial commitments and funds from its parent corporation, Mitchell Energy and Development Corporation. It is not currently self-sustaining, but is heavily subsidized by a very wealthy and generous owner. We hope we have seen the last of the acquisition and liquidations of our projects. The remaining four, we feel, have reasonable prospects for success.

STATUS OF FLOWER MOUND

Mr. TRAXLER. You told us last year that Flower Mound, Texas, was a prime candidate for liquidation.

Mr. MARANE. That is correct.

Mr. TRAXLER. What is the status of Flower Mound?

Mr. MARANE. The Town of Flower Mound, incorporated not too long ago, has come to us and requested that we develop a plan for liquidating our interest at Flower Mound in conjunction with them. They want to build their community on the nucleus of the Flower Mound project. We will be initiating this effort probably within the next 30 days. I suspect we will be ready to go on the market with Flower Mound, assuming that the real estate market

picks up and we can aggressively market the land, within the next 9 to 12 months.

There is a considerable amount of interest in Flower Mound from prospective developers. Frankly, we have been waiting until such time as we could arrive at a plan with the city, the Town of Flower Mound, before we offered it.

PROBLEMS ENCOUNTERED IN LIQUIDATING PROJECTS

Mr. TRAXLER. What kind of problems do you experience in liquidating projects?

Mr. MARANE. Well, some of the projects are located in metropolitan areas where there is frankly no market for the land that we hold. Litigation has precluded us from liquidating some of our projects. The Soul City project is a good example of a project that would be very difficult to liquidate. Shenandoah is in a geographic part of the Atlanta metropolitan area where there is not a significant amount of real estate activity. We are holding a thousand plus acres of land, and an attempt to market that may become quite difficult.

The other part of our liquidation problem is protecting the interests of the people who invested in these new towns, including the industries and homeowners who obviously bought or invested in these new communities under the assumption that a new town or new community would be created. So, in our liquidation efforts, we have attempted to protect those financial interests.

FLOWER MOUND DISPOSITION

Mr. TRAXLER. Look at last year's hearings on page 366. Of course it was your predecessor who appeared on behalf of the Agency. Mr. Boland asked a question, in connection with Flower Mound, and he was advised by Mr. White "that Flower Mound is close to liquidation. By summer the EIS process should be completed and we will be going out with a public sale." This is the most immediate disposition you had planned. I guess that is about where we are again this year.

Mr. MARANE. Well, the final EIS is ready to be issued. Is it final or the draft?

Mr. MITCHELL. The final is ready to be issued. We had comments from various people in the area, including the EPA, the FAA and the town.

Mr. MARANE. The final EIS was ready to be issued a month ago. We had indications that the Town of Flower Mound was going to raise objections to the proposed method of disposition included in the EIS, and that is what we are attempting to resolve at this point.

Mr. TRAXLER. That is progress.

Mr. MARANE. Getting an EIS to a final stage is progress.

Mr. TRAXLER. Is there any chance of recovering some of the Federal Treasury's investment here? There was some conversation last year that there is a possibility of perhaps a $15 million return. What do you think?

Mr. MARANE. On the Flower Mound project?

Mr. TRAXLER. Yes.

Mr. MARANE. Yes. I think of all the projects we are holding at this time, Flower Mound is the most marketable and probably has the highest value in relation to our original loan guarantee. The real estate pressures that are developing in the Dallas area, have improved the value of the property. There is an interstate route that will be opening up from downtown Dallas out to the airport that improves access to Flower Mound. Development around Flower Mound has begun to accelerate.

So we have lost nothing in terms of value in the land by delay. I think if we hold the property through the recession, when the real estate market becomes active again, our chances of recovering our investment will be even better.

This opinion, incidentally, is shared by our trustee who is holding or managing the property in our behalf and real estate interests in the Dallas area.

Mr. TRAXLER. Turning to Soul City——

Mrs. BOGGS. What was the FAA interest?

Mr. MITCHELL. This project is near the Dallas-Fort Worth Airport. Certain of the land is within the noise zone. We had put some covenants on the land that we would not develop it beyond a certain density, and they wanted to be sure we did not give up these covenants.

Mr. MARANE. It is a minor problem.

SOUL CITY PROJECT

Mr. TRAXLER. We were told last year Soul City was listed as a project capable of continued development without acquisition. This year we are told it is one to be liquidated. There have been press reports that the developer is not pleased with that position. What happened there? How come the status changed so quickly over a twelve-month period?

Mr. MARANE. Last fall the Board of the New Community Development Corporation was presented a staff report indicating that, under present economic conditions in the area and in spite of the efforts of the developer to market his project and the ability of the Department to continue to put grant money into Soul City, it could not continue. The Board subsequently authorized the General Manager to acquire the Department's interest. We are in the process of negotiating a settlement with Soul City Development Corporation to acquire the interest and to dispose of the project.

One month after the Board decision to acquire, Perdue Chickens purchased a 500-acre site and they have a plant under construction which will ultimately employ a thousand people. There are some indications that they will double the size of their plant in the near future. I do not think that alters our position with respect to Soul City. HUD's action has prompted the State of North Carolina and the county and the region in that part of North Carolina to develop some interest of their own in Soul City.

We are currently discussing the Soul City project with the State of North Carolina in hopes that an economic development corporation can be formed under the auspices of State government or county government to acquire the Soul City project from us and use it as a nucleus for an economic development strategy for that

part of the State of North Carolina which is economically depressed.

I think considering the financial circumstances of the project, and its potential, this is probably the best resolution of the Soul City project. Our conclusion was that it did not warrant any additional Federal investment.

Mr. TRAXLER. Mrs. Boggs, do you have any questions on this program?

Mrs. BOGGS. No. Except I am very delighted to hear Perdue Chickens is expanding because my neighborhood grocer sells them.

Mr. TRAXLER. Mr. Sabo?

CEDAR-RIVERSIDE PROJECT

Mr. SABO. Mr. Chairman.

I just want to express my appreciation for your efforts in recent weeks in trying to resolve the Cedar-Riverside dispute. I hope you are successful in reaching an accommodation that all parties will agree to in the near future.

Mr. MARANE. Our success has been to reduce it from a dispute to a conversation now.

Mr. SABO. Let's hope the conversation moves to resolution of the dispute. That has been a long dispute. In fact, for the last 20 years, as long as I have been in politics in that area, there has been a festering fight going on over there, over a variety of things. So to get it settled down and have something happen in the future would be very useful.

PROGRAM EVALUATION, PROBLEMS AND FUTURE

I am just curious, as you go through this process, at some point do you sit down and make an evaluation of these projects? What went wrong? I am sure somebody had what they thought was an excellent idea in the whole new communities program when it started. Clearly they have developed major problems.

Mr. MARANE. I imagine we probably have been studied and evaluated as much as any program in HUD. I think the bottom line is, number one, the financial arrangements by which the Government supported these projects was not sufficient. The structure of that financial commitment, guaranteed debt and the independent debt-carrying capacity of the developer, led to at least 75 percent of the problems these communities faced. The rest of the problem is, most of them started development in 1973, 1974, 1975, when we were in a period of recession, with an oversupply of housing in most metropolitan areas. So unlike where we are today, these communities entered a housing market that was already bloated with stock.

Coming out of this recession though, there is going to be a pent-up demand for housing in every area where we have a new community and even in those areas where we have acquired projects. That is why we are optimistic about the three problem projects we have now.

I think probably the size of the projects, the financing mechanism of the projects and the Federal Government's failure to provide the necessary grants-in-aid to allow the developer to borrow a

sufficient amount of money and repay interest on that on a different basis contributed to the problems.

If we ever do it again, I think those problems would have to be addressed and one more ingredient added; that is strong active participation on the part of local or State government.

As an example, we have had discussions with the Department of Energy, about the possible uses of Title VII legislation in the energy towns that are going to be developed in the West. We are looking at ways State government, which is going to receive a substantial amount of income from the energy taken out of their States, could invest some of that income in loan guarantee programs and developments themselves, because they are very concerned about how these little towns near energy areas are going to grow.

So the New Communities program was a noble effort, but it was fraught with problems all along. I guess it is surprising that some of these towns have made it.

Mr. CLINTON. We published a study, a four volume study of new communities problems and potentials two years ago, which we would be glad to provide you. There is a summary section——

Mr. TRAXLER. Would you report to us on that?

Mr. SABO. A summary section?

Mr. CLINTON. A summary section, that is what I suggest we provide you.

[The information follows:]

SUMMARY OF NEW COMMUNITIES' STUDY

In December 1976, the New Communities Administration of the Department of Housing and Urban Development, developed a summary report, "New Communities: Problems and Potentials", based on the results of four studies. The summary report, consisting of 107 pages, has been provided to the Committee. The Executive Summary of the report follows:

EXECUTIVE SUMMARY

In its first seven years, the Federal new town program encountered serious difficulties. This paper documents the program's experience. It draws certain conclusions concerning the causes of its difficulties and the extent of its continuing potential for addressing problems of urban growth.

This paper is based on, and summarizes the findings of, four separate reports published as appendices:

1. A review of the conceptual antecedents and legislative history of the program's statutory basis, Title VII of the Housing and Urban Development Act of 1970;[1/]

2. A review of the program's early administration;

3. An analysis of the causes of the program's financial problems; and

4. A description of the nation's experience with new community development.

The origins of the 1970 legislation can be traced to European programs which attempted to use new towns as a tool to control and channel the growth of urban population. With the European experience in mind, members of Congress and the Administration attempted through the 1960s to design Federal incentives to induce private entrepreneurs and public

1/ Public Law 91-609, 84 Stat. 1791, 42 U.S.C. 4501 et seq.

agencies to undertake the development of well-planned new communities instead of the typical suburban subdivision. In 1965, these efforts produced Title X of the National Housing Act,[2] a mortgage insurance program for large-scale development. Then, in Title IV of the 1968 Housing and Urban Development Act,[3] Congress provided loan guarantees and limited supplemental grants for private new town projects.

Finally, in 1970, Congress passed the Urban Growth and New Community Development Act, as Title VII of the 1970 Housing and Urban Development Act. Part A of Title VII directed the President to prepare a national growth report to assist in the formulation of national growth policy. Part B established an expanded program of loan guarantees and grant assistance for new communities undertaken by private or public developers.

Under Title VII, the Secretary of Housing and Urban Development gurantees the payment of debt securities issued by private or public new town developers to finance land acquisition and development. Title VII also permits direct loans to these developers to assist them in making payment on debt incurred to finance a new community project. The Act provides grants for planning, for initial public services and for the construction of public facilities.

2/ Public Law 89-117, 79 Stat. 451, 461, 12 U.S.C. 1749(aa)(ll).

3/ Public Law 90-448, 82 Stat. 476, 513; 42 U.S.C. 3901 et seq.

In the four years after enactment, HUD received nearly 100 applications and pre-applications for Title VII assistance. Eleven new community projects eventually received loan guarantee assistance ranging from $5 million to the statutory limit of $50 million. Two other developers elected to pursue the applications they had already filed under Title IV and received loan guarantee assistance under that statute. One of the 13 projects is a new-town-in-town, one a free-standing community in an economically-depressed rural area, and the rest are satellite communities in metropolitan areas.[4/]

The economic recession, double-digit inflation, and record-high interest rates experienced during 1973-1975 destroyed the exaggerated optimism which had generated massive private and public investment in the real estate industry during the late 60s and early 70s. By January 1975, many of the Title VII developers were experiencing serious financial difficulties. In January 1975, HUD imposed a moratorium on any further Title VII applications in order to devote its available resources to the existing projects. During 1976,

4/ One additional satellite new community received an offer of loan guarantee assistance in 1972; two other projects, undertaken by the New York State Urban Development Corporation, received certificates of eligibility for assistance other than loan guarantee assistance.

HUD decided to acquire 7 of the 13 new communities from their original developers and concluded that 2 of the 7, Gananda and Newfields, lacked any potential for new town development. HUD decided to recapitalize the remaining 6 projects. HUD recognized that events had converted its lender-guarantor position to that of equity investor, and that even that equity position in many projects was precarious at best.

At the same time, despite the adverse economic conditions, some of the projects made notable progress. In construction and sales seasons varying from 2 to 6 years, 6 projects had attracted population ranging from 1,000 to 6,000, and many of the recreational, cultural, and educational amenities originally planned had actually been constructed. Several projects developed on-site commercial and industrial job opportunities. A few managed to provide a significant supply of subsidized housing for moderate income families.

Development in the other projects, however, either started very late or progressed very slowly. In a few cases, it was stillborn.

The following analysis supports our conclusion that, while adverse economic conditions exacerbated the program's difficulties, these difficulties would have occurred in any event because of two major defects inherent in the legislation and its administration. First, the basic financing

mechanism--the use of interest-bearing debt for the acquisition and control of land and for the construction of front-end facilities and infrastructure for long-term development projects--is infeasible. Second, government at all levels has not been willing to use new town development as a tool for controlling and channeling urban growth.

These defects in turn led to major problems which seriously weakened the program. Because the defect in the basic financing mechanism was not realized:

1. Developers made early commitments for land acquisition, resulting in heavy and inflexible front-end debt service and carrying costs;

2. HUD required unrealistically low cash equity investment for projects receiving guarantees;

3. Developers did not receive Federal grants of the types and amounts necessary to offset the front-end and carrying costs associated with new town development.

Because government at all levels proved unwilling to use the new town development program as a high priority growth management tool:

1. HUD administered the program in a reactive or passive way, responding to applications received from entrepreneurs,

rather than identifying the areas of most rapid growth in the country and attempting to generate interest in new towns and growth management in those areas. As a result, new communities projects were located haphazardly, rather than according to an overall national or regional strategy.

2. Land speculation, based on a developer's existing landholdings, dictated site selection within a market area;

3. HUD failed to recruit sufficient staff with expertise in financing, managing, and marketing large-scale development to administer the program. As a result, HUD approved many Title VII projects which were infeasible as planned and capitalized. HUD accepted the developers' unrealistic projections concerning the size and direction of regional population growth and the developers' potential rate of capture of this growth. HUD also failed to conduct sensitivity analyses of developer financial forecasts to determine what effects any variances in projected revenues and costs would cause.

4. The Federal new town program became a low priority item for assistance in other Federal agencies, even within HUD. This defect can be traced in part to the congressional failure to mandate high priority assistance from other Federal programs for Title VII new towns in the 1970 legislation and in part to the Administration's failure to take

the Title VII program seriously and to make inter-departmental coordination with and assistance for the Title VII program a matter of importance within the executive branch.

5. Given the signs of confusion and lack of support for Title VII at the Federal level, state and local governments did not choose to use the Title VII program as a growth control vehicle. Few state and local jurisdictions were willing to make up-front commitments of precious resources to preservice new town projects (especially when situated in less than desirable or convenient locations) or to use zoning and other powers to channel growth to these communities.

6. Given the level of risk associated with large-scale development and the clear lack of support for Title VII at the Federal and local levels, few experienced large-scale developers were willing to undertake a Title VII project.

The Title VII experience raises the questions: Should new communities continue to be built? Should there be a Federal program to induce or assist their construction?

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The fact remains that urban areas are still growing and unplanned development, both urban, suburban and exurban, is still the order of the day. The new communities experience has shown that well-planned development results in cost savings to both the public and private sectors. Moreover, consumer satisfaction with many aspects of new town living seems measurably greater in successfully developed new communities. New communities have also succeeded in broadening community, housing and employment opportunities for minority low income groups. Thus, a strong case can still be made that encouraging new community development represents sound public policy.

The Title VII experience tends to confirm the need for both Federal and local assistance in the construction of new communities. Federal and local resources need to be brought to bear to address the front-end costs of planning, land assemblage and control, and the construction of town-wide facilities and infrastructure. However, in order that these resources be committed efficiently and effectively, all levels of government--Federal, state, regional and local--must use the new community development concept as it was intended--that is to say, as a growth management tool. Leadership in initiating, planning and implementing new town development must be assumed by state or local government, not by private entrepreneurs. This means that state and local government must make up-front

commitments of resources to support new town development and must use zoning and other powers to channel growth in rational patterns.

At the Federal level, HUD must become an active growth planning catalyst, helping states and local governments to identify those areas where new town development could be used as a management tool within the context of overall growth planning. The new town program must receive a higher priority from the Administration for assistance from other Federal programs. Better still, Congress should provide in the new communities legislation itself most if not all of the resources to do the job.

REASONS FOR PROGRAM DIFFICULTIES

Mrs. BOGGS. It was a very exhilarating sort of a program and one that generated a lot of enthusiasm among the business community, the government, the local people, and so on. There had been such outstanding success in places like England, Holland, and Denmark and we got into the new towns, New Communities program with our typical American, impetuous enthusiasm. You are right in saying that what really happened was that along came the recession of 1974 and 1975, just when the program should have been taking off.

Mr. MARANE. That is right.

Mrs. BOGGS. And some of the monies for it were impounded, so it was nipped in the bud by events and by Federal actions.

Mr. TRAXLER. That brings us to Neighborhoods, Voluntary Associations, and Consumer Protection. We thank you for your appearance. Best wishes in the coming year. We look forward to a profit statement next year.

Mr. MARANE. I hope so.

NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION

WITNESSES

RICHARD C. D. FLEMING, GENERAL DEPUTY ASSISTANT SECRETARY FOR NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION

PATRICIA Y. WORTHY, DEPUTY ASSISTANT SECRETARY FOR REGULATORY FUNCTIONS

CAL WILSON, DIRECTOR, OFFICE OF CONSUMER AFFAIRS

JOSEPH McNEELY, DIRECTOR, OFFICE OF NEIGHBORHOOD DEVELOPMENT

JESSE McELROY, DIRECTOR, OFFICE OF MOBILE HOME STANDARDS

LES BLATTNER, DIRECTOR, OFFICE OF POLICY AND PROGRAM DEVELOPMENT

WILLIE GILMORE, BUDGET OFFICER

OFFICE OF THE SECRETARY

VICTOR MARRERO, UNDER SECRETARY

KATHLEEN H. SAUERBRUNN, OFFICE OF GENERAL COUNSEL

ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND CONSUMER PROTECTION

Mr. TRAXLER. We want to welcome Mr. Dick Fleming, General Deputy Assistant Secretary for Neighborhoods, Voluntary Associations and Consumer Protection.

Would you be good enough to introduce your staff for the record, please.

Mr. FLEMING. Thank you, Mr. Chairman.

To my left is Patricia Worthy, Deputy Assistant Secretary for Regulatory Functions. To her left is Kay Sauerbrunn, our General Counsel Representative. To my immediate right is Mr. Willie Gilmore, our Budget Officer, and I believe you have already met the Under Secretary, and Mr. Kliman. Our program managers behind me are Messrs. Blattner, McNeely, Wilson, and McElroy.

I would like to apologize for the absence of my boss Monsignor Baroni. He expresses his good wishes to the Members of the Committee and very much values the working relationships with you and would like to come visit with you as your schedules permit.

Mr. TRAXLER. You have a statement which we will insert in the record. You may care to summarize it or paraphrase it at this time.

Mr. FLEMING. Yes, Mr. Chairman.

GENERAL STATEMENT

Mr. FLEMING. With the example of Secretary Landrieu being mercifully brief and in the interest of your Committee's scheduled time, the statement highlights the primary two areas of activity in our budget: the Neighborhood Self-Help Development program, for which we are requesting a $10 million appropriation for fiscal 1981, as well as the Housing Counseling Assistance program, for which we are requesting a $10 million appropriation. The statement itself highlights a number of specific examples of the kinds of programs that are proposed to be funded. I appreciate insertion of it into the record.

[The statement follows:]

Mr. Chairman and members of the committee, it is a pleasure to be here today to present the 1981 budget request for the HUD Office of Neighborhoods, Voluntary Associations and Consumer Protection. It includes appropriation requests for two programs—Neighborhood Self-Help Development and Housing Counseling Assistance. Our Office also has responsibility for protecting consumers through the enforcement of standards for the mobile home industry and for enforcing the provisions of the Interstate Land Sales Disclosure Act on real estate developers engaged in interstate commerce. These programs are supported with fee receipts and through the "Salaries and Expenses—HUD" appropriation.

Our Office is viewed by segments of HUD's constituency (homeowners and tenants, as well as the nongovernmental sector) as the "people" part of the Department. We operate programs that deal with people through the non-profit and voluntary neighborhood and community-based development organizations they form, and with individual citizens through our consumer assistance, information and complaint handling programs. We are concerned with the role that people and nongovernmental organization can play in the planning and implementation of programs at all levels that further the nations' goals in housing, community and economic development, and particularly in urban revitalization.

NEIGHBORHOOD SELF-HELP DEVELOPMENT PROGRAM

First of all, I would like to talk about the budget request of $10 million for the Neighborhood Self-Help Development program. This is a relatively small request, yet it is an important and significant program because it is tied to a growing phenomenon in this country—the desire and willingness of local people to initiate and implement community improvement projects themselves, in cooperation with local government, rather than waiting for government to do it for them.

For several years we have been witness to the success stories of numerous neighborhood organizations intitiating and implementing programs to deal with deterioration and decline of their neighborhoods. They have been working constructively and positively with City Halls and with private sector sources of reinvestment to upgrade their communities, preserve housing and commercial buildings, and attract new investment.

With the Neighborhood Self-Help Development program, we are trying not only to help organizations in some communities to do individual projects, but to give this self-help movement a push, to help it grow by initiating and carrying on programs in more and more communities.

This effort started out as a small demonstration program using $2.5 million in Community Development Block Grant discretionary funds to make individual grants of $80,000 to $130,000 to 21 advanced organizations in 17 cities. Right now our Office of Neighborhood Development which administers this program is evaluating proposals from 725 organizations competing for grant funds. Out of these 725, between 60 and 75 organizations will be approved for first cycle grant funds in May. The size of grants will range between $50,000 and $150,000.

For the fiscal year 1981, we are requesting $10 million. Presently the program is operating at a $15 million level. This includes $5 million from the 1979 supplemental appropriation and $10 million appropriated for Fiscal 1980. Of this $15 million, $13.5 million will be given out in grants to the estimated 120 organizations that are selected in this year's two compeititive cycles. The remaining $1.5 million is for training, technical assistance and information efforts related to the program.

The $10 million we are requesting in 1981 represents a reduction of $5 million from the original 1981 request although it continues the same level of funding received for Fiscal 1980. At the $10 million level in 1981, we expect to fund approximately 80 local projects and reduce our training and information activities.

Through the organizations to be funded during this calendar year, we will further multiply the effect that the original 21 organizations have been having in their 17 cities across the country. This first funding group represented neighborhoods containing approximately 1.3 million people. They were white ethnic, Black, Hispanic and Asian neighborhoods. The projects these organizations proposed were catalysts for private and public investment in those neighborhoods.

In San Francisco the Asian-American Service Institute used our $120,000 grant to prepare and implement a program that resulted in an investment of $2.4 million in rehabilitation loans for housing, the recycling of a vacant hotel into housing and a neighborhood preservation program. In Kansas City, the Black Economic Union received $126,000 from our program and used it to leverage a commitment from the Chrysler Corporation to build a multi-million dollar assembly plant in that city and thus help to meet local employment needs.

HOUSING COUNSELING ASSISTANCE

For Housing Counseling Assistance, we are requesting $10 million for fiscal year 1981, a $1 million increase over the $9 million appropriated for 1980. Our Housing Counseling Office has just announced the 1980 Housing Counseling Assistance grants to 330 applicant agencies and organizations. In 1979 the program operated at a level of $9 million; the 303 agencies and organizations that received counseling grants counseled an estimated 200,000 clients. These are all people who are current or potential consumers of HUD's insured and assisted housing programs.

With an appropriation of $10 million we can provide funding to counsel an estimated 220,000 clients with approximately 350 local agencies and organizations receiving funding assistance.

Consistent with the concerns of this Committee raised in its report language last year, a significant change was made in the program in Fiscal 1980 allowing all the grant funds to be used for a range of counseling purposes under a "comprehensive counseling program." In 1979, more than half of the funds were used for assisting homeowners in default to avoid foreclosure. Another $1 million was specifically earmarked for pre-purchase counseling.

The authority for "comprehensive counseling" gives agencies and organizations flexibility in their counseling work including pre- and post-occupancy counseling for both homeowners and renters, rental delinquency, and mortgage default counseling. We are also exploring ways in which counseling can be effective to assist people in revitalizing neighborhoods to deal with displacement such as counseling tenant groups on the formation of tenant cooperatives as an alternative to condominium conversions.

The program continues to grow with 600 HUD-approved agencies including those that have received counseling grants. The agencies are located in every State, the District of Columbia, Puerto Rico and in the Virgin Islands.

STAFFING

With regard to fiscal year 1981 staffing, overall our Office is requesting 376 positions, the same level as our 1980 request. These positions are needed to carry on the programs and regulatory functions that I have described. The workload that is entailed in the overall scope of activity for our Office is detailed in the accompanying material on salaries and expenses. This workload includes informing, protecting and responding to consumers and administering our two major programs, Neighborhood Self-Help and Housing Counseling Assistance. The workload ranges from the legal/administrative actions taken by the Office of Interstate Land Sales Registration, to consumer forums we hold in cooperation with our Field Offices and with State governments, to our newly-computerized complaint handling system which has been used as a model for other Federal departments to follow.

NVACP'S ROLE IN HUD

The nature of HUD's business is such that it affects the lives of many people directly and dramatically. While the Department works to improve the housing conditions and living environments of many lower income Americans, unavoidable problems sometimes arise in that complex process. Those on the outside who are affected, particularly those for whom housing affordability is an increasing problem

look to our Office as a voice within the Department to represent their interests in HUD policy and program implementation.

Fiscally, our programs are aimed at spending public dollars more efficiently and effectively while at the same time saving dollars for the taxpayer and the consumer. Through the Neighborhood Self-Help Development program, we are working with local people and businesses through neighborhood development organizations to undertake programs with them and learning through that process how we can invest public dollars in those neighborhoods in the most effective ways. Through Self-Help money we learn how to better use our other larger pots of public money—Community Development Block Grants, UDAG, our various housing programs, and even the funds of other agencies investing in neighborhoods. Through Housing Counseling we help avoid costly foreclosures for both the consumer and the government. Through our regulatory programs we are protecting the homebuying public from excesses in the real estate industry and maintaining standards for health, safety and value.

I would appreciate an opportunity to address any questions you may have about our budget and the activities and functions of our Office.

Mr. TRAXLER. Mr. Coughlin, you have questions, why don't you proceed.

PUBLICATION ON REDLINING

Mr. COUGHLIN. The Department published and distributed a booklet called "Insurance Redlining: A Guide for Action." It has been claimed that this publication was erroneous and in violation of lobbying prohibitions by Federal agencies, that the guide leaves the reader with the improper impression that, first, redlining is common among insurance companies; second, the industry has done nothing to attempt to solve availability problems; and third, that state insurance departments have moved slowly and ineffectively to deal with the problem. The guide actively encourages consumers to lobby for Federal legislation and the repeal of the McCarran-Ferguson Act to provide for Federal rather than state insurance industry regulation.

Is this publication still being distributed?

Mr. FLEMING. No, Congressman, it is not. If I might respond to the context of the question, the report was a summary of a forum which was held by HUD and a number of the interests in the discussion on urban insurance problems. The forum included substantial participation by the insurance industry, community groups, cities, State and local government officials. The report was, in effect, a summary of the proceedings at that meeting.

The issue was raised to us, sometime after the report had been printed, by members of the insurance industry as to the potentially mistaken impression that this represented a position of the Department in terms of the substance of the discussion at that forum, or represented a request by the Department to undertake actions with the Congress, neither of which were intended. Because it was perceived that way, in fairness to the question that was raised, we immediately withdrew the publication.

I hasten to add that we are not the only ones talking about the issue of urban disinvestment, redlining, or whatever we want to call it. The industry itself is discussing. We are doing a number of very constructive things with the insurance industry. Aetna and other major insurance companies are to the point where Aetna, shortly after this conference was held, took a two-page ad out that you may have seen in Newsweek highlighting the problems and

the concerns that the industry itself recognized with the problem of insurance redlining.

COPIES PRODUCED AND COST

Mr. COUGHLIN. How many copies of the publication were originally produced?

Mr. FLEMING. My recollection is that it was at most about 50,000 copies were made, and I can double check that for the record now.

Mr. COUGHLIN. Do that and also the cost of publication.

Mr. FLEMING. The cost was $5,300, if my memory serves me correctly, but I will confirm that. The position of the Secretary was that, given the concerns, we asked for a legal opinion from our own General Counsel. They concluded that there was not a violation or inappropriate use of public money which could be construed as lobbying. Giving the benefit of the doubt to the extreme, we withdrew the publication.

[The information follows:]

INSURANCE REDLINING: A GUIDE FOR ACTION

(COST AND NUMBER OF COPIES PRINTED)

The publication "Insurance Redlining: A Guide for Action" was the Department's response to a Consumer Forum held in January 1978 that a consumer guide be developed on "how to document insurance redlining practices."

The publication cost incurred by HUD for the guidebook was $5,279 and the total quantity printed was 50,000. The publication was distributed to bankers, builders and developers as well as professional real estate and insurance organizations. Other groups which received the publication were neighborhood groups, tenant associations, fair housing and community organizations.

NOTIFICATION TO RECIPIENTS OF GUIDE

Mr. COUGHLIN. Did HUD contact the recipients of the guide to indicate that it was being withdrawn?

Mr. FLEMING. That would have been somewhat difficult to do, because the report, like many documents that summarize meetings, was given to various individuals on a requested basis. In some cases, people just came to the Department and got the publication. We made it clear publicly, and I personally have had a number of meetings with representatives of the industry, which I must say ended in a very constructive way.

We have begun plans, for example, to hold a substantive discussion in conjunction with industry and community groups around a set of issues that continue to be of concern both to the industry and to the consumers, and I would characterize our relationship at this point with the industry as quite positive.

Mr. Filer from Aetna has been quite active in a number of ventures that we are working with insurance companies on including a major reinvestment program which Aetna has undertaken, which starts with the premise that there is a serious problem of urban insurance, and it is on their initiative that they went into four cities including Philadelphia with a demonstration program.

EXECUTIVE ORDER ON CONSUMER ISSUES

Mr. COUGHLIN. On another subject, by Executive Order President Carter has established a comprehensive Federal policy to guide agencies in responding to consumer issues. In his letter requesting comments, Father Baroni stated that HUD was quite pleased to discover that many of the consumer affairs responsibilities outlined

in the Executive Order were already being performed by HUD personnel. You are to be complimented on already serving the needs of consumers. Are you futher expanding that program in response to the Executive Order, or do you think you are doing what is required now?

Mr. FLEMING. I would say, Congressman, that expansion in terms of staff impacts, no. Expansion in terms of formalizing some of those approaches of consumer complaint handling, and in terms of consumer outreach, the order does give some further definition to in fact what HUD was doing. You may recall from last year that the President's consumer advisor, Esther Peterson, had noted the complaint system as a model and that was one of the examples that the President in the Executive Order used as a model for other agencies. So, basically, on that, we were already doing what the Executive Order directed.

Mr. COUGHLIN. Would you provide for the record the amount of staff time and money that is being spent in the year 1980 and that will be spent in fiscal year 1981 on this activity.

Mr. FLEMING. I will be delighted to.

[The information follows:]

CONSUMER AFFAIRS ACTIVITIES 1980 AND 1981

Within the Office of Neighborhoods, Voluntary Associations and Consumer Protection (NVACP), the Office of Consumer Affairs, with the assistance of NVACP field staff, has the responsibility for administering consumer affairs activities. In 1980 and 1981, it is anticipated that staff and staff costs will be allocated to the Central Office and HUD field offices for consumer affairs activities as follows:

[Dollars in thousands]

Year	Projected staff-years			Estimated cost		
	Headquarters	Field	Total	Headquarters	Field	Total
1980	75.7	120.0	195.7	$2,536	$3,720	$6,256
1981	75.7	120.0	195.7	2,687	$3,900	$6,587

NEIGHBORHOOD SELF-HELP DEVELOPMENT FUNDING CYCLE

Mr. COUGHLIN. Thank you very much.

Mrs. BOGGS [presiding]. I apologize for having been diverted. You will be interested to know, Larry, and Mr. Fleming, since you are a substitute for Father Baroni, that I had to go settle some problem about the nuns coming to see Mother Joseph's statue tomorrow. If I could ask some questions that were on my mind, I hope you will forgive me if they have already been asked. Please just tell me so.

There was just announced a second cycle of funding under the Neighborhood Self-Help Development program. What were the typical grant amounts under the first cycle, and can you give us some examples of the projects funded and a rundown of your experience with the program in its first cycle?

Mr. FLEMING. Yes, ma'am, I would be delighted to. I should point out, Madam Chairman, that the grant announcements under the

first cycle are just now being finalized. In fact, we had our initial meeting yesterday with the Secretary to review our tentative conclusions of the proposed fundings. We had a deadline for applications of March 21 for this first cycle, and we are going to make announcements next week of the awards.

You would be pehaps interested to know that of the applicants in the first round we had some 720 applications for funding. We anticipate funding in the first cycle somewhere in the neighborhood of 65 to 70 projects, which are generally consistent with the numbers that we had presented to the Committee in terms of our target of 120 grants for the total year.

I must say that we were tremendously pleased with the quality, not just the quantity of the proposals that we received. The question as to the average grant amount will probably be in a range from $50,000 to $150,000, depending on the specifics of individual applications and projects.

EXAMPLES OF PROPOSED PROJECTS

The overwhelming profile of grant requests in terms of those that we are recommending for funding, I would characterize as housing related; particularly housing rehabilitation related. We have some initial profiles with respect to the objective of leveraging dollars which is also quite encouraging. I must say it has been encouraging beyond perhaps our most optimistic expectations in this difficult financial situation in the economy.

Of the funds that we are anticipating allocating this round, which will be in the order of $8 million to $9 million of grants, we anticipate a leverage factor of approaching 15 to 1 in terms of other financial resources, and these, as you may recall, are projects for specific activities. So the objective that is in the legislation requiring that we use this money strategically as seed money, and as project specific activity, will, I think, be very much met.

Just a couple random examples that I recall in anticipation of our discussion here today of the types of projects that we are proposing to fund. One example is $180,000 for the acquisition and development and the establishment of a revolving fund to renovate low- and moderate-income housing in a Midwestern neighborhood which has a very poor population, high transiency rate, high unemployment, and high demand for housing. In that particular project the grant amount of roughly $180,000 would go towards an overall project investment, including private sector investment and CD block grant money from that particular city of $19 million.

The interesting aspect of that project, which we certainly would like to encourage in other cities, is that the central business district raised approximately $8 million to go into the project in terms of private sector financing.

Other examples include economic development activities. We have a number of examples of community-based development organizations which have been successful in obtaining Section 8 commitments to build subsidized housing, or state housing-finance units. But there was no project staff to take advantage of the commitments and therefore that was a blockage in going ahead,

and our money is going to make it possible for those projects to go ahead.

Mrs. BOGGS. That is very good news and I congratulate you.

What is likely to be, then, the adverse impact of the $5 million reductions made in your request since the January estimates for the fiscal year 1981 budget?

Mr. FLEMING. Well, the specific impact, Madam Chairman, will be on the order of 40 to 50 projects that would otherwise have been funded. We had originally anticipated on the order of 120 to 150 projects being funded under a $15 million program. We forecast under a $10 million program that we will only be able to fund between 80 and 90 grants.

We will also cut back proportionately in our training and information activities that were associated with the program this past year. But we recognize that in the belt-tightening that we are doing, it is fair share time everywhere, and the impact of 15 to 20 percent inflation on a grant of $80,000 to $100,000 to a community-based organization is substantial, and we recognize the short-term need, to perhaps have less money, but the specific numerical impact will be on the order of about 40 grants that will not be funded.

Mr. COUGHLIN. Do you consider that a very heavy adverse impact upon the program?

Mr. FLEMING. Well, in scale it is major. It is, of course, a 33 percent cut, but we have obviously got the competing objectives of trying to do our part to get a handle on inflation, which certainly impacts the kind of community-based organizations we are dealing with. But it is quite clear that not funding 40 or 50 groups, that otherwise would have been ready to go ahead with meritorious projects, will be a price that we recognize we will have to pay.

Hopefully, some, if not a number, of those projects can be deferred for future cycles, where we are simply not able to fund as many fundable applications that come in a particular cycle. But over time those opportunities to apply for funding will continue.

USE OF LOCAL AGENCIES

Mrs. BOGGS. Has it occurred to you that in many cities, volunteer information agencies, could perhaps be enticed into taking over some of the responsibilities that were shared by your information and counseling group?

Mr. FLEMING. Yes, ma'am, we make quite extensive use of local agencies, and in terms of resources as well as technical assistance. We developed a rather sophisticated working relationship with State and local government, and make a great deal of effort, even in projects that we are funding, to work very closely with cities, with foundations, and private funding sources.

In some instances we are able by virtue of those working relationships, even where we wind up not funding the project ourselves, to put a funding source together with a need in a local community, so your point is quite well taken.

COMPREHENSIVE COUNSELING

Mrs. BOGGS. Last year appropriations language on the HUD Housing Counseling Program was changed to permit the use of funds for comprehensive counseling services rather than the previous arrangement which had specified that most must be spent for default counseling, and a smaller amount than that be spent for pre-purchase counseling. Has this been helpful, and what has been the impact of the change?

Mr. FLEMING. It has been helpful, we are told by the many counseling agencies that we deal with, and I should say that in the statement I submitted for the record, I pointed out the steps that we have taken subject to the instruction of the Committee last year to pursue a comprehensive program.

The impact, quite frankly, has been to give a greater flexibility in dealing with local needs and local problems, and as the Committee in its wisdom pointed out to us, the Committee was ahead of the Administration in reaching this conclusion. We feel that the services provided are much more consistent with the local needs where the Agency has the ability to work with both tenants and homeowners, and both pre-purchase and after the fact.

NUMBER OF COUNSELING AGENCIES SUPPORTED

Mrs. BOGGS. How many housing counseling agencies were supported in 1979? How many are planned for 1980 and 1981?

Mr. FLEMING. I have those numbers and I would like to go to my book to make sure I give them to you, because I think it shows you a progression of funding activity. We have just this past month, done our funding for the bulk of this current fiscal year's activities to approximately 330 groups. We funded in the previous year, in 1979, 303 HUD-certified agencies under the program. This year that number has grown to approximately 330, and my recollection is the projected number for fiscal 1981 would go to 350 funded agencies, with the average grant amount going up as well from 1980 to 1981 from, approximately $23,000 to $26,000.

PRE-PURCHASE COUNSELING

Mrs. BOGGS. As you know, although we are very, very supportive of comprehensive planning counseling, the Committee has also always been a strong supporter of pre-purchase counseling. The Committee's 1980 report contained the following guidance in this regard:

> The budget request includes $1 million for pre-purchase counseling. The Committee supports this level and directs the Department to make available the full $8 million balance for both comprehensive and default counseling.

How do you reconcile that guidance with the following statement on page J-3:

> For 1980, $9 million has been appropriated for counseling an estimated 200,000 clients. All of the funds would be used to provide comprehensive housing counseling which includes default counseling, prepurchase counseling, renter counseling and training.

Will the Department spend at least $1 million for the pre-purchase counseling among those?

Mr. FLEMING. Yes, ma'am. The explanation of that phrase in relationship to the question specifically of pre-purchase is, I guess, a bit of a definitional one. As this program has grown, and we recognize the continuing interest and support of this Committee particularly in the pre-purchase component of counseling, we ourselves at the time were confused by our own definitions of terms, and tended in the beginning to focus specifically on default counseling, and then the notion of pre-purchase. Of course, the legislation itself speaks to a variety of forms including both of those. As the term "comprehensive counseling" evolved, particularly over the past year, we have tried to clarify that point in order to point out that within comprehensive counseling is default, pre-purchase, tenant, and homeowner.

As to your specific question of whether $1 million at minimum would be going for the purpose of pre-purchase, I can assure you that, based on the information system we have developed in tracking how the money gets spent, well in excess of that amount was spent in the previous year for pre-purchase. This year the individual agencies will be given a comprehensive grant, and will have the ability to fund according to local need across the board. But the data suggests, and I would be glad to submit the data for the Committee's record, that the Human Resources Corporation has given us, a management information system on how the money is currently being spent and the projection for expenditure this year to make that point.

[The information follows:]

HOUSING COUNSELING FUND USE BY CATEGORY

Based upon the actual distribution of the 1979 counseling funds to the 269 grantees that responded to a Departmental survey, it is expected that the 1980 funds will be used as follows:

[Dollars in millions]

	Anticipated 1980 fund use	
	Percentage	Amount
Pre-purchase	14	$1.1
Pre-rental	20	1.6
Mortgage/default	32	2.6
Rent delinquency	5	0.4
General post-occupancy, home improvement, and housing consumer education	23	1.8
Energy conservation	6	0.5
Subtotal	100	8.0
Demonstrations/training/special contracts		1.0
Total		9.0

COUNSELING FUNDS FOR TRAINING

Mrs. BOGGS. That data will be very helpful, especially since it seems to verify the fact that pre-purchase counseling is necessary. How much has been spent for training in 1979 and how much is targeted for 1980 and 1981?

Mr. FLEMING. My recollection is that the amount for training in special projects has been constant at $1 million, or would be constant for the two years. Of the $9 million we received this past year, $8 million, roughly, will be going directly to provide housing counseling services, and the other amount for the training in special projects. We would forecast that $9 million of the $10 million we are requesting in 1981 would go for housing counseling.

Mrs. BOGGS. Mr. Sabo?

Mr. SABO. No questions.

COUNSELING CLIENTS SERVED

Mrs. BOGGS. Turn to Tab J—Housing Counseling Assistance. The 1981 request is $10 million, $1 million above the 1980 amount. I notice that the estimate for the number of clients counseled has been adjusted in 1980 from 24,000 to 200,000. Actual 1979 column also reflects 200,000. What accounts for the nearly 10 fold change in 1980? This is a little puzzling—especially in light of the statements made last year. The 1979 current estimate of clients counseled was revised down from 26,300 to 24,000—"based on preliminary results of an evaluation now nearing completion" according to the 1980 justifications. Can you explain this change?

Mr. FLEMING. Yes, ma'am. The short answer is better numbers. The program has grown over the years. You may recall when this Administration took office only 31 Agencies were being funded, and we are now funding in excess of 300.

Consistent with the growth of the program, we have attempted to put in place the kind of management structure, both in terms of our own field staff as well as the management information system to which I referred. That system has been put in place in the field. Within a month or two, after our hearing last year, we were able to make an adjustment which we felt reflected real and accurate numbers as to the beneficiaries of the program. We made the adjustment to 200,000 clients, and that is the basis from which we have projected the 220,000-person-counseled figure for 1981.

Quite frankly, the 24,000 figure, as was the 26,000 figure, and we pointed this out to the Committee, was a best judgment at that point, and we recognized the lead time involved in the Human Resources Corporation work in documenting the specifics of the 300-plus agencies that were actually getting funded, and that is what the figure reflects.

Mrs. BOGGS. Are you saying that the preliminary results referred to last year were inaccurate?

Mr. FLEMING. Inaccurate in the sense of reflecting what came later in a very much more comprehensive management information system, which is now mature and developed and is an operating tool for the program, I think for the benefit of the Committee, the figure that we will be basing our numbers on for the future will be the 200,000. Hopefully this coming year reflects a much more accurate number of the actual clients served.

Mrs. BOGGS. Is there anything anybody would like to add?

What is meant by the qualifying phrase "to some degree" in explaining the change in program level?

Mr. FLEMING. This is still on the question of the 200,000?

Mrs. BOGGS. Right.
Mr. FLEMING. It is a budgetary term to me.

CURRENT ESTIMATE OF CLIENTS SERVED

Mrs. BOGGS. On page J-1 it says, "The current estimate of the number of clients to be counseled, 200,000 clients, is based on an evaluation now nearing completion. Preliminary indications are that HUD funds will reach, to some degree, approximately 200,000 clients in 1981."

Mr. FLEMING. I see, Madam Chairman. The estimate of 200,000 clients in 1981 includes clients that may be counseled using more than just HUD funds. There is a very significant leveraging of additional funds by counseling agencies as a result of receiving HUD funds. Also the range of service that is provided to the client, in some cases, it is a very quick, direct problem-solving situation. In other instances a person may undergo a series of counseling sessions in order to work out the specifics of a problem.

To illustrate that point, it might be of interest to the Committee, and I would be glad to submit this for the record, some materials we pulled together on individual examples of counseling. In Knoxville, Tennessee, or in Baltimore, Maryland—family X went in and got this kind of service—and I think the examples that I would request to submit for the record (in four cities) would illustrate the range and type of service that individual clients from the counseling program in Knoxville, Baltimore, Louisville, and Seattle are receiving.

Mrs. BOGGS. Thank you very much. We will be happy to receive that in the record.

[The information follows:]

EXAMPLES OF SUCCESSFUL HOUSING COUNSELING ASSISTANCE ACTIVITIES

Knoxville, Tennessee

A couple in Knoxville, Tennessee, came in for counseling. They were in default on their monthly mortgage payments and had been turned down for a HUD assignment because of "no potential" to repay the unpaid past-due balance.

The wife had suffered two heart attacks within the last year. The husband was unemployed and was unable to find a position.

The counseling agency located a minimum-wage job for him with the probability of continuing employment. With assistance, advice and guidance from the counselor, they submitted the following information to the Knoxville Area Office: (1) revised budget; (2) letter from employer; (3) statement from them agreeing to participate in long term counseling; and (4) statement from them indicating they would participate in the budget plan of the electric utility company.

Within 15 days of the family's initial visit to the counseling agency, their mortgage was accepted for assignment by the HUD Knoxville Area Office. It should be noted that the reopening of an assignment based upon the submission of additional information to the HUD Area Office and subsequent acceptance of the assignment by HUD within 15 days is considered to be a remarkable accomplishment. Long term budget counseling by the counseling agency included the opening of a checking and savings account. Regular counseling sessions were held monthly. All creditors were contacted to come up with a minimum payment that would be acceptable.

This case had been active for approximately 1 year. They are presently current in payment to all creditors.

Baltimore, Maryland

This involves a middle-aged couple from Puerto Rico. They have five children. The couple was referred to the counseling agency by a local agency helping Hispanic families. They were having trouble finding adequate lodging because of the size of the family and their relatively low income.

Through counseling, the agency was able to qualify the family for the FHA 221(d)(2) program which enabled them to find a moderately-priced house ($17,000 with $75.00 ground rent) in a stable city neighborhood. The house was in relatively decent shape and the family manifested the knowledge and enthusiasm to spruce up with cosmetic repairs where necessary.

Louisville, Kentucky

This couple first met with a HUD-approved counseling agency on December 18, 1978. On that date, the couple was nine months in default on their mortgage payment, seriously delinquent with the 12 installment creditors, and did not have sufficient income to feed and clothe their six children, ranging in age from nine to 13.

Their situation was a direct result of the husband's illness. He had been diagnosed as having cancer, and the doctor's opinion was that he would not be able to return to work.

Although the wife was employed, her income was only $400.00 per month. His Social Security benefits were still pending.

The counselor, after conducting a complete budget examination with the couple in order to determine their actual financial situation, discovered an either/or situation: Either the house could be saved from foreclosure, or the installment creditors could be paid. The first priority had to be to keep them in the house; housing costs for a family of eight in the current market would be much more than the $180.00 per month mortgage payment, and the local public housing authority had a waiting list of over 1,000. Family stability had to be considered as well.

In order to propose a forebearance proposal to the mortgage company which would cure the default, the installment creditors would have to be dealt with. The counselor contacted each of the couple's 12 creditors and asked them to defer payments until the mortgage payment was current. Because of the couple's situation, the creditors agreed to either defer payments completely, or to accept only a token payment.

Other referrals were also made. The couple was informed of their eligibility for food stamps, thereby realizing a savings of almost $200.00 per month.

Because of decreased expenses, a foreberance proposal was now possible. The mortgage company was contacted, and a forebearance proposal of 1½ payments per month was accepted. She began a direct payroll deduction for the mortgage payment, and on January 26, 1979, the first payment was made to begin curing the default.

On May 5, 1979, the husband died of cancer. Despite this personal tragedy, his widow has made 15 mortgage payments, to date, of $70.00 each, and has not missed one payment. Because of veterans benefits which began after his death, she has also begun to repay her installment creditors under a plan established by the counselor.

In July 1980, she will be current on her mortgage payment and can resume her regular payment of $180.00 per month.

Life seems to have stablized for this family of seven, but not without sacrifices by each of them. The counseling agency plans to work with them to establish a normal budget once this abnormal period has passed.

Seattle, Washington

An elderly lady (over 75 years of age) was suddenly faced with a mortgage payment which took the major part of her Social Security income. She found herself 2 months behind on the mortgage with imminent foreclosure. In addition, her food bill was taking a major portion of her remaining income.

This lady was referred by a friend to a HUD-approved counseling agency in Seattle. This agency reviewed her case and determined she was not aware of resources available to her in such a matter. They counseled her on obtaining food stamps, increased Social Security, tax exemption from the county assessor, utility rate reduction for senior citizens, and obtaining food resources from a local social services agency for the elderly.

Further, the counseling agency was able to get the mortgagee to agree to a repayment plan of 1¼ payments per month. Also, the agency worked out a budget for her.

We are happy to report the mortgage is now current and the lady is able to live within her budget.

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1979 OUTLAYS FOR THE COUNSELING PROGRAM

Mrs. BOGGS. Outlays in 1979 were almost $2 million less than planned. Can you tell us why that happened?

Mr. FLEMING. This is still with the counseling program?

Mrs. BOGGS. Yes.

Mr. FLEMING. There are several reasons that come to mind. One, as you recall, last year we were going through some extensive discussions within the Administration as to the apportionment within the program which would be funded as between various types of counseling, which was ultimately resolved in the Committee Report language instructing the Department to undertake a comprehensive program. My suspicion is that the timing of that discussion within the Administration proceeded for a period of time into the funding cycle, and would account for a delay as to when the grant awards were announced, and therefore the difference between one year and the next as to amounts obligated.

There is a major project that involves the National Urban League, the National Counsel La Raza, the National Federation of Housing Counseling Agencies, which has been under negotiation for some time. It is a substantial amount of money from fiscal year 1979 as well as fiscal year 1980 money. The fact that that negotiation took some time to work out the specifics of the contract, which is in the 2-year total on the order of $800,000, would account again for the timing of actual expenditure.

NEIGHBORHOOD SELF-HELP—OUTLAY ESTIMATE

Mrs. BOGGS. We shall move on to the Neighborhood Self-Help Development Program—Tab K. This program was targeted for reduction in the Administration's 1981 budget balancing exercise. The original estimate of $15 million has been revised to $10 million. It is estimated this will reduce 1981 outlays by $3 million. However, this is a new program with no outlay experience.

Do you think the outlay projections are accurate, and what assumptions were used in their development?

Mr. FLEMING. Yes, ma'am, I do. The experience that we had in the use of the Secretary's Discretionary Fund for the 21 group demonstration that we undertook indicated an outlay pattern that was the basis for projecting the actual program operations of the Neighborhood Self-Help Development Program.

The Committee should know that the pace with which we have undertaken the program may suggest an assurance to the Committee of our commitment to obligate the funds consistent with the projections that we have given. Immediately following the Committee action in November, I guess, when the final action was taken on the appropriation for the program, we immediately published regulations. We did an outreach throughout the country in 15 regional meetings, which was quite important in terms of taking the program out to the groups that we were attempting to reach, the neighborhood development groups.

We anticipate having obligations and outlays consistent with our projections, and as indicated in the previous answer, we expect $9 million to be obligated in the first cycle, and the remainder of the $15 million to be obligated in total by the end of this fiscal year.

We think that the pattern of expenditure of the 21 groups which we have used in estimating actual outlays will be similar to the project fund drawdown of the approximately 120 groups that we expect to fund in two cycles this year.

Mrs. BOGGS. Are you saying that the appearance of proceeding more slowly than planned was caused by the fact that the program was not finally funded until November?

Mr. FLEMING. Yes.

Mrs. BOGGS. And you had to go out with an outreach program?

Mr. FLEMING. Yes, ma'am, and this Committee may not have been aware of an added consideration from the Senate side where Senator Proxmire had sent a letter to Secretary Harris specifically asking that we not undertake any formal staff activity in the Neighborhood Self-help Development Program until the Committee had made its decision and the House Committee had made its decision. So we would like to point out the vigor and speed with which we have undertaken the program. We think we set the indoor speed record for the Federal government in getting the regulations out, and we will have undertaken a very efficient process of grant review of the 700-plus grants which we did not receive until the end of March. We will be announcing grant awards some 8 to 10 weeks later. One thing we do not seem to have a great problem with in the neighborhoods office is spending the money. We have a lot of trouble getting it, but we anticipate that the pace that is proceeding right now will assure us that we are going to meet that timetable, even accounting for where we are today.

SELF-HELP PROGRAM IMPLEMENTATION PROBLEMS

Mrs. BOGGS. Have you experienced any other particular problems in setting up the program?

Mr. FLEMING. Well, I guess problems are to be expected with any new program. A fairly healthy number of groups that are coming in for the first time under this program are not yet to the competitive stage in terms of project eligibility in some cases. We have implemented a process of technical assistance with those groups to assist them. I guess the experience parallels what happened when we converted from categorical grants to block grants in cities where we were then in the situation of having to put together a Housing Assistance Plan, a community development plan, and the learning curve just took some time.

On the plus side of that, I think with the groups that we are recommending for funding in this cycle, we are quite pleased with the caliber and the quality of the applications in terms of the basic premise: Can community-based organizations undertake hard-nosed development? I think our premise was supported. There is a substantial interest and body of knowledge in the community-based development sector. I suspect as we go forward with the program there is going to be a growing sophistication within the community-based development sector and as groups have experience in carrying out the projects under the program.

SELF-HELP PROGRAM—1980 OUTLAYS

Mrs. BOGGS. Do you still think that $9 million in the 1980 outlay estimate is accurate?

Mr. FLEMING. Yes, ma'am.

Mrs. BOGGS. You said that you had to cut down on programs targeted for training and information services. How much money in 1980 and 1981 is targeted for these programs?

Mr. FLEMING. In 1980 we targeted $1.5 million of the $15 million for this purpose. In 1981 we would expect generally to reduce that by approximately one-third, although we may find that there is the need to undertake a minimum level that would be slightly higher than $1 million, but it would be reasonably close to $1 million.

COST OF PUBLICATION ON "SELF-HELP" ACTIVITIES

Mrs. BOGGS. In October 1979, the Office of Neighborhoods, Voluntary Associations, and Consumer Protection published "Neighborhoods, a Self-Help Sampler." What was the cost to develop this booklet?

Mr. FLEMING. I would have to supply for the Committee's record the total cost of the booklet. My recollection is that we are charging $5.50 to purchase it from the Government Printing Office. It represents a major effort on our part to attempt to document for purposes of training and expanding the knowledge of groups that we are dealing with under the program with what other groups are doing throughout the country, but I will be glad to supply this information for the Committee's record.

I can tell you that only $5,000 of Neighborhood Self-help Development money went into publishing that product. I will be glad to supply for the record the total cost of publishing the book.

[The information follows:]

COST OF BOOK ENTITLED "NEIGHBORHOODS: A SELF-HELP SAMPLER"

The Department estaimates that the cost of developing this book was $16,000 and that the cost of publication was $27,000, for a total cost of $42,000.

IN-HOUSE DEVELOPMENT OF PUBLICATION

Mrs. BOGGS. Was the cost of the development of this booklet performed by HUD employees?

Mr. FLEMING. Primarily; yes, ma'am. We had some assistance in terms of some technical work and some layout and some editing, but the primary product was developed by in-house staff, by our office. I might say we are very proud of the product. We feel it will be quite useful in communicating the state of the art to groups as well as responding to requests from the private sector who want to get involved with community-based development organizations. There is also an appendix that we built in which is a resource guide.

LIVABLE CITIES PROGRAM

Mrs. BOGGS. Yes, it is excellent. I notice on pages 144 and 146 of the booklet that the livable cities program is listed as a technical and funding resource. Was that sort of a premature suggestion?

Mr. FLEMING. It was probably a function of the long lead time in preparing this book, either that or an error. If the question underlying that, and I know Chairman Boland's concerns about the livable cities program, is to clarify our assumptions, positions, et cetera on that matter we include a one-line description for Secretary Landrieu's briefing book on the question of livable cities. That one-line description is "livable cities is dead." So we do not hold any hope or expectation that the program despite its authorization is going to spend money. And I think it is probably a combination of the long lead time in preparing this and the amount of time it has taken to print it, and it may be an editor's error in letting it stay in there after the program was decided not to go forward.

Mrs. BOGGS. Did the Department request any 1981 funding for the livable cities program to OMB?

Mr. FLEMING. No, ma'am.

[Clarification for the record:]

FISCAL YEAR 1981 FUNDING REQUEST TO OMB FOR THE LIVABLE CITIES PROGRAM

The Department's initial 1981 Budget proposal to OMB included a request for funding the Livable Cities program, since it was anticipated that funds be provided for the program in HUD's 1980 Appropriation. However, after it was decided by the Congress that these funds would not be provided to the Department in 1980, HUD ceased efforts to secure 1981 funds.

LIVABLE CITIES TYPE GRANTS

Mrs. BOGGS. Is the Neighborhood Self-Help Development program being altered or redirected in any way because the livable cities program was not funded by Congress? For example, are neighborhood cultural applications given any specific review?

Mr. FLEMING. Not specifically. We are running the Neighborhood Self-help program apart from any original objectives of livable cities or other programs, and each of the self-help development applicants is judged literally against the standards that are prescribed in the statute and prescribed in the regulations which track the statute.

Mrs. BOGGS. Mr. Secretary, are any funds being used by any Assistant Secretary to fund even remotely anything that looks like a livable cities grant?

Mr. MARRERO. Not that I know of.

Mrs. BOGGS. You know all of you are making me cry.

Mr. FLEMING. I would like to, at the risk of walking into this discussion, point out that what may have wound up being a livable cities grant, which meant it had something to do with the quality of urban design or art that is producing jobs or what have you, may wind up being spent under the block-grant program, the UDAG program, the Neighborhood Self-help program, the EDA program, or the SBA program. This would not be because it is a livable city function, but because it may happen to be art-related or design-related, and also meet the terms and the objectives of those statutes, which is job-producing, or the terms that we have in our own statute, or conditions that are prescribed in the community development block grant program. And we certainly make a distinction, as I would suspect that the Committee does, between a discrete program that was proposed and did not pass, and we respect that judgment by the Committee, and the overall effort to improve the

quality of design of our cities and make them more livable. There would be a lot of merit to small "l," small "c" livable cities efforts in the Department, and I know the Committee makes that distinction.

Mrs. BOGGS. Unless someone would like to contribute something in the record, we will stand adjourned until tomorrow morning at 10 o'clock.

Mr. FLEMING. We thank the Committee.

THURSDAY, MAY 1, 1980.

POLICY DEVELOPMENT AND RESEARCH

WITNESSES

DONNA E. SHALALA, ASSISTANT SECRETARY FOR POLICY DEVELOPMENT AND RESEARCH
DAVID F. GARRISON, DEPUTY ASSISTANT SECRETARY FOR POLICY DEVELOPMENT
ELIZABETH A. ROISTACHER, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS
MICHAEL A. STEGMAN, DEPUTY ASSISTANT SECRETARY FOR RESEARCH
CHARLES H. TAYLOR, DIRECTOR, DIVISION OF BUDGET, CONTRACTS, AND PROGRAM CONTROL

OFFICE OF THE SECRETARY

VICTOR MARRERO, UNDER SECRETARY
DAVID WHITE, OFFICE OF GENERAL COUNSEL
WILLIAM T. VAN LOWE, DEPUTY DEPARTMENTAL BUDGET OFFICER (ACTING)

POLICY DEVELOPMENT AND RESEARCH

Mrs. BOGGS. The Committee will come to order.

We are very pleased to have all of you here today. We will proceed to Policy Development and Research. We welcome Assistant Secretary Donna Shalala in her final appearance before the Committee. Of course, we wish you well in your new endeavors, and we are very jealous of Hunter College.

The President's budget submitted in January included $54 million for Policy Development and Research. The March revisions reduced that to $52.1 million. That compares with the 1980 enacted program of $49.65 million. Could we please have your statement, Secretary Shalala, and then we will go on with the rest of the questions.

Ms. SHALALA. Thank you very much, Mrs. Boggs, for those kind words. Mrs. Boggs, Mr. Stewart, it is a pleasure to come before you once again. I will submit a full statement for the record and simply summarize my statement now. Let me introduce members of my senior staff present at the hearing. As you know, there are a number of things going on in Congress today. The Deputy Assistant Secretary for Policy Development, David Garrison, is at the Authorization markup. The senior member of our policy staff, Feather O'Connor, is with Secretary Landrieu at the Senate HUD Appropriations hearing.

I have with me today Chuck Taylor, who is our Budget Director on my right; Betsy Roistacher, who is the new Deputy Assistant Secretary for Economic Affairs; Dr. Roistacher is a distinguished urban economist who comes to us on leave from Queens College of

the City University of New York, and is a native, actually, of this metropolitan area; and Dr. Michael Stegman, the new Deputy Assistant Secretary for Research. Dr. Stegman has been a distinguished member of the faculty of the University of North Carolina and is an expert on housing as well as rural concerns even though he was born and raised in New York City.

GENERAL STATEMENT

As you have noted, this is my last appearance before this Committee in my current capacity, because I am returning to the academic world. Therefore, I would like to take a little time to sum up what I think the accomplishments are and the concerns that I have had for the Research Office during the three years I have been here.

When I first came before this Committee, I made promises to improve the quality and relevance of our work, and to improve the caliber of our in-house staff, and to improve the delivery of research results to those who were most in need of them, and to improve the management of our office.

I believe we have more than fulfilled these promises and I hope that you share that view. I am reasonably sure you will agree that things have been livelier and more responsive since we arrived.

It has been our view that the Policy Office role must be an active one, not so much to direct the decisionmaking process, as to assure that it is orderly and well considered. Being effective in such a role is an almost direct function of how the other policy participants perceive the quality, the relevance, and the evenhandedness of our work.

RELATIONSHIP OF POLICY ANALYSIS TO RESEARCH

The single most important step we have taken towards that end is to integrate our research with our policy analysis activities. Sound policies must be based, to the maximum possible extent, on solid facts, not on suppositions. Similarly, research, to be fully relevant, must be directed to key policy concerns. Done well, both functions are enriched.

Let me summarize, then, the positive steps that we have taken during the last three years to improve our program.

We instituted a process by which the Department's top policy makers could establish their highest research priorities, and permit us to narrow our focus to very high-priority work.

We engaged noted scholars and practitioners to reexamine the scope, the quality and the gaps in existing research in those high-priority areas, and to develop new research agendas for each.

We began a regular process of peer review of all PD&R research reports to assure their substantive and methodological soundness.

We raised our standards for career staff to assure that those selected could not only manage the work of others but could also design and carry out high-quality research and policy analysis themselves.

We brought in leading, senior researchers, as Visiting Scholars, on one-year leaves-of-absence from their own institutions, to en-

hance our research capabilities and to bring fresh insight to the Department.

We moved from passive monitoring of externally funded work to active involvement in research design and in analysis of findings.

We made it possible once again for participation in our work by researchers in academic institutions, who had largely lost interest, or who had been shut out by our prior emphasis on contract research as opposed to the grant process with which they are more familiar.

We have made a substantially greater effort to disseminate our research findings, both to the public and to specialists. Some examples of this effort are in front of me.

We have been substantially more open and forthcoming with this committee and other parts of Congress. For example, the quarterly report we furnish you, which provides current, one page summaries of every major project underway, and highlights the changes from quarter to quarter, is probably the most detailed you receive from any agency in terms of its research efforts.

We have made extraordinary efforts to bring women and minorities into the conduct of our work, both on our own staff and by providing innovative requirements and incentives for our contractors and grantees. I think it is fair to say PD&R probably has the best affirmative hiring record in terms of contract research, certainly in HUD and in any research organization in government.

CAPACITY TO RESPOND

We have sharply increased our capacity for timely response to the Secretary and Under Secretary for policy analysis and support. The upgrading of our in-house staff's research skills has been the principal means by which we have reduced our turn-around. But we have also been innovative in the procedures we use to fund research, which also permits much shorter response time.

We have instituted new controls, guidelines, reporting mechanisms, and other major management techniques to minimize the possibilities for either fraud or waste in the conduct of our office.

The scope of the changes we have put in place is large, but they were accomplished quietly and gradually, in ways that did not disrupt either the morale of the staff or the operations of the office. More importantly, these changes have been institutionalized. PD&R should be permanently the better for them.

And finally, both long and short term evaluations or assessments involving every major HUD program are underway, and many have begun to yield specific program improvements.

Our formal budget request provides the program detail to supplement the improvements I have outlined here and I would like also to submit a listing of other significant policy and research accomplishments during our administration of this program.

We would be happy to answer any questions you have.

[The statement follows:]

Mr. Chairman and Members of the Committee, good afternoon. It's a pleasure to come before you once again.

As you may know, this will be my last appearance before this Committee in my current capacity, as I am returning to the academic world in the Fall, to become President of Hunter College in New York. I would therefore like to take a little

time to sum up the accomplishments and concerns of our research office during the three years I have been here.

When I first came before you, I made promises to improve the quality and relevance of our work, to improve the calibre of our in-house staff, to improve the delivery of research results to those most needing them, and to improve the management of our office.

PROMISES

New-hires will be people with research track records that can help give the Secretary a quicker response time in-house.

Improve information sharing with other agencies.

Leverage Federal research money with private foundation money so that we can get more bang for Federal bucks.

Integrate the policy and research staffs of PD&R to ensure that research data is brought to bear on short term policy analysis.

Sharpen the focus of our research by eliminating "good idea" research that does not address the Department's priorities.

Initiate evaluations of every major Departmental program.

Reshape EHAP by reducing the scope, costs, and length of the program. Some reports have been moved up by as much as two years and cost have been reduced from $205 million to $163 million.

Improve outreach toward minorities and women.

Supply urban impact statements for proposed measures and policies of other agencies and Departments.

I believe that we have more than fulfilled these promises, and I hope you share that view. I'm reasonably sure you'll agree that things have been livelier and more responsive since our tenure began.

It has been our view that the policy office role must be an active one, not so much to direct the decision-making process, as to assure that it is orderly and well-considered. Being effective in such a role is an almost direct function of how the other policy participants perceive the quality, relevance, and evenhandedness of our work.

The single most important step we have taken toward that end is to integrate our research with our policy analysis activities. Sound policy making must be based, to the maximum possible extent, on solid facts, not suppositions. Similarly, research, to be fully relevant, must be directed to key policy concerns. Done well, both functions are enriched.

In the early months of our efforts at HUD there emerged a fear that bringing research and policy together might taint or compromise, the integrity of our research. Needless to say, this has not been the case. Our research program operates entirely in the open. Any attempt to influence the findings of our research or to suppress research results would not be tolerated. The strength and integrity of people on our staff and among those who perform our funded research wouldn't stand still for the first sign of such an attempt.

More importantly, our policy makers want to be informed, not misinformed. It is hard enough making policy decisions on the many difficult issues facing the Department, without adding the blinders of biased or incomplete or otherwise managed information.

We have therefore encouraged PD&R's policy staff to keep in close touch with experts on the research side, and we have encouraged the research staff to review and audit policy drafts and discussions, and to participate in policy discussions. We have stressed that where our research directors identify researchable questions, in our policy discussions and processes, they should become part of the current research agenda.

Let me cite some examples of how our research and policy processes work in tandem. As a routine function, research staff review and provide comment on all proposed legislation, regulations, and policies in which they are conducting research. The pay-offs have been wide-ranging. In other cases, research has directly become the basis for policy or program operations. The Annual Housing Survey is the data base we use for setting Existing Fair Market Rents for Section 8. Our mobile home research is the basis for the Mobile Home Standard, to be promulgated. Our policy study, which is now underway, of the extent and impacts of condominium and cooperative conversion, is the basis for the development of HUD policy in this area and has framed the design for innovative financing demonstrations for existing multifamily projects facing conversions. Policy questions about whether rural areas receive a fair share of federal housing assistance resources generated a project to measure actual allocations against measured need. The study

of the range of uses for Home Mortgage Disclosure Act data provided the primary basis for Departmental testimony in support of extending the Act. Our research on energy conservation in buildings has provided the principal input for the Department of Energy's new construction conservation standards. I could cite other examples.

To reflect once again on our early months at HUD, we started by taking a calculated risk. Our initial review of the programs and projects we inherited raised concerns about many of the projects. Rather than plunge ahead with funding actions about which we had reservations as to the year's end neared, we elected to delay until those questions could be resolved. The resulting carry-over of unobligated funds caused doubts in your Committee. We believe our performance in managing our funds in the ensuing years has shown that we are fully capable of completing quality work at a high level of funding.

What we were demonstrating in taking that risk was that we were committed to quality work, and that neither time or funding pressures would be allowed to compromise that commitment. Once the negative phase, discarding marginal or non-policy-relevant projects, was completed, we began a series of positive steps to improve the program:

ACCOMPLISHMENTS

We instituted a process by which the Department's top policy makers could establish their highest research priorities, and thus permit us to narrow our focus to high-priority work.

We engaged noted scholars to re-examine the scope, quality, and gaps in existing research in those high-priority areas, to develop new research agendas for each, aimed at answering the most pressing questions.

We began a regular process of peer review of all PD&R research reports, to assure their substantive and methodological soundness.

We raised our standards for career staff to assure that those selected could not only manage the work of others, but could also design and carry out high quality research themselves.

We brought in leading, senior researchers, as Visiting Scholars, on one-year leaves-of-absence from their own institutions, to enhance our research capabilities and to bring fresh insight to the Department.

We moved from passive monitoring of externally funded work to active involvement in research design and in analysis of findings.

We made it possible once again for participation in our work by researchers in academic institutions, who had largely lost interest, or who had been shut out by our prior emphasis on contract research (as opposed to the grant process with which they are more familiar).

We have made a substantially greater effort to disseminate our research findings both to the public and to specialists. At the one extreme, we have made the findings of our Annual Housing Survey easily accessible to the public through a series of brief, layman's language summaries, each focusing on a particular housing group, such as the elderly or Hispanics. At the other extreme, we are in the process of making the huge volume of computerized data arising out of our research (such as from the Housing Allowances Experiments, Section 8, and similar projects) directly available to other, independent researchers for further analysis and study, through time-sharing computer terminals connected to HUD's computers.

We have been substantially more open and forthcoming with this Committee and other parts of Congress. For example, the quarterly report we furnish you, which provides current, one-page summaries of every major project underway, and highlights the changes from quarter to quarter, is probably the most detailed you receive from any agency.

We have made special efforts to bring women and minorities into the conduct of our work, both on our own staff and by providing innovative requirements and incentives for our contractors and grantees. On our professional staff, fifty-five percent of our new-hires during my term have been women and twenty-five percent have been minorities.

Internally, we have sharply increased our capacity for timely response to the Secretary and Under Secretary for policy analysis and support. The upgrading of our in-house staff's research skills has been the principal means, by which we have reduced our turnaround, but we have also been innovative in the procedures we use to fund research, which also permits much shorter response time.

We have instituted new controls, guidelines, reporting mechanisms, and other major management techniques to minimize the possibilities for either fraud or waste in the conduct of our office.

The scope of the changes we have put in place is large, but they were accomplished quietly and gradually, in ways that did not disrupt either the morale of the staff or the operations of the office. More importantly, these changes have been institutionalized. PD&R should be permanently the better for them.

And finally, both long and short term evaluations or assessments involving every major HUD program are underway, and many have begun to yield specific program improvements.

Our formal budget request provides the program detail to supplement the improvements I have outlined here and I would like also to submit a listing of other significant policy and research accomplishments during or administration of this program.

We would be happy to answer any questions you have.

[Additional accomplishments follow:]

PRIMARY RESEARCH RESULTS

The following summarizes some of the major accomplishments of PD&R research during the past three years.

RESEARCH	RESULTS
ENERGY CONSERVATION	
o Preparation and distribution of publications such as "In the Bank or up the Chimney "to publicize energy saving suggestions and techniques.	o Our energy conservation publication, In the Bank or Up the Chimney, is the largest selling GPO publication ever. It has been reprinted by dozens of private publishers and is even available in the Sears catalogue. Several million copies have been obtained by interested homeowners. If they followed the insulation and other suggestions, each would reduce fossil fuel consumption by approximately 20%. Savings per person per year could reach $100-200 for those households implementing the suggestions.
SOLAR ENERGY	
o The HUD solar program, established under the authority of the Solar Heating and Cooling Act of 1974 (PL 93-409) as an element of the national program managed by the U.S. Department of Energy, is now approaching completion. PL 93-409 called for a five-year program. The initial program plan (ERDA 23A) specified five cycles of demonstration projects over this period, leading to the commercial readiness of solar heating and cooling systems. The plan also called for standards development, market studies, and information dissemination which, together, were expected to help bring about an effective solar industry, and a growing solar market.	o The whole concept of solar energy for residential use is having an impact in several ways; Warranty provisions have been made and new financing mechanisms and evaluation techniques developed. The Solar Heating and Cooling Information Center has distributed millions of publications to date and is currently answering over 3000 inquiries per week. Demonstrations have been funded in over 25,000 housing units using solar energy. The potential annual dollar savings to owners of these units could be approximately $5 million.

PRIMARY RESEARCH RESULTS 2

RESEARCH	RESULTS
LEAD HAZARDS	
o According to recent PD&R studies, blood-lead levels in children in New York City correlate very strongly with the level of lead in gasoline.	o The results of these PD&R-sponsored studies persuaded the Department of Energy (DOE) to drop its demand for a complete halt to the Environmental Protection Agency's plan to remove lead from gasoline. DOE wanted to halt the lead removal program, to save petroleum, until they saw the relationship between lead in blood and lead in gasoline. The analysis was also a major factor in the compromise regulation of lead levels in gasoline announced by the President in his April 14 energy speech.
HOW WELL ARE WE HOUSED	
o PD&R has published the fourth in its series, HOW WELL ARE WE HOUSED? The latest summary deals with the 14.8 million households headed by people 65 or more years old. Although they live in older housing than the general population does, the physical adequacy of their housing almost exactly matched that of the nation--only about a tenth of the housing units have physical deficiencies.	o According to the summary, it is elderly renters who are most hard-pressed. It estimates that half of them (over 1 million) would have to spend a burdensome percent of income to find adequate, uncrowded rental housing.
SPECIAL USERS (HANDICAPPED)	
o After five years of PD&R support for research, testing, and working toward concensus, ANSI A117B.1 (1979) "Specification for Making Buildings and Facilities Accessible to and Useable by Physically Handicapped People" was unanimously accepted for publication as an ANSI Standard by the Board of Standards Review of the American National Standards Institute.	o This new standard, which will replace the one first approved in 1961, for the first time includes housing. It will be referenced in such places as HUD's minimum property standards and Section 504 regulations and therefore acquire the force of law.

PRIMARY RESEARCH RESULTS

RESEARCH	RESULTS
HOUSING VALUE vs RENT LEVEL	
o PD&R has developed a technique, hedonic indexes, to compare housing across cities. The data comes from the Annual Housing Survey.	o Principal Findings Include: 1. Prices in Central City Suburbs - Price differential between the housing in central cities and suburbs are not identical across markets. Housing in central cities is typically least expensive in SMSAs that fit the image of the declining North-eastern city. 2. Measurement of Inflation - Estimates of inflation rates in the period covered by this study (1974-76) generally exceed previously published estimates. Other findings indicate that renters overestimate their gross rent (mis-estimating utilities), and homeowners underestimate the value of their homes.
WHO USES PD&R RESEARCH	
o PD&R has developed a computerized data base, called HUD USER, to provide summaries of research reports and publications.	o By late March, nearly 7,000 names were enrolled as HUD USERS, which mean that they are on our mailing list to receive Recent Research Results and all new PD&R reports in the areas of their stated interests. Almost half the registrants are with either educational institutions (30 percent) or local government (18 percent). The smallest number (3 percent) are affiliated with public research institutions.

PRIMARY RESEARCH RESULTS 4

RESEARCH	RESULTS
CASH MANAGEMENT	
o PD&R produced and distributed two manuals on improving cash management for small to medium size governmental units.	o A follow-up survey of a sampling of jurisdictions that utilized the manuals, identified annual savings of $12,000 per jurisdiction. With our 10,000 volumes of the manuals in use, a conservative estimate--perhaps half of the users benefitting from the manuals--would yield an estimated saving of $60,000,000 per year. Examples: Cleveland, Texas $50k/yr savings Whitehall, Pa. 40k/yr. " Highlands Center, Fla. 50k/yr " Fort Lauderdale, Fla. 62k/yr "
TENANT MANAGEMENT DEMONSTRATION	
o The objective of the tenant management demonstration program is to determine whether, and under what circumstances, managment of public housing projects by the tenants themselves can result in improvement in the operating performance of public housing and resolve some of the problems associated with public housing.	o The National Tenant Management demonstration has had several beneficial economic and fiscal impacts: --tenant employment has increased at the six demonstration sites; --vacancy rates have been reduced, resulting in an increase in housing authority revenues of approximately $12,000 per site per year; --average unit rent has increased at the participating sites, resulting in an average increase of $59,000 in housing authority income per site.

RESEARCH	RESULTS
HISPANIC HOUSING MANAGEMENT PROGRAM	
o This project provides for the development and testing of programs focusing on the special needs of Hispanic residents and staff of public housing projects. One training course will be developed for non-Hispanic managers of selected housing projects occupied largely by Spanish-speaking tenants.	o The Hispanic Housing Management Program has provided training to nearly 100 non-Hispanic managers of predominantly Hispanic housing developments to help them acquire the skills and sensitivities necessary to improve the quality of life for Hispanic residents. While this is not quantifiable, clear benefits have resulted.
URBAN HOMESTEADING PROGRAM IMPROVEMENTS	
o PD&R is evaluating the Urban Homesteading Program.	o The Urban Homesteading Demonstration became a full-scale program in 1977. The design of the operating program benefitted directly not only from the PD&R demonstration design, but also from the continuing results of a PD&R independent evaluation. As the evaluation reports continue to be produced, the information assists the operating program staff in making improvements to the program. Although there is a direct cost to the HUD mortgage insurance fund for each homesteading unit supplied at nominal cost, these costs are more than offset by the avoidance of neighboring insured units going into default. It has been demonstrated that Urban Homesteading helps turn a declining neighborhood around. Several units are saved for each homesteading unit donated.

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Mrs. BOGGS. I thank you very, very much, Dr. Shalala, for that beautiful valedictory statement, and I compliment you on the success that you have brought to your undertakings. I especially compliment you on your affirmative action program on women and minorities. You have brought a degree of excellence to your office that all of us will be the better for, and the people of the United States will be the better for, for many years to come. We do appreciate it.

The President's budget submitted in January, as we said, included $54 million for Policy Development and Research. The March revisions reduce that to $52.1 million. That compares with the 1980 enacted program of $49.65 million. The change sheet indicates some of the areas that would be affected by the budget amendment. Could you elaborate on the effect of the reduction and indicate why these areas were selected?

Ms. SHALALA. Mrs. Boggs, we simply made an internal priority decision and protected those activities directly related to HUD programs, and made those the highest priorities. We protected the ongoing evaluations of the Department's programs, and then shaved down some of the other activities including some of our energy activities and some of our capacity building activities.

The cut reduces our flexibility. There is little question about that, but it does not reduce the quality of the work that we intend to do directly on HUD programs. I participated both in the decisions to make the cut and in the discussions with my colleagues focused on the more programmatic efforts.

Mrs. BOGGS. Did the $1.9 million revision eliminate the bottom line items on your ZBB listings?

Ms. SHALALA. Yes, that is essentially what it did.

Mrs. BOGGS. For the record, will you provide for us an update of the table on page N-7 of the justifications, reflecting the 1981 amendment?

Ms. SHALALA. Yes.

[The information follows:]

Up-date of "Research and Technology Budget Summary"
(Page N-7 of 1981 Justification, Part 2)

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980 a/	REVISED ESTIMATE 1981 b/	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
I. HOUSING ASSISTANCE RESEARCH	$8,528	$9,800	$9,005	$7,156	-$1,849
1.1 Experimental Housing Assistance (EHAP)	4,863	4,300	4,326	1,400	-2,926
1.2 Section 8 Housing Assistance	1,627	2,000	1,560	2,350	+790
1.3 Management of Assisted Housing	1,754	2,100	2,094	2,750	+656
1.4 Assisted Housing Policy Research	284	1,400	1,025	656	-369
II. HOUSING SAFETY AND STANDARDS RESEARCH	3,994	2,892	2,704	3,700	+996
2.1 Residential Safety and Technology	1,933	1,542	1,256	2,181	+925
2.2 Lead Paint Hazards	566	400	438	...	-438
2.3 Mobile Homes	618	500	400	500	+100
2.4 Codes Administration	877	450	610	1,019	+409
III. HOUSING ECONOMIC DATA AND ANALYSIS	12,367	15,110	13,851	14,950	+1,099
3.1 Surveys of Housing	9,971	13,010	12,369	12,335	-34
3.2 Housing and Financial Market Studies	2,396	2,100	1,482	2,615	+1,133
IV. CONSUMER AND EQUAL OPPORTUNITY RESEARCH	5,633	5,250	4,738	4,400	-338
4.1 Fair Housing and Equal Opportunity	1,200	900	1,108	550	-558
4.2 Housing Needs of Special Users	2,457	3,500	2,520	1,900	-620
4.3 Housing Counseling and Consumer Aids	1,976	850	1,110	600	-510
4.4 Rural Research	...	...	...	1,350	+1,350
V. COMMUNITY CONSERVATION RESEARCH	11,362	3,050	3,065	3,325	+260
VI. COMMUNITY DEVELOPMENT RESEARCH	5,166	6,435	5,513	5,540	+27
6.1 State and Local Policy Analysis	2,912	3,820	2,943	2,915	-28
6.2 Environmental Studies	...	...	...	475	+475
6.3 Economic Development and Public Finance	1,755	1,600	1,993	1,550	-443
6.4 Community Growth and Land Use	499	1,015	577	600	+23
VII. ENERGY CONSERVATION AND STANDARDS RESEARCH	2,349	1,900	1,527	2,550	+1,023
7.1 Energy Conservation and Utilities Research	1,275	1,400	1,077	2,550	+1,473
7.2 Solar Heating & Cooling	...	...	...	...	...
7.3 Utilities and Energy Systems	1,074	500	450	...	-450
(DOE Transfers)	(15,980)	(6,350)	(11,000)	(5,000)	-(6,000)
VIII. PROGRAM EVALUATION	6,083	5,863	6,547	7,225	+678
IX. RESEARCH PROGRAM SUPPORT & UTILIZATION	1,664	2,700	3,141	3,254	+113
9.1 Program Planning & Management	775	1,200	1,701	1,435	-266
9.2 Transferring Research Results	889	1,500	1,440	1,819	+379
TOTAL	57,146	53,000	50,091	52,100	+2,009

a/ Reflects revisions among research categories from that contained in the 1981 Justification, as a result of the overall March update.

b/ Reflects revisions based on proposed 1981 Budget Amendment.

1980 BUDGET REDUCTION

Mrs. BOGGS. The Congress reduced the 1980 research and technology request by $3,350,000. Where did the Department apply the reduction? If you could give us a brief response now, you can supply the detail for the record.

Ms. SHALALA. I am sure we looked back at our ZBB list and dropped off some bottom items. We will supply the detail for the record.

[The information follows:]

APPROPRIATION REDUCTION FOR 1980

The following table reflects the distribution of the proposed obligation revisions to the 1980 funding categories for Research and Technology. These changes result, essentially, from Congressional action which reduced the 1980 appropriation by $3.35 million. Although the reduction was for $3.35 million, the net reduction in obligations is only $2.9 million as a result of a $400 thousand unobligated balance carried over from 1979.

[Dollars in thousands]

Fiscal year 1980 research and technology request	$53,000
Fiscal year 1980 appropriation enacted	49,650
Congressional reduction to 1980 request	3,350
1979 Carryover available for use in 1980	−441
Net reduction to 1980 budget	2,909
Application of reduction by category:	
I. Housing assistance research	−795
II. Housing safety and standards research	−188
III. Housing economic data and analysis	−1,260
IV. Consumer and equal opportunity research	−511
V. Community conservation research	+15
VI. Community development research	−922
VII. Energy conservation and standards research	−373
VIII. Program evaluation	+684
IX. Research program support and utilization	+441
Total	−2,909

EHAP ESTIMATE FOR 1980

Mrs. BOGGS. The Senate report suggested that a part of the reduction could be applied to the Experimental Housing Allowance Program. I notice on page N-8, however, that the 1980 current EHAP estimate is greater than the budget estimates. What accounts for this?

Ms. SHALALA. Mike, do you know that?

Mr. STEGMAN. The 1980 allocation represents the cutbacks that were made in prior years to finish out EHAP in fiscal year 1981. The final $1.4 million for 1981 is budgeted to finish up the supply experiments.

Ms. SHALALA. We are talking about a $300,000 difference between our previous estimates and current estimates, and that difference reflects activities that did not get underway in 1979. Let me say that we believe the decision to complete the Experimental Housing Allowance Program will bear fruit in our ability to apply the findings in that study to the Section 8 existing program to make it more efficient. This is the year in which we will be provid-

ing you with many of the final findings from the Experimental Housing Allowance Program.

If you will remember when we testified last year, we indicated that we had reduced the cost of the experiment in the housing allowance program by many millions of dollars, so it is down to bare bones now.

Essentially, it is the final analysis that we are paying for. There is no longer much of an experiment left in the field. We are monitoring the South Bend and Green Bay activities, simply to see if there is any inflationary effect of housing allowances, but we have shaved this experiment considerably.

Mrs. BOGGS. No funding will be requested, then, for EHAP after 1981?

Ms. SHALALA. That is correct.

Mrs. BOGGS. The total estimated cost of the program is $163.1 million. Is that correct?

Ms. SHALALA. The 1981 Budget reflected an estimate of $163 million, however this estimate has since been revised to about $158 million to reflect updated cost figures. The change relates primarily to the Section 23 component.

Mr. STEGMAN. That is correct.

Mrs. BOGGS. Last year we discussed briefly what happens to the substandard housing as participants in the EHAP moved from those units into acceptable housing. It was indicated that you will have results on what happened to those units. Is that correct?

Mr. STEGMAN. We will, and we already have some preliminary results on the improvement that occurred in part because of enforcement under the Experimental Housing Allowance Program, but we will have a report sometime later this year which summarizes the findings specifically in that area and a number of other areas.

Mrs. BOGGS. Can you update the table on page 392 of the 1980 hearing volume for the record, please.

Ms. SHALALA. Yes.

[The information follows:]

ESTIMATED EHAP OBLIGATIONS

The following table is an up-date of the table which appeared on page 392, part 7, of the House Hearing on the HUD 1980 Appropriation Act.

[Dollars in millions]

	Research	Payments to households	Administration	Total
Fiscal year 1972	$2.9			$2.9
Fiscal year 1973	11.5	$0.7	$0.6	12.8
Fiscal year 1974	12.7	5.1	3.0	20.8
Fiscal year 1975	13.6	6.5	3.6	23.7
Fiscal year 1976	12.8	5.3	3.2	21.3
Transition quarter	2.7	1.6	0.8	5.1
Fiscal year 1977	8.4	6.8	2.8	18.0
Fiscal year 1978	7.8	8.1	2.7	18.6
Fiscal year 1979	4.7	9.4	2.8	16.9
Estimated obligations for completion	5.7	9.3	3.0	18.0
Total	82.8	52.8	22.5	158.1

1981 EHAP ESTIMATE

Mrs. BOGGS. Precisely how will you use the $1.4 million final increment of EHAP funding?

Ms. SHALALA. Let me ask Dr. Stegman to answer that.

Mr. STEGMAN. The close out of the two supply sites has occurred as of March of this year in Green Bay and South Bend, and $1.4 million is needed to finish the analysis of the two supply sites.

The analysis will produce perhaps 15 or so technical and program reports, all of which relate to either: administration of the program and what we have been able to learn about how to administer it; the economics of housing that is involved in a housing allowance experiment, that is, the reactions of landlords; continuing to monitor questions of price effects; mobility patterns of families; or trying to understand much more about what happens in housing markets to families who are really given the choice of finding housing in the existing stock with an allowance.

The supply side analysis is continuing beyond the period that we have observed on the demand side, because it takes a longer time to see what kind of market effects allowances will have on landlords or participants. The participants in the program will actually be continuing to get housing allowances for five more years under the Section 23 leased housing program, but the experimental phase and the research phase will end as of fiscal year 1981. The 1981 allocation is really to monitor market effects. We have a work program and we can report for the record each of those reports that will be coming in between now and the end of fiscal 1981 for you.

Mrs. BOGGS. That would be very helpful. Thank you.

[The information follows:]

EXPERIMENTAL HOUSING ALLOWANCE PROGRAM REPORTS

The following listing shows those reports expected to be available by the end of fiscal year 1981. These reports will be based on the evaluation of the Supply Experiment.

Rent Inflation in St. Joseph County, Indiana, 1974–1978
Helping Enrollees Meet Allowance Program Housing Requirements
Modeling Eligibility for Housing Allowance
The Decision to Apply for Housing Allowances
Housing Allowance Program Administrative Performance and Costs
Modeling Participation in a Housing Allowance Program
Rent Inflation in the Supply Experiment
Income Certification in an Experimental Housing Allowance Program
Final Report on Housing Allowance Program Administration
Program Effects on Housing Expenditures
Program-Induced Repairs
The Economics of Rental Property
Client Attitudes Toward a Housing Allowance Program
Adjusting Housing Consumption by Moving
Measuring Neighborhood Change Due to Housing Allowances
Eligibility and Participation in a Housing Allowance Program
Landlord Attitudes Toward a Housing Allowance Program
Community Attitudes Toward a Housing Allowance Program
Housing Consumption and Housing Policy
Final Report of the Housing Assistance Supply Experiment
Final Report of the Housing Assistance Supply Experiment: Executive Summary

PUBLIC HOUSING MODERNIZATION

Mrs. BOGGS. Mr. Coughlin, anytime you would like to come into the questioning, please do so.

Mr. COUGHLIN. I have a couple of questions but I will defer if you want. Let me just say at this point of the game that I join in welcoming Mrs. Shalala here in, I guess, her swan song before this Subcommittee. We will really miss having you.

Ms. SHALALA. Thank you very much, Mr. Coughlin.

Mr. COUGHLIN. You have been a very fine witness and a very fine administrator.

Ms. SHALALA. Thank you.

Mrs. BOGGS. As you know, the Department has proposed making up to 50 percent of public housing production money available for modernization. What research has PD&R conducted that supports this redirection?

Ms. SHALALA. Mrs. Boggs, that recommendation is based, in part, on PD&R research. Two years ago we initiated a study to estimate the cost and the need for modernization of the existing public housing stock. Our findings are based on pretty hard estimates of what the range of that modernization including energy retrofit would take. The Department's recommendation is backed up by very hard facts. Dr. Stegman can provide more information on that particular study for the record.

[The information follows:]

PUBLIC HOUSING MODERNIZATION STUDY

Of the total Public Housing stock, about 8 percent of the units are chronically distressed. The remaining 92 percent are in sound condition and appear to be maintaining the physical condition called for in the Department's Minimum Property Standards (MPS). All that is required for that 92 percent is routine maintenance actions or modernization required by changes in the MPS, age of structure, and other natural causes.

The seriousness of the problems in the chronically distressed projects vary from repeated vandalism to severe deterioration. The key factor in this group of projects is the chronic nature of the problem. This group will require a comprehensive approach to the resolution of the myriad of problems.

The estimated cost to bring the basically sound units (approximately 1,026,000) up to the MPS is $143 million. For the units with chronic problems (approximately 86,000), the estimate is $116 million.

The study is expected to be published within the next several months.

STUDY OF MODERNIZATION NEEDS

Mr. STEGMAN. I just might note that the study produced estimates of the cost of modernizing and bringing up to several different standards the entire stock of public housing. With respect to the comprehensive modernization program the study determined that about 8 percent of all units are really chronically distressed.

Just allocating modernization monies that would bring these units up to health and safety standards would simply not be enough. The problems are chronic requiring a comprehensive approach. Our cost estimates and the strategies that were produced in that study are consistent with the multi-year comprehensive approach that is being proposed today in legislation.

Mrs. BOGGS. Does your research indicate anything about the attitude of the local PHAs toward this effort at 50 percent modernization?

Ms. SHALALA. Our research does not as such, but if I may speak for the Under Secretary, the conversations that the Department has had through the organizations that are related to public housing authorities is that particularly the large public housing authorities are very enthusiastic about our giving them some flexibility.

As you know, under Secretary Landrieu we have moved more rapidly towards decentralization, and basing our programs on more faith in local capacity, in giving local governments as well as local PHAs, where we can, have more flexibility in the use of public monies with proper monitoring. However, I think that it is fair to say that we believe that there is enthusiasm out there for this flexibility.

Mr. MARRERO. There has been some comments indicating some disagreement with the direction, but overall the response has been positive. We feel that this is not mandatory. It only gives them the ability to do so if they so chose. It is the proper direction to take.

Mrs. BOGGS. Does your response from them to this suggestion indicate how many of them will really use it? In other words, if Congress goes along with the proposal, can you give us any idea of how much of the 50 percent may actually be spent for modernization?

Mr. MARRERO. It is hard to say, because they do have the flexibility to do so, it is not mandatory, and we have no way in advance of knowing how many of them will take the opportunity to exercise the option.

Mrs. BOGGS. Mr. Coughlin, do you have any questions in this regard that you would like to pursue?

Mr. COUGHLIN. Not directly in this regard.

PERFORMANCE FUNDING SYSTEM EVALUATION

Mrs. BOGGS. Page N-14 addresses the Performance Funding System evaluation. This is an extremely important study. The Department has pending before the Committee a $52.6 million supplemental request for public housing operating subsidies. According to Assistant Secretary Simons, one reason those funds are required is because the PFSs may have discriminated against certain public housing authorities. Do you have any preliminary results of the evaluation which indicate biases in the current PFS?

Ms. SHALALA. We do, Mrs. Boggs. The PFS study that we initiated some time ago is not completed, but the initial results indicate that there is bias against large PHAs, and it was on the basis of that information in part that the Department decided to move ahead and make a recommendation this year. We will have other findings that will come in the next fiscal year that perhaps Dr. Stegman would like to summarize.

Mr. STEGMAN. Madam Chairman, the technical report is now under review at HUD, (it came in a couple of weeks ago), and both PD&R and the Office of Housing are currently reviewing it. It does

indeed confirm the kinds of problems that Assistant Secretary Shalala mentioned.

We are looking at problems of inflation and how the prototype equation really handles the problems of inflation.

For example, in 1978 we found that the inflation factor underpredicted actual inflation by 3.8 percentage points relative to the Consumer Price Index, the shelter subindex of CPI. There are problems like this that are being identified now with our technical report. We are looking at all of the technical components of the equation, and hope to be prepared for the next budget cycle with specific recommendations on how over an intermediate term to improve the performance-funding equation as a means of distributing operating subsidies.

We are also in the process of taking a much longer view of how to develop a better, a more sensitive operating subsidy mechanism. We expect to come in with both short-term recommendations relating to the PFS itself and broader recommendations on a longer-term basis, essentially to overhaul and improve that system.

Mrs. BOGGS. Did I understand that that evaluation would be completed?

Mr. STEGMAN. That is correct.

Mrs. BOGGS. Before the next budget cycle?

Mr. STEGMAN. That is absolutely correct, and that is why the supplemental request that we are talking about now is consistent with our early report recommendations and consistent with our coming before the next budget cycle with specific recommendations dealing with the equation itself and the system itself.

1980 SUPPLEMENTAL FOR PUBLIC HOUSING OPERATING SUBSIDIES

Mrs. BOGGS. How do you account for the New York PHA? It is the largest in the country, but was not included in the $52.6 million supplemental request.

Mr. MARRERO. We will have to furnish that information for the record.

[The information follows:]

WHY THE NEW YORK CITY HOUSING AUTHORITY IS NOT INCLUDED WITHIN SUPPLEMENTAL REQUEST

The proposed fiscal year 1980 Supplemental Appropriation for Payments for Operation of Low-Income Housing Projects would provide additional operating subsidies to ten large Public Housing Agencies (PHAs) that have deficits in their reserve accounts. Since the New York City Housing Authority does not have a deficit reserve position, it is not among the PHAs that would share in the $52.6 million proposed Supplemental Appropriation.

Although the New York City Housing Authority is not in a deficit reserve position, it is experiencing financial difficulty. As of December 31, 1979, the New York City Housing Authority was one of 30 PHAs which had a reserve level which was 20 percent (or below) the maximum allowed level. A PHA's maximum reserve level is equal to one-half of its previous year's routine operating expenses. Monitoring the status of PHA reserve levels provides the Department with a measure of their financial condition. (The Department considers a PHA to be in good financial condition if it maintains a reserve level which is at least 50 percent of the maximum allowed level. The Department considers a reserve level of 20 percent or below of the maximum allowed level to signify a serious financial situation for a PHA). Therefore, it appears that the New York City Housing Authority is experiencing financial problems very similar, but not as severe as those afflicting the ten large

PHAs which would receive the proposed supplemental funding. The request, however, is limited to those actually in a deficit position.

HOUSING RESEARCH DATA CENTER

Mrs. BOGGS. Page N-17 indicates a Housing Research Data Center is being established. Where will the center be located? How much financial support will HUD provide to the Center in 1980 and 1981, and what other organizations will provide financial support?

Ms. SHALALA. The contract for the data center was let competitively. Let me talk a little about the philosophy of putting together a data center because this is one of our reforms. What would usually happen when government agencies did research and collected large data bases is that the tapes would go on a shelf and would not necessarily be reused or analyzed again for secondary use.

What we decided to do after a number of years of very large studies, such as the Experimental Housing Allowance Program, and the Section 8 program evaluation, where we have major data bases, is to make certain that government researchers as well as other researchers around the country could access those data bases. It is our hope that they could be used again and again by researchers around the country. Therefore we intend to put all of the Department's major studies and the tapes into the data center, updating them where appropriate and making them available to all. This will improve the amount of research that is done on the Department's programs, and it will certainly mean that once the study is done, that it simply is not put on a shelf, but rather is reused.

The Experimental Housing Allowance Program, in our judgment, is the best housing marketing data that has ever been available, and ought to be analyzed and reanalyzed. Therefore for a minimum amount of money we are going to make that data available.

We will make certain that the annual housing survey, the Lou Harris Survey, all our major evaluations plus the experimental housing allowance program are available to other researchers.

NEED FOR DATA CENTER

Mr. STEGMAN. The data center initially being developed is our division of Housing Assistance Research, which is administering the housing allowance program. It grew out of our recognition of the richness of the data and the costs of that data and the interest generally both in the policy program community and in the research community of wanting to make it accessible to others.

Such a complicated data base cannot be made accessible without technical assistance as well, and so the data center provides the means of accessing the data through computers and remote terminals in universities and other offices across the country. The data center also has a human component to it. When you call up and access that data, you can also access some technical assistance, ask questions about how to do some analysis and find out what files are needed.

This kind of thing grew out of our concern with the EHAP data and making sure that it could be used over and over again for program policy purposes. But as we looked at it initially, we also

recognized that there are a great many data sets that we have that we are developing on neighborhoods, and what is happening to neighborhoods over time. We decided those data sets ought to be preserved and made usable as well.

As this evolves, it will probably not remain as a narrow data access system in one of our offices, but it will become a central part of the information base of PD&R, and we will probably broaden its base of support through all of the program offices in PD&R.

FINANCIAL SUPPORT FOR THE RESEARCH DATA CENTER

Mrs. BOGGS. And how much financial support will be provided to the center?

Mr. STEGMAN. Right now if I am not mistaken it is a $350,000 contract, competitively let in fiscal year 1980.

Ms. SHALALA. For 1981 it is about $100,000.

Mr. STEGMAN. This will bring us to the point of bringing on board all the Experimental Housing Allowance data, and if it looks like it works, we will then have to really talk about the next round.

COST SHARING FOR DATA CENTER

Mrs. BOGGS. And are any other organizations providing financial support?

Mr. STEGMAN. No, right now it is a HUD effort, and it is HUD data, and entirely funded out of our research money.

Ms. SHALALA. We have put two other data bases at different places. We have housed at Columbia University the annual housing survey tapes to provide researchers with access to that, and at the University of North Carolina the Lou Harris data, where that University is providing access for researchers around the country.

Mr. STEGMAN. It is also conceivable, depending on what data sets that we actually try to put up because it is costly. We want to make judgments about the quality and the relevance of the data. The cost sharing approach will be used because the expensive part is collecting the data. We do have some projects that are cost-shared.

The cost of putting the data up, so to speak, once the data center exists are certainly not substantial in nature.

Ms. SHALALA. I think it is really our sense that if you spend $158 million studying housing allowances that you have got to figure out ways in which lots of people are going to use that data over a long period of time. By making the data available, people will study it or people can write dissertations off of it. This is a relatively inexpensive way to get lots of the Department's evaluation data as well as the more experimental data used by large numbers of people, and secondary analysis is extremely important when you are answering a whole range of questions.

UNIVERSITY RESEARCH GRANT PROGRAM

Mrs. BOGGS. I do compliment you on the fact that study results are going to be disseminated properly and coordinated for future use and further use by the Government and other organizations.

The same page also indicates that a University Research Grant program will begin in 1981. What is the total estimated cost of this effort? How many grants do you expect to make, and why is this program necessary?

Mr. STEGMAN. I do not have the dollars in front of me, but let me tell you what the purpose is. I was going to mention it in conjunction with the data center.

The idea of the data center, in addition to making EHAP-type data available to policy, community and government researchers, is to encourage students who are in doctoral programs. We are trying to encourage them to think about urban-related problems, to think about careers in agencies like HUD, and we felt that small grant programs would allow us to support the cost of computer money, for example. Giving access to the wealth of data from a $158 million social experiment like EHAP, the data center would encourage a great deal of thinking and involvement in urban-related research. The research grants program must be viewed as a seed-money program in the development of urban scholars. We have in mind very small grants to help graduate students focus in on dissertation and research topics. While we do not have the guidelines completed now, it is conceivable, for example, that we would identify six or eight areas that we think are worthy of research, and announce to the university community that we will support small research grants that use the EHAP data to investigate these areas. We will get a tremendous payoff for very little investment. That is the purpose of the planned research grant program.

ASSISTANCE TO SMALLER UNIVERSITIES

Mrs. BOGGS. Speaking of the university community—will you reach out to smaller universities?

Mr. STEGMAN. We hope to have the data center provide technical assistance and be responsive to the total university community.

Mrs. BOGGS. And in all geographic areas of the country?

Mr. STEGMAN. We certainly would.

BUILDING CODES

Mrs. BOGGS. Building codes are addressed on page N-23. The 1981 total for codes administration is $1,019,000—more than double the 1980 plan of $450,000. Why is this area increasing so much?

Ms. SHALALA. Why do I not ask Joe Sherman, who is Director of our Building Technology Division.

Mr. SHERMAN. In the Housing and Community Development Amendments of 1978 the Congress asked us to undertake the development of "rehabilitation guidelines for use by communities" which will enable them to rehabilitate buildings more simply than they have done before, without the impediments of the local building codes. Many of the codes that we have in the country today are new construction codes, and as a result do not recognize some of the problems with rehabilitating older structures. The rehabilitation guidelines take you through the maze of the new code and translate it into what the existing code or what an older code might have said.

For instance, we now know as a result of the rehab guidelines program the fire safety of older construction so we do not have to tear everything out and start again. This was a new program that came about as a result of the Housing and Community Development Amendments of 1978. We had not asked for money, so we had to use existing funding under the regular 2.4 line item. The 1981 work will continue to develop these standards so that they can be used by virtually every community in the country that wants to do rehabilitation. This is the reason for the increase.

HISTORIC PRESERVATION

Mrs. BOGGS. Will this be able to perhaps solve the dilemma that some buildings that are old buildings—that are in nationally registered historic districts—the dilemma they find themselves in when they serve the public? In order to comply with the preservation standards, they must keep certain building standards and restrictions. Yet in order to comply with fire and safety code standards of the present day, they are obliged to practically tear up the entire building and try to reconcile the two situations.

Mr. SHERMAN. That is exactly the purpose of this. In addition to historic preservation, the same concept applies to regular housing. The expense involved in tearing out all the existing construction is tremendous, so we are dealing with both the issue of historic preservation with the Department of Interior's Office of Historic Preservation as well as within HUD and the building code process.

The rehabilitation guidelines are a voluntary program on the part of communities. We have offered these guidelines for them to adopt, to enable them to make things easier for themselves.

CERTIFICATION OF BUILDING CODE ADMINISTRATORS

One other area in building codes research that is coming to fruition now and is starting to get into a real meaningful program is the Codes Administrators Certification Program. The program that we talked about in past years has now been completed, and the final step is to get building code administrators around the country certified as professionals. We have completed the work in developing the course material. The first set of exams, run by the National Academy of Code Administrators, is being offered in June and December of this year. Again, it is a voluntary program. We hope the States and localities will adopt the certification of their building inspectors to make them more professional.

Mrs. BOGGS. That is very, very happy news for my old city. We have a dreadful situation where Maison Hospitalier, which is one of the glorious old buildings, located in a complex of buildings in the French Quarter historic district, housed elderly women, and was subject to this terrible situation. They were not able to change a great many components of the buildings and grounds because of the historic nature. Yet they had to spend over $1 million to try to make the premises meet the codes of safety, fire, proper exits et cetera. This would be extremely helpful, I am sure, to areas that are not historic districts, but are trying to revitalize the neighborhood.

NATIONAL INSTITUTE OF BUILDING SCIENCES

The National Institute of Building Sciences is also vitally interested in building codes. What financial support has HUD provided to NIBS from these other activities in 1979, 1980, and 1981?

Ms. SHALALA. In 1979, $632,000. In 1980, $200,000. We do not yet have a plan for 1981, although that will be negotiated with the National Institute of Building Sciences. They do a large chunk of our codes work for us and in fact they did the rehab guidelines, so that we basically use that institution in our code work.

ENERGY GUIDELINES

Mrs. BOGGS. In doing the guidelines was any consideration given to coordination with energy saving concerns?

Mr. SHERMAN. We did not get to an energy issue on the guidelines, because the purpose of the guidelines was to take you through the problems in the building codes that inhibit rehabilitation. Energy, although we have a separate set of guidelines for existing buildings, was not one of the items that inhibited somebody from doing rehabilitation. We have as a result also of the Community Development Amendments of 1978 published cost-effective energy standards for existing buildings that have been adopted by all our programs: section 312, moderate rehab and substantial rehab as well as the section 203(k) program. We have the energy standards that are in effect now for existing buildings.

Mr. COUGHLIN. Madam Chairman, could I ask a question at this point?

Mrs. BOGGS. Of course.

BUILDING ENERGY PERFORMANCE STANDARDS (BEPS)

Mr. COUGHLIN. The building energy performance standards, did your organization perform the research upon which they were based?

Ms. SHALALA. Yes.

Mr. COUGHLIN. And were they primarily a product of your——

Ms. SHALALA. The research was a product of PD&R's work under Mr. Sherman. The decision on where to set the standards was a decision made by the Department of Energy (DOE). As you know, the Department of Energy was created right in the middle of the activity on BEPS. In consultation with DOE, we agreed to complete the ongoing research. DOE undertook the responsibility for the implementation of BEPS.

Mr. COUGHLIN. Did your research take into account the fact of the cost of housing, implementing the cost of housing, in building these regulations?

Mr. SHERMAN. Yes. We developed the standards and went through what we call the advance notice of rulemaking. We went that far in the development of the research base on which the BEPS was ultimately developed. We definitely did consider the impact on housing cost. We had a very specific cost-payback relationship. DOE has now taken over and has gone further and we are in the process, as is everybody else, in this country of trying to find out what the overall impact is to the cost of housing. DOE insists

that BEPS pays for itself. We are trying to go through those final standards that have now been published in the Federal Register and understand the cost effects on housing.

Mr. COUGHLIN. If that is the case, we have another instance of instituting, and I realize that is perhaps not in your bailiwick, but of instituting standards or regulations before the research has really been completed as to the effect that it will have.

Mr. SHERMAN. There has been a lot of comment to that effect, and Congress and DOE are now discussing the possibility of a delay or demonstration or a number of other options to make sure that they really know what they are doing prior to the implementation of those standards.

Mr. COUGHLIN. One of the reasons research is so important is to try and have these things determined as to standards which will not throw everybody into a tailspin. That seems to be at least the reaction of a good deal of the housing industry toward these standards.

ENERGY CONSERVATION AUDITS

Mrs. BOGGS. It has also been the reaction of our Committees—because energy research toward meeting new energy saving standards, and such policies as tax credit for certain types of energy-saving devices really should be taken into consideration in developing the guidelines for any kind of construction or rehabilitation.

In addition to that, of course, we have the example of TVA which did a remarkable job of conservation by training energy auditors, sending them out and offering them to their customers. By the time they had finished 100,000 audits and made suggestions for savings in those 100,000 homes, it was really possible to conserve sufficient energy to equal a new plant on location as far as energy delivery was concerned. They were faced with having to buy additional capacity, which would have cost their customers a great deal more, and of course used more energy. It was possible to avoid this by training the energy auditors and sending them out. Now we find industrial users asking for these audits and paying for them themselves, because they have been so successful. I just wondered if their findings and what they train their auditors to look for and what recommendations were made by their auditors are the kind of items included in these standards that are being set by the Energy Department in this area.

Mr. SHERMAN. Yes. I would like to comment on that for a moment. There is a program as you well know passed by Congress and is now being implemented by the Department of Energy entitled "The Residential Conservation Service." This program is a program where utility companies like TVA, and private and public will be providing energy audit services, much on the model of TVA, to all the users of utilities in their specific jurisdiction. The purpose of the program is to provide energy audits which will show people where and how to fix up their homes, not on a mandatory basis, but how they could fix up their homes and how much money they could save. The idea that the Residential Conservation Service program could indeed save a utility the expenditure of additional plant and equipment that would ultimately cost the people more.

That is now in development at DOE and it is much like the TVA program.

As far as standards go, we are talking about new construction as opposed to existing construction, and there is somewhat of a difference there. The people that live in existing houses need the energy audit. The BEPS as developed by DOE are for only new construction.

NOISE STANDARDS

Mrs. BOGGS. But the point I was making is that the recommendations of the auditors—for the types of materials and the types of guidelines used in making the existing homes more energy-efficient—could be used in helping to set the standards for new construction.

Mr. SHERMAN. Indeed, they are, yes.

Mrs. BOGGS. The other area of coordination that we have in this Committee is EPA. You know there are ongoing studies and suggestions now about noise, and the elimination or at least some reduction of noise. Are any of their recommendations taken into account in the building standards? It seems to me that you could coordinate the energy-saving standards with the noise-eliminating standards.

Mr. SHERMAN. There is only one problem. HUD has only an intermediary and advisory role in this whole process. DOE is developing energy performance standards, and EPA is developing environmental standards. We are trying to make sure that nobody is destroying housing by setting those standards, at a level which will cause housing to become unaffordable. We are not setting the standards in either case. We are just trying to make sure that we do not get standards that will price everybody out of the housing market and cause problems in that market. We try to provide a delicate balance again with very little authority other than to try to protect the consumer from totally escalating housing costs. We have no control over those standards directly. We do have a voice, but no control.

CLIMATIC CONDITIONS

Mrs. BOGGS. How much emphasis was put upon climatic conditions in setting the standards?

Mr. SHERMAN. I think that is the primary emphasis. Everything is done relative to climate zones. There are a number of arguments that there are not enough climatic regions shown in the standards that DOE did, or there are too many, but everything is done on a very climate-specific basis.

Ms. SHALALA. I should point out that not only do we have energy experts on the PD&R staff and the HUD staff but we also have noise experts, too. We are monitoring what EPA is doing to understand any impact on the Department's own programs.

Mrs. BOGGS. I should have known you were doing that.

Ms. SHALALA. Actually to give my staff some credit, you remember the last couple of years I came and talked about our best seller "In the Bank and up the Chimney." I want you to know the German government has taken that publication and, based

on it are developed their own "In the Bank and up the Chimney". We are now international in the impact of our publications.

Mrs. BOGGS. I am delighted to hear that the Germans have to take something on efficiency matters from us.

RESEARCH ON "COMPREHENSIVE" MODERNIZATION

Mr. COUGHLIN. Madam Chairman, could I ask a couple of questions on unrelated subjects?

Mrs. BOGGS. Of course.

Mr. COUGHLIN. I am in the difficult position of being the only Member on this side, and my two compatriots are both ranking on other Subcommittees so they are there; I have got to leave in a couple of minutes. I have just two questions to ask if I might.

One, the Chairman asked about the question of diverting housing production money for modernization, and I would like to ask a question about the research if any of HUD, as I understand, providing for diverting of modernization money from the regular modernization programs to comprehensive modernization. Was that based on any research, and what effect will that have on the regular modernization program?

Mr. STEGMAN. Yes. Mr. Coughlin, the study that PD&R undertook was a more than 2 year effort that involved the physical inspection of over 400 public housing projects across the country. That is 400 out of about 10,000 projects. It is a very substantial sample to physically inspect with the contractor—Ehrenkrantz, Perkins and Will joint venture—so we had architects, engineers, and all of the technical people we needed for something like this that did the physical inspections of the entire stock. Their findings supported the concept of a comprehensive modernization program.

Mr. COUGHLIN. But did it support diverting money from the present modernization program?

Mr. STEGMAN. No, the concept of a comprehensive approach to the most troubled projects, we did not have the contractor deal with the delivery of that service at that level of detail as between the option that you are talking about and other options.

Mr. COUGHLIN. So the question of diverting money from the regular modernization program to the comprehensive modernization program is not supported necessarily by study or research? The effect of the regular modernization program of diverting this money.

Mr. STEGMAN. No, the study estimated, if you will, what the costs would be of achieving different levels of standard across the stock, and what the costs would be of achieving that standard among seriously troubled and other public housing projects. It did not deal with the issue of—

Mr. COUGHLIN. Cutting back on the regular modernization program.

Mr. STEGMAN. No, we did not deal with that issue.

SITE SELECTION CRITERIA

Mr. COUGHLIN. Thank you.

On another subject, in these hearings on a number of occasions I have tried to examine the HUD site-selection criteria, with the

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concern that we are locating a great deal of our housing in areas which may not need or want it at the expense of areas which need it and want it. We have a situation in Philadelphia where Mr. Gray would like housing funds and he cannot get them, and they are all coming to my area, which does not necessarily need them because it is not in as bad a condition as in parts of his area. This is based upon HUD guidelines which say that roughly 50 percent of housing has to go to impacted areas and 50 percent of housing has to go in nonimpacted areas. The question I raised yesterday, and it was indicated that it would be appropriate to ask you, was whether you have any research or policy information that would indicate what percentage of people living in impacted areas would prefer to move to nonimpacted areas as opposed to having their impacted areas fixed up. Do you have any research along those lines?

HOUSING LOCATION PREFERENCES OF MINORITIES

Ms. SHALALA. I have to give you a qualified no. Let me tell you what we know about the subject just from research that has been on the periphery of trying to answer that question. First, we do not know of any study that is concentrated directly on the question, but there are a number of studies that have something to say in general terms, and have some percentages in them. Let me go through the studies that I know of in the last 2 or 3 years.

Our evaluation of the Gautreaux demonstration in Chicago revealed that about 12 percent of the households on the public housing waiting list said that they had some interest, in moving to the suburbs.

Mr. COUGHLIN. Twelve percent.

Ms. SHALALA. A larger percentage might have been interested in nonimpacted neighborhoods within the city of Chicago, but that was not the question that we asked. We asked them about living in the suburbs, because that is what the Gautreaux demonstration was about. The early Section 8 existing program data showed that about half of all low-income minority households would chose to move, and of those who moved, 40 percent moved to more racially mixed neighborhoods than their original address.

Mr. COUGHLIN. So half chose to move, and of the half——

Ms. SHALALA. Of those, 40 percent moved to racially mixed areas.

Mr. COUGHLIN. Twenty-five percent.

HARRIS POLL ON COMMUNITY ATTITUDES

Ms. SHALALA. In the Harris poll when we did the survey on attitudes about quality of community life, 57 percent of all blacks of all incomes said that they preferred neighborhoods which were racially mixed. Another 8 percent said that they preferred predominantly white neighborhoods. There have been a number of academic studies in universities and foundation-supported that suggest that blacks do prefer racially balanced areas, but the actual movement from central city to suburban areas falls short of what people say and what they actually do. Now that may have to do with discrimination and a number of other things. We have been studying discrimination and can tell you a great deal about

discrimination against blacks when they go to search for either rental or buying houses.

In the Experimental Housing Allowance Program, in the demand experiment, blacks and Hispanics tended to move to neighborhoods of lower minority concentration and higher average income. That is, when given the housing allowance alternative, they did tend to move to more integrated neighborhoods, and more economically integrated neighborhoods, even though the distance of that movement was relatively short, about 2 miles. So we have evidence that when people are given the opportunity, they will move to racially integrated areas or to economically integrated areas in relatively large numbers.

Let me tell you what the constraints in terms of studying some of this and finding out what the percentages actually are. One of the problems is that we know that fear of racial or economic discrimination affects people's behavior; that is we believe that there are high percentages of minorities or low-income people that have had discriminatory experiences or have heard about discriminatory experiences, and therefore are less likely to even try to move into racially integrated areas. Therefore, when the Department reveals relatively high percentages of experience in facing discrimination when people went out to try to buy a house or try to rent a house, those may be very low understated percentages when you also consider those people who did not even try because of what they thought they were going to find.

HOUSING CHOICE AND AVAILABLE RESOURCES

Mr. COUGHLIN. Let me be clear. I support offering a choice in housing, but I guess my inclination is that the choice should be proportionate to the number of people who want the choice in some way.

Ms. SHALALA. Yes.

Mr. COUGHLIN. And that if there are people who would rather remain where they are in their own communities, their own neighborhoods, and have those neighborhoods fixed up, it is important to know what portion want that as opposed to what proportion want to move out of their neighborhood into some other neighborhood, and it does not seem to me to be very difficult or expensive to conduct, any polling agency could conduct a poll in impacted neighborhoods to find out, given a choice of living in improved housing in their own neighborhood or moving into another neighborhood, how many would choose to move and how many would choose to stay.

Ms. SHALALA. We have done that in a number of different neighborhoods. It is hard to generalize about minorities as a group or low-income people as a group, but what experience we have had is that large percentages will take advantage of choice, and move to racially mixed areas.

Mr. STEGMAN. If I am not mistaken, we will have in a continuing evaluation of the Section 8 existing program substantially more data later this year that will allow us to really hone in on that.

Mr. COUGHLIN. It is very important to know this, establishing a standard that is 50-50 and that may not be supported by any data.

Mr. MARRERO. We can say two things. One, housing resources are so limited, they are much less than would be available for any group that wants to remain in the neighborhood or move out.

Mr. COUGHLIN. Which is always the nature.

Mr. MARRERO. Which is always the nature of things. Second, we are sensitive to the sentiments you have expressed, and we are also sensitive to the difficulty that our standard has caused in the past, because of its application. We have already undertaken, as we indicated in our earlier testimony, an effort to review it and if necessary, revise it.

Mr. COUGHLIN. I was just interested in what research.

Ms. SHALALA. I would also suggest that the Department's policies reflect this research. The combination of new construction moneys plus comprehensive modernization in HUD's budget indicates the Department's willingness to provide in-place subsidies, repairing what exists, as well as new construction subsidies and options for moving out of neighborhoods.

Mr. COUGHLIN. I guess my concern is where we have scarce resources, and I guess that will ever be the case, at least in the foreseeable future will be the case, it is important to use them in the areas that are most in need, to the extent we can, without foreclosing possibilities.

Mr. MARRERO. I think you will see in the work that we are doing now that that concern will be reflected.

Ms. SHALALA. As soon as we have more data on the existing Section 8 housing program we will send it up to you, along with a summary of what I have just said in terms of the various studies.

[The information follows:]

SECTION 8 RESEARCH SUMMARIES

The following describes the Department's current research on the Section 8 Housing Program which will include information regarding locational choices being made by program participants.

1. *Section 8 Urban Study:* From a sample of certificate holders the Department will have data regarding their perceptions of their current neighborhoods and whether any feature of that neighborhood is so objectionable that they want to move to another neighborhood. From this sample of certificate holders, those who actually succeed in becoming recipients will be interviewed again. Data will be available on whether they wanted to move or stay and whether they actually moved or stayed. For those who moved and changed neighborhoods, there will be data on the respondents' comparison of their old neighborhood with their new neighborhood, as well as information regarding their perceptions of their new neighborhood. Additionally, the census tract data (racial and economic composition) for each of the units involved will be available.

This same type of data for comparison purposes, will be available from a representative sample of applicants and recipients in the Section 8 New Construction Program. Findings from this study are now scheduled to be available in early 1981.

2. *Section 8 Rural Study:* The same types of data will be gathered for both the Existing Housing and New Construction Programs in rural areas with the addition of a representative sample of certificate holders and recipients in the Existing Housing Program. Findings from this study are scheduled to be available in mid-1981.

3. *Section 8 Repairs and Maintenance Study:* The same types of data will be obtained from a representative sample of recipients in the Existing Housing Program in urban areas. This data describes recipients' current (program) neighborhoods and whether any features of these neighborhoods is so objectionable that they want to move. Additionally, data will be collected on whether their units were repaired and, if so, what types of repairs were made. Findings from this study are scheduled to be available in late 1980.

SECURITY RESEARCH

Mr. COUGHLIN. I appreciate that very much. If you will excuse me, those are the questions that I had. We will recess for a moment. Thank you very much. Again, my sincere best wishes on your new endeavor, and I regret that you are leaving the Department.

Ms. SHALALA. Thank you very much.

Mr. COUGHLIN. We have enjoyed the relationship over the years.

Ms. SHALALA. Thank you very much.

Mrs. BOGGS. There was one thing that I just wanted to add to all of your great coordinated efforts. That is that I was so pleased that under your community conservation research category, you have a project on security research. The justification indicates that this effort seeks to develop practical tools and strategies and long- and short-term solutions to reduce crime and the fear of crime in housing developments and neighborhoods. Work in this area is certainly very much needed.

What is the status of this project, and can you tell us something about the substance of it?

Mr. STEGMAN. Yes. The major anti-crime security program that we are mounting this year is an evaluation of the urban initiatives, anti-crime demonstration in public housing. It is being sponsored by the Office of Housing. Contributing to our evaluation is the Department of Labor. It involves a very interesting effort to assess the extent to which the different demonstrations are reducing victimization rates in public housing, through a coordinated kind of hardware-software approach, through coordination of increased security measures, youth employment and other kinds of management of software installations. Important, too, is our trying to stimulate the extent to which, what is called, crime displacement takes place. That is to say we look to see if a public housing authority is successful in reducing victimization rates, and fear of crime, on site, does this mean there is a spill over of that kind of anti-social activity in the neighboring community?

We are trying to detect, if you will, that kind of displacement. The status of the work is that the competitive procurement went out early this year. Responses were received by the Department, and a source selection board is currently reviewing those proposals, so that it will be under contract this year. We hope that the process part, the early part of watching how housing authorities implement, this will be ready for a report to the Congress that is due, I am not sure when. Next year we will have the processed parts on which to report to the Congress and the impacts later on.

PUBLIC HOUSING SECURITY PLANNING

Ms. SHALALA. Mrs. Boggs, we recently have come out with a series of publications to help housing authorities plan housing security, to assess what their problems are, and to give them some suggestions on what they can do on sites that already exist. These manuals are now available to public housing authorities, and to the organizations that are interested in this issue, and they have been widely distributed. Before we even started that evaluation of the Department's demonstration, we summarized in two volumes what

is known about crime in public housing. Thus, if someone, through our HUD USER system, wants to call and say, "What do you know about the subject, and what can you do to help us?" we have things already that we can tell people about what is known, what works and what doesn't work.

COMPENDIUM OF RESEARCH PUBLICATIONS

Mrs. BOGGS. Thank you very much. All of these marvelous publications here I am sure are made available to the various groups to which they relate. However, is there any comprehensive list that perhaps Members of Congress could have?

Ms. SHALALA. Yes, ma'am, we issue semi-annually a compendium of research reports. In addition to that, to save you time, if you want to know everything we have on some subject, the new HUD USER system, our new information service is now off the ground. You can simply call the telephone number or send us a note and we will tell you everything we have on whatever subject you are interested in.

We are getting four or five thousand calls a month, and what we do is summarize whatever information or reports we have.

We also put out publications catalogs with the Department of Energy summarizing our energy work, and our recent research results with summaries of the findings. These come out regularly. I was recently with a group of Louisiana mayors at a Southeastern Mayors Conference, and they were all telling me that they were getting our recent research results and they were checking the boxes and sending in for different reports. What this allows busy people to do is to read what the latest research results are and to check over and send in for fuller reports that they might like.

We no longer send out big, thick reports unless we are pretty sure that that is what they want. For example, we will send them a flyer about the subject: "Practical Ideas for Small Governments Facing Big Problems."

There is a big, thick report that goes along with this, but we send the flyers out and get a wide distribution. If someone really wants the report, we will send them the report too. We are producing literature for different audiences. We are not assuming that a technical report is something that should be read only by technical people but translating it in a variety of ways.

COST OF RESEARCH DISSEMINATION

Mrs. BOGGS. What is the annual cost of the "HUD USER"?

Ms. SHALALA. About a half million dollars, which is about one percent of our total budget, which is very low for a dissemination budget. In the private sector, you would find something quite a bit larger. We have been testing different materials with different audiences, and we are about to go out on a competitive contract in this area for the distribution of our publications.

Mrs. BOGGS. I know this is a free-of-charge, on-demand reference service, as it says in your booklet, but what is the outreach? How do you get this into the hands of the people who will demand it?

Ms. SHALALA. We go in search of lists for appropriate people, and we are assuming that housing officials and local government offi-

cials and urban scholars and those concerned, community leaders, are all interested so they will get flyers. More importantly, they all got "HUD USER" which reduces the amount of direct mailing of other kinds of publications we need to do. They sign up for it, and then we will send them information periodically; or when they need information on something, they simply will call the HUD USER number or send us a note and we will send them the information.

It centralizes our information system, and it reduces, we believe, our costs. We have been able to run a very large dissemination operation with only a few in-house staff, by very carefully designing a strategy, in which we could use an outside contractor.

Could I take a minute and introduce Dave Garrison, the Deputy Assistant Secretary for Policy Development?

Mrs. BOGGS. We are happy to have you here.

Mr. GARRISON. Thank you very much.

Ms. SHALALA. Dissemination is an area in which we have shifted resources over the past few years. We decided that there is no use doing all this research if nobody knows anything about it and it can't be used. We assumed there is no single model for distributing research results, that there are different audiences who need it packaged in different ways, and I think if you look through our publications you will find that that is precisely the strategy which was followed.

CONGRESSIONAL NEWSLETTERS

Mrs. BOGGS. You are probably aware that most of the Members of the House and I am sure of the Senate send out newsletters, and within the newsletters we often mention government publications that can be helpful in various regards. I just wondered if there was any communication with the Congressional offices saying that this user listing is available.

Ms. SHALALA. I am sure there is. I know that we mail to Congressional offices and a number of members of Congress have mentioned it in their newsletter. I will make sure that this is done comprehensively periodically.

Mrs. BOGGS. It is a good dissemination point.

Ms. SHALALA. We must be doing something right if we are getting 4,000 calls a month.

RURAL RESEARCH

Mrs. BOGGS. On page N-33 there is a new budget item reflected—rural research. The 1981 request is $1,350,000. Why have you decided to reflect rural research as a separate item?

Ms. SHALALA. Mrs. Boggs, I think that the first answer is that the President has a deep commitment to rural areas and to rural people, and has a rural policy now and a new series of rural initiatives. This is, in part, the Department's response to that.

I have the responsibility in the Department for coordinating rural policy activities, and that includes the programmatic activities of various Assistant Secretaries. It seemed to make sense that we identify what work we were going to do on rural areas. To date much of it has been included before under different research lines. This new approach allows Congress to zero in on specifically what

we are doing for rural areas, although we continue to have some activities remain in other areas.

For example, the Section 8 evaluation, rural Section 8 work is not broken out separately, but these are rural activities as well. Our hope is this reorganization of budget lines will make it easier for the Subcommittee to see what we are doing in rural areas.

Mrs. BOGGS. Are you saying that various types of research dollars have been diverted to rural research in prior years?

Ms. SHALALA. A good deal of our rural research is included in the housing counseling and consumer aids category.

Mrs. BOGGS. In the special users activity?

Ms. SHALALA. No, housing counseling and consumer aids, and we have now pulled it together under a new line which makes it very clear what these are.

Mrs. BOGGS. I had the opportunity of being in Shreveport when one of the four rural initiatives programs was announced in conjunction with large public projects spending in rural areas, and I am very pleased with the new rural initiatives. I hope they won't be cut back too severely.

HOUSING ASSISTANCE COUNCIL

The $1,350,000 total includes $1,050,000 for the Housing Assistance Council, as indicated on page N-34. This is an increase of $50,000, or 5 percent above 1980. What is the reason for such an increase?

Ms. SHALALA. I think it is a preliminary estimate on the basis of our early conversations with them.

Mr. STEGMAN. We are the principal institutional supporters of the Housing Assistance Council, and they have been working very closely with us in support of our rural efforts. It represented our estimate as we look back over the last couple of years of really what it would take to maintain a reasonable level of support.

Ms. SHALALA. It is a $50,000 increase over 1980. They are playing an increasingly active role with us on the rural policy initiatives of the Department, and we want them as closely tied into some of those activities as we possibly can.

Mrs. BOGGS. Each year we ask you why the Housing Assistance Council is still funded in the research budget. So, I'll ask you again this year. Why is it still funded here? You have stated you aren't anxious to keep anything in the research budget that keeps showing up every year. Did you review the situation this year? If so, what were the results of the review? For the record, provide the funding history of the Council showing the amount HUD has approved each year.

[The information follows:]

FUNDING FOR HOUSING ASSISTANCE COUNCIL (HAC)

Since 1976 the Housing Assistance Council (HAC) has depended primarily on HUD as the source of funds for its continued operation. It was established in 1971 under a grant from the Office of Economic Opportunity as a non-profit corporation to address the housing problems of the rural poor. With the transfer of the OEO grant to HUD, Congress made its intent clear that HUD should continue to support and fund HAC's activities (Senate Report No. 94-974). For fiscal year 1979, in response to the Senate Appropriations Committee's direction (Senate Report No. 95-1060) funding was increased. The table below presents HUD's contribution for HAC:

Fiscal year:	*Amount*
1976	$400,000
1977	740,000
1978	725,000
1979	860,000
1980 (estimated)	1,000,000
1981 (estimated)	1,050,000

HOUSING ASSISTANCE COUNCIL IN PD&R BUDGET

Ms. SHALALA. We looked for other places in the HUD budget and had long conversations in the Department. The fact is that there is no other place to put the Housing Assistance Council. Since they keep assuring me that every year they do new things, I think that they will stay in our budget for a while. I think that if you ask them about the review that we went through and the conversations we went through, they would report that they are perfectly happy remaining in the PD&R budget.

There simply is not an easy place to put them someplace else in the Department's budget. There is no discretionary money, for example, in housing. There is no technical assistance budget there. What there is in community planning and development is discretionary money tied to the Community Development Block Grant program. So, as awkward as it might continue to be, I think that it is a perfectly happy relationship.

Mr. STEGMAN. I might say that over the past year the Housing Assistance Council has successfully broadened its financial support in an institutional way. CSA has awarded it a level of support this year of $400,000 to establish a revolving loan fund in the water and sewer area, which is very important to the technical assistance programs that they provide to rural areas. In addition to that, CSA has given them a $250,000 grant that will again give it a revolving loan capacity to provide technical assistance and training to community-based organizations in rural areas. So its basis of support is broader than just HUD's, and this has been something that we have all been interested in.

Mrs. BOGGS. Do you have any way of monitoring the program?

Mr. STEGMAN. We certainly do remain very close to HAC in its program that we support.

Ms. SHALALA. I see the leadership of HAC regularly on a variety of policy issues, but we are in conversation and we are monitoring their activities.

Mrs. BOGGS. Monitoring the expenditures?

Mr. STEGMAN. Yes.

ENERGY CONSERVATION AND UTILITIES RESEARCH

Mrs. BOGGS. Turn to page 48. The Energy Conservation and Utilities Research Program is more than doubling in 1981, to $2,800,000. What are the major new and expanded efforts planned in 1981?

Ms. SHALALA. One of the things that happened is that we combined research categories 7.1 and 7.3, which accounts in large part for that increase, and that might simply be the explanation.

Mrs. BOGGS. It is being pointed out to me that the combination of categories 7.1 and 7.3 does account for the $1,700,000, in 1980 but the 1981 estimate is $2,800,000.

Mr. TAYLOR. This $2.8 million will be revised as will the $1.7 million when we provide you with a new page N–7. The March revisions will be reflected. I will provide, for the record, additional information about the increases.

[The information follows:]

Energy Conservation and Standards Research--
Comparison of 1980 and 1981 Funding

The original 1981 Budget reflected an increase in Category 7.1, Energy Conservation and Utilities Research, of $1.6 million, more than doubling from $1.2 million to $2.8 million. Part of the increase ($500 thousand) was due to a structural change whereby Category 7.1 now includes funds previously shown in Category 7.3, Utilities and Energy Systems. The real increase, therefore, in Category 7.1 was $1.1 million. As a result of the proposed 1981 Budget Amendment and changes in the 1980 amounts based on the overall March update, the following amounts represent a revised detailed distribution of Categories 7.1 and 7.3. The estimates are not $1.527 million in 1980 and $2.55 million in 1981, an increase of $1.023 million.

	Current Estimates	
	1980	1981
	(Dollars in Thousands)	
Energy Conservation and Utilities Research (Category 7.1) a/		
Investigation of mobile homes, air conditioning and heating in high humidity/warm weather Zone 1..	...	$135
Heating and cooling infiltration research.....	$100	100
Planning innovative heating, ventilating and air conditioning (HVAC) multi-zoned residential systems.....	100	100
Evaluate effectiveness of mobile home heating and cooling systems and thermal envelope cooling systems.....	100	...
Planning mobile homes system and thermal envelope...	...	215
Demonstrate and evaluate new energy efficient systems for residential structures.....	100	250
Residential energy efficiency standards study-technical analysis.....	100	...
Indefinite quantity contract-residential energy efficiency standards study-policy analysis.....	72	...
Energy conservation demonstration in rehabilitated structures.....	...	200
Planning low cost energy efficient housing.....	...	200
Energy conservation in older housing.....	100	...
Neighborhood energy conservation materials.....	150	...
Energy conservation program for public housing authorities-technical assistance package.....	150	100
Planning homeowner operating manual.....	...	100
Housing and energy in the 1980's policy papers and conference.....	100	150
Conference on renewable energy resources.....	5	...
Subtotal, Category 7.1.....	1,077	1,550
Utilities and Energy Systems Research (Category 7.3) a/		
Total Energy Prototype site development.....	100	...
Water conservation applicance performance test.....	50	350
Water conservation-residential demonstration.....	150	200
Planning innovative utilities.....	...	200
Planning water conservation community planning.....	...	150
Use of sewerless sanitary devices and recycling methods.....	150	100
Subtotal, Category 7.3.....	450	1,000
Total, Energy Conservation and Standards.....	1,527	2,550

a/ Beginning with Fiscal Year 1981, amounts shown under category 7.3 will be included within category 7.1.

SOLAR BANK

Mrs. BOGGS. What part of the total was devoted to technical support for the Solar Bank?

Mr. SHERMAN. There are just a few hundred thousand dollars which is necessary to get this bank started. We are doing work in environmental impact statements, regulatory analysis, as well as writing the regulations that go along with the Solar Bank. Those are all underway right now, and money is necessary to get that accomplished.

Mrs. BOGGS. Hasn't the Solar Bank more or less been put on the back burner?

Mr. SHERMAN. Not according to the Committees who are working on it right now. It is a very active part of the overall legislation that they are dealing with, and they promise to have a bill out. There are a number of items in the compromise bill that are problematic to them, but as far as the Solar Bank, everybody agrees that it will be part of the overall legislation, and it is not going to be a problem. I think Congressman Ashley is convinced that there will be a Solar Bank.

SOLAR HEATING AND COOLING

Mrs. BOGGS. The Department of Energy is greatly reducing its transfer authority to HUD for solar heating and cooling, page N-53. How will this affect the program?

Mr. SHERMAN. The program that we had with the Department of Energy was a 5 year demonstration program, if you remember. It was passed in 1974 and it ended in 1979. As a result of that, the dollars that are coming from the Department of Energy will not be for demonstrations but rather winding down and disseminating the information gained from the demonstration program. It is maintenance of the sites we helped construct because we had a 5-year warranty program and a 5-year data collection program, so since there are no new demonstrations the program is winding down. The money that we need is significantly less.

There is enough money in here to maintain the National Solar Heating and Cooling Information Center, which you may remember.

Mrs. BOGGS. Right.

Mr. SHERMAN. The center is being maintained at least until there are some other major shifts on the part of DOE.

PROGRAM EVALUATION

Mrs. BOGGS. The program evaluation justification begins on page N-55. The 1981 request, $7,225,000, is 43 percent above the 1980 current estimate. This appears a little excessive. Why do you think you need so much evaluation money in 1981?

Ms. SHALALA. I think that the answer to that is that when we made a commitment to evaluate most of the Department's major programs, we also at the time had to assume some responsibilities for new initiatives in part from the Department as well as Congress. We are now funding evaluations of the Gautreaux demonstration, the condo/coop conversion, and housing for the mentally

ill, so this budget reflects a whole set of initiatives that occurred that were not necessarily planned for in the original 1979 budgets, but they are all attempts to put under evaluation either new initiatives of the Department or existing programs.

Mrs. BOGGS. Will that be reduced as part of the 1981 amendments?

Ms. SHALALA. I don't think the evaluation part will be. We considered the evaluation part the cornerstone of the PD&R budget in terms of the actual research we do, so it is unlikely we will take reductions out of evaluation.

Mrs. BOGGS. Can you explain why the program evaluation 1979 plan included in the 1980 justifications was $3,620,000? The actual 1979 was $6,083,000.

Ms. SHALALA. I think we had better provide that for the record so we can be very precise.

Mrs. BOGGS. On page 948 of the hearings it says, "Program evaluation current estimate is $3,620,000 for 1979."

Mr. TAYLOR. What page is that?

Mrs. BOGGS. Page 948.

Ms. SHALALA. We will provide it for the record. The explanation is that either something was or was not included under evaluation. We will provide that.

[The information follows:]

PROGRAM EVALUATION—EXPLANATION OF DIFFERENCES 1979 ACTUAL VS. 1979 ESTIMATE

The 1979 estimates were based on plans to initiate several program evaluations and continue the evaluations started in prior years. The largest continuing evaluation is on the CDBG program. The actual 1979 funding for the CDBG evaluation was increased because they study was expanded. In addition, for 1979 we included actual numbers within the evaluation line studies that had previously been budgeted elsewhere. They included Condo/Coop conversion; Gautreaux Demonstration; and Housing for the Mentally Ill. These actions, taken together, account for the difference of approximately $2.5 million between the estimated funding of $3.6 million and the actual funding of $6.1 million.

DEFERRED OR ELIMINATED RESEARCH

Mrs. BOGGS. What other research was deferred or scrapped in order to accomplish the program evaluation activity in 1979?

Ms. SHALALA. I think we will have to provide that answer for the record. We have to go back and look at our 1979 numbers. I think what happened was we included things under program evaluation this time that were not listed under program evaluation in 1979. We will simply go back and see under which numbers we provided that. It was not a major policy decision as much as shifting within the budget categories.

[The information follows:]

RESEARCH ACTIVITIES NOT UNDERTAKEN IN 1979 AS A RESULT OF INCREASED FUNDING FOR PROGRAM EVALUATION

There were no parts of our research program that were deferred or scrapped. As explained in the previous insert, the increase in 1979 was due to the expansion of the CDBG evaluation and the transfer of several projects from other Research and Technology line items to the evaluation item. Increased funding for the CDBG effort was absorbed by reducing the scope of other research efforts.

CDBG RESEARCH

Mrs. BOGGS. Throughout our other hearings that we have been having in our consideration of the various budgetary requests, we started hearing that so many program cutbacks could be made up through the Community Development Block Grant funds. Last year when we considered funding the Livable Cities program, the argument was made this could be covered by CDBG. When reductions in other programs are considered, such as the Section 312 program, the argument is made that the loss can be covered by the CDBG funds.

When Section 701 funds are requested, the same argument is made. Among the uses of the CDBG funds are planning, rehabilitation, community services, preservation, economic development, weatherization, home purchase loan guarantees, minority business assistance, fair housing efforts, water and sewer facilities, and so on. I wonder if your office has undertaken a study of the relationship of the various HUD grant and loan programs to the CDBG program with a view towards determining if that program is overburdened. Does the CDBG monitoring study being done by Brookings address this, and should a separate study be done?

Ms. SHALALA. Fred Eggears is head of our Evaluation Staff and supervises the two major studies we have on board.

BROOKINGS STUDY ON CDBG

Mr. EGGEARS. The Brookings study has been looking at the direction in which funding changes have been made as the program has gone along. In fact, we just had a meeting of the Brookings field monitoring team about a month and a half ago, and at that time there was no indication of major concern on this issue. However, Brookings is just now preparing for their last major review of the program, the fifth and sixth year. We will take into consideration the possibility of working this into the sort of questions that they will ask as they review the fifth and sixth years of the program.

CDBG PRIORITIES

Ms. SHALALA. Dave Garrison, you may well want to get into this. It seems to me that part of the genesis behind the Community Development Block Grant program was to give local governments the flexibility to determine within that local government what their priorities were going to be. To ask as a research question whether the CDBG program includes too many eligible activities presumes a willingness to move toward a reduction in the flexibility of local governments.

I think that one could argue that there are certain priorities which the national government might have that a local government may not have. We will find out from the Penn-ABT study a great deal of the impact of rehabilitation activities which make up a large percentage of most of the CDBG activities.

I think the basic problems for local governments in this country—and they will tell you and you don't need a research staff to do this—is that they don't have enough money to do all the things they want to do. What we have tried to do is to study the priorities,

rehab being the major one, to see whether when they do use the money for rehab if it does have an impact. We want to know whether CDBG leverages other kinds of activities.

The difficulty of getting one's arms around this as a research question is considerable. I think that we would have to talk about it within the context of the goals of the CDBG program which were to give flexibility to local governments. The struggle that Congress has always had is, are there some other priorities that wouldn't possibly be able to compete with rehabilitation or site preparation or some of the more physical kinds of things the Congress also thinks communities ought to do, and that is the debate over liveable cities versus CDBG, it seems to me.

CDBG RESOURCES AND ACTIVITIES

Mr. GARRISON. Was the thrust of your question, Mrs. Boggs, with the resource issue or the question of whether there were too many activities associated with the program?

Mrs. BOGGS. Resources?

Mr. GARRISON. Resources.

As you know, the resource question is almost open-ended in the case of block grants. Obviously, more resources could be used, There is not a lack of demand for the program. I think the last answer is one I would give as well.

On the question of the range of uses, the Federal government has often picked out specific kinds of activities to highlight and focus work. Having such a scheme of a broad, general program and then some specific new efforts has been a mode of operation of this department since it was created. I assume the Federal government will continue with Congressional help for a good long while of creating new and specific targeted activity, running them as separate discrete activities for awhile and then when they are established and ongoing, to then fold them into a broader more flexible program such as the block grant.

STATE AND LOCAL PLANNING ANALYSIS

Mrs. BOGGS. Another major research activity to be significantly impacted by a reduction in planned funding for fiscal year 1981 is State and local planning analysis. It would seem to me that planning activities are perhaps all the more important under a restricted budget because of the need to insure efficient and effective use of resources. Could you explain the rationale for choosing this particular area for reduction?

Ms. SHALALA. I think that what the budget does is reflect the winding down of our big new initiative of financial management capacity building. We feel strongly that the capacity building program and the work of our local governments ought to be highly focused on. Over the next year the Department will search for new strategies in the capacity building area. Until we know what the next series of activities are going to be in this area, we do not expect to keep the levels in that area as high as they have been in the past.

Under Al Siegel's leadership we will be searching for what our next steps will be in this area. It may be reflected in our 1982

budget, but because we think that each of these areas ought to have a strategy and a clear focus. What is represented in the 1981 budget is a winding down in financial management capacity building. You will see reflected in the 1982 budget whatever is the new focus of the Department.

Mrs. BOGGS. So, you are saying that some activity in this area of research will still be possible?

Ms. SHALALA. Yes.

MORTGAGE CREDIT FOR WOMEN AND MINORITIES

Mrs. BOGGS. I was delighted to see that HUD has undertaken a study of access to mortgage funds by women and minorities. Is this work completed, and generally what are the findings? How are they being utilized?

Ms. SHALALA. It is. When we initiated the women and mortgage credit project, as you know, Mrs. Boggs, we did it without clear updated information on discrimination against women. Before the Equal Credit Opportunity Act passed, there was evidence, some of which the Department had collected, that there was discrimination against women in the mortgage market. We have had very tough laws on the books now for a few years. It was clear because of the low percentage of women that were in the market and owning their own homes, who were not widows, that there was a need for a large educational information activity, which the Department undertook in conjunction with the regulatory agencies.

Simultaneously, we felt a responsibility to go out and take a look, since data was now available in two States, in New York and California, and see whether we could find whether significant discrimination still existed. I think that I will turn over the findings to Deputy Assistant Secretary Elizabeth Roistacher, who has not had a chance to speak.

Mrs. BOGGS. Lucky you.

Ms. SHALALA. But the findings will be of great interest to you. Betsy

Ms. ROISTACHER. Yes.

The focus of the research was on how women were faring in the mortgage market, but we looked not only at the status of women, both those who were wives and those who were heads of households without a spouse, but we also looked at the status of minorities in terms of how they were doing in the market. One of the very important and surprising results, is that it appeared that the notion of discounting of wives' income was not showing up anymore as a major problem.

One of the things that we believe is perhaps the Equal Credit Opportunity Act, which had passed prior to the period of data collection, has actually had some impact in terms of the behavior of lenders. Behavior which used to be considered acceptable and perfectly appropriate and which lenders would have acknowledged willingly prior to the ECOA and other legislation has now been changed dramatically, so it appears that in terms of sex discrimination, both against wives and in terms of women themselves, there was very little evidence of discrimination.

There was evidence in certain locations that female heads of households were still facing problems, and there was also some interesting evidence that single male heads were facing certain kinds of problems in terms of either the terms that they were getting or their ability to obtain a mortgage.

DISCRIMINATION FINDINGS

The one thing that has to be emphasized is that there was very strong evidence of continuing discrimination against minorities. While the focus was on women, we don't want to lose the opportunity to focus on the fact that there are still serious problems for minorities.

I think it is worth making two qualifications about the findings. The first thing is that this research focused on whether applications were accepted or rejected and on the terms of those mortgage applications. One of the big questions before us is, Is it really not at that stage but at the pre-application stage that we find a certain amount of discrimination going on?

If so, what happens is women or minorities are essentially discouraged from going to complete application, and one of the effective research areas that we are looking at is the prescreening process, perhaps through an audit procedure as we did in terms of racial discrimination in housing markets. We feel the equation will not be complete until we understand what happens before that formal stage, and that is where we are looking towards in our subsequent research, Madam Chairman.

Mrs. BOGGS. I am glad that you are finding some improvement, and I can tell you from personal experience the prescreening just a couple of years ago was very rugged on women who were single heads of households.

Ms. ROISTACHER. Yes. What we will have to do is put those two pieces together.

Mrs. BOGGS. It was very amusing to me until they discovered that I had been one of the authors of the amendments dealing with both the mortgage situation and equal credit and equal loan possibilities for women in general.

Ms. ROISTACHER. There is one point I would——

Mrs. BOGGS. The attitude changed dramatically when one of the vice presidents of the company came in to see me.

Ms. ROISTACHER. There is one thing that we really ought to add because I think it is something that will affect prescreening behavior at least on a small scale, and that is as a part of the women and mortgage credit project we have had a media campaign. I don't know if you caught any of the television or radio pieces that have been on, but it is hopeful that those kinds of ads which indicate what one's rights are under the Equal Credit Opportunity Act will make women aware of what their opportunities are, so that they will not be discouraged in the prescreening stage. They are really a very, very effective series of ads, I think.

Mrs. BOGGS. I must say I am very happy you had an opportunity to speak.

Ms. ROISTACHER. Thank you.

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MONITORING OF REIMBURSEMENTS TO CONSULTANTS

Mrs. BOGGS. The HUD-Independent Agencies Appropriation Act has carried the following general provision for a number of years: "None of the funds provided in this Act may be used directly or through grants to pay or to provide reimbursment for payment of the salary of a consultant, whether retained by the Federal government or a grantee, at more than the daily equivalent of the maximum rate paid for GS–18, unless specifically authorized by law."

Information developed during the 1980 hearings for the Neighborhood Reinvestment Corporation indicated that in 1979, the then Urban Reinvestment Task Force was paying consultants up to $350 per day. The GS–18 daily rate at that time was approximately $180. Were you aware of this?

Ms. SHALALA. I was not.

Mrs. BOGGS. Do you know if any other grantees are paying consultants more than the GS–18 daily rate?

Ms. SHALALA. We are not aware of any.

Mrs. BOGGS. Do PDR grant agreements include reference to this general provision?

Ms. SHALALA. Yes, they do.

Mrs. BOGGS. And how do you monitor it, then, if you don't know of any?

Mr. TAYLOR. We have the Office of Procurement and Contracts to monitor it. They look at the breakdown of the cost on the invoices and make sure that whatever the rate is it is not exceeded. If it is exceeded, they will reduce that amount before it is paid.

Ms. SHALALA. Mrs. Boggs, might I suggest that that question be directed to Assistant Secretary Medina when he comes. The contracts process in the Department is under his jurisdiction and he will be able to describe it in more detail how they monitor.

Mrs. BOGGS. We do thank you so very much, all of you.

Ms. SHALALA. My cheerful staff is more cheerful because we beat CPD in baseball yesterday.

Mr. STEGMAN. Twelve to nine.

THURSDAY, MAY 1, 1980.

FAIR HOUSING AND EQUAL OPPORTUNITY

WITNESSES

STERLING TUCKER, ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY

WELDON H. LATHAM, GENERAL DEPUTY ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY

PETER KAPLAN, DEPUTY ASSISTANT SECRETARY FOR OPERATIONS AND MANAGEMENT

BETTI WHALEY, ASSOCIATE DEPUTY ASSISTANT SECRETARY FOR ENFORCEMENT AND COMPLIANCE

THOMAS O. JENKINS, DIRECTOR, OFFICE OF MANAGEMENT AND FIELD COORDINATION

NOKAMA SMITH, BUDGET OFFICER

OFFICE OF THE SECRETARY

VICTOR MARRERO, UNDER SECRETARY

CHARLES M. FARBSTEIN, OFFICE OF GENERAL COUNSEL

WILLIAM T. VAN LOWE, DEPUTY DEPARTMENTAL BUDGET OFFICER (ACTING)

Mr. SABO. Mr. Tucker, we have your prepared statement that we will enter into the record, if you want to briefly summarize it.

GENERAL STATEMENT

Mr. TUCKER. I would like to say that we are pleased to be here, and we appreciate the support that we received from the Committee last year. You will recall that we pointed out that there have been several studies of the FHEO program, one done by GAO, one done by the U.S. Commission on Civil Rights and one by HUD itself. These studies pointed out a number of things that were needed in the program in order to meet its mission as spelled out in the Civil Rights Act of 1968, Title VIII. As a result, the Department made it a priority to strengthen these efforts in every way.

FAIR HOUSING STRATEGY

I think substantial progress has been made. We pointed out that we were putting together what we regarded as a fair housing strategy in the Department and it has essentially been adopted by the Administration. We included several rather pertinent components. One of which, perhaps central to it, is getting a stronger fair housing law.

As you know, there is pending now in the Congress, the Fair Housing Amendments Bill of 1980, which we hope soon will be enacted by the Congress. It is pending now in both Houses. That is a bill which would give the Secretary some stronger administrative tools which are necessary, we believe, to carry out the intent of the law.

A second component of that strategy is the development of regulations which would spell out more specifically and more clearly what represents discrimination under the Act. Those are in process. There will be probably 11 regulations covering a variety of practices. We expect that those will be complete in October.

The third component of that strategy funded in 1980 by this Committee was a Fair Housing Assistance program. This program authorizes $3.7 million to provide support services in the strengthening of the capabilities of state and local agencies who have fair housing responsibilities. We have developed criteria to implement this program and we expect to be funding these agencies in the next couple of months.

Another component of that strategy was to look at the systemic nature of the housing discrimination problem. We pointed out then that while we have a legal obligation to process each citizen's complaint and to deal with it on an individual basis, our feeling then and now is that we cannot solve the problem by processing individual cases only, since the problem has systemic implications and ramifications.

SYSTEMIC DISCRIMINATION COMPLAINT UNITS

We now have in five of our regions, special units, which are working in cooperation with the Justice Department to look at the nature of the problem, to sort out those cases which represent the probability of widespread practices so we can bring to justice matters of this nature.

In our request this year, we are asking that we be able to put these units in the rest of the country so that in each of the HUD regions we will have one unit. This is going to be vitally important to the success of our overall strategy.

VOLUNTARY GROUPS

Another piece of that strategy is to strengthen our capability with voluntary groups of one kind or another. The law requires this of us. The 1968 law requires that we work with the housing industry and voluntary agencies and associations to strengthen their capability in developing the law to eradicate discrimination under the law. We have a number of programs under way in this regard, such as voluntary agreements with the National Association of Realtors, voluntary agreements with the National Association of Home Builders, voluntary agreements with the National Association of Real Estate Brokers, and a large program in minority business enterprise to increase our capacity to service that part of the community, as the law requires. So we are putting into place, Mr. Chairman, all these strategies together, which we believe will give the government a comprehensive approach to the problem rather than a piecemeal and a sporadic approach.

STAFFING INCREASE

Our request this year is for an additional 122 positions, 60 of whom will be monitoring HUD programs. We have a large responsibility in administering the law.

We review Housing and Community Development Block Grant applications and the functioning of the various programs. We examine Urban Development Action Grant programs. We also monitor all of these activities, to make sure that the requirements of the law are met. We have the responsibility under Title VI of the Civil Rights Act of 1964 to make sure that there is no discrimination in any of the funds expended by HUD. To summarize, we have a range of responsibilities, but limited monitoring capability.

These 60 positions would give us an increased capability. We can do what we call a great deal more "front-end activities" which include monitoring, reviewing of applications, talking to the appropriate recipients, helping them to prepare appropriately for receipt and use of these funds, rather than simply always trying to catch up with those who are in violation of the law in some way or another.

We have asked for 25 positions as indicated earlier, to put into the remaining five regions of the country, systemic units so that the whole country will have this service available to them.

We are asking for 27 positions to strengthen our ability in our voluntary programs. Under an agreement with the National Association of Realtors, for example,we are required to organize what we call a Community Housing Resource Board. This Board consists of realtors, public officials and private citizens who come together and work to implement the fair housing law, to find ways to give greater exposure to people who are seeking housing, and to deal with all aspects of it.

We anticipate there will be over 500 such boards in existence by the end of this year. The real estate associations have been encouraging their affiliates to sign agreements, thus the workload for organizing CHRBs and monitoring agreements continues to increase. We need some help in carrying out that part of our agreement and the fulfillment of our responsibilities under the law.

We have asked for 10 people who would help build our capacity in the area of data collection. In the 10 regions it would amount to about one person per region. The Department itself is strengthening its capability in that regard across the board, and these 10 persons would help us in our efforts to bring all of this to the point where we ought to be. This will enable us to look at our data more effectively and carry out our responsibilities more efficiently.

Thank you, Mr. Chairman.

[The statement follows:]

Mr. Chairman and Members of the Committee, I am pleased to be here today to testify on the 1981 budget for Fair Housing and Equal Opportunity. This budget clearly indicates the Department's and Administration's concern and commitment to this Nation's civil rights responsibilities. As I stated last year, to carry out the fair housing and equal opportunity mandates, much more will have to be done than accomplished in the past. Recent studies concluded that black families encounter almost 2½ million instances of discrimination; dark Chicanos have a 96 percent chance of encountering discrimination in the search for a rental unit; discrimination and not income is the main reason that minorities encounter racial sterring, experience more difficulties in obtaining financing, are forced to make higher down

payments and are asked to provide more information than whites. The Department has initiated new activities to address these conclusions and to strengthen enforcement under Title VIII. In fiscal year 1979 we made significant changes in the organization, philosophy and approach to Fair Housing and Equal Opportunity. The reorganization of Fair Housing and Equal Opportunity emphasizes accountability at all levels of management and program operation, strengthens Headquarters/field relationships, and increase the emphasis upon policy development and program evaluation. Our comprehensive strategy, which is in place and will be fully implemented during 1981 makes a reality of our changes in philosophy. The comprehensive strategy is based upon several fundamental concepts:

Clear regulatory definition of those acts of discrimination covered by Title VIII of the Civil Rights Act of 1968.

Faster and more effective processing of complaints of housing discrimination.

Increased capacity in and reliance upon State and local civil rights agencies who enforce fair housing laws.

Increased cooperation and assistance from private fair housing groups and community representatives resulting primarily from our proposal to provide financial aid to Community Housing Resource Boards.

A specific focus by HUD upon larger-scale patterns of systemic discrimination, with referral to the Department of Justice for prosecution.

Increased monitoring and technical assistance to HUD recipients to assure they are meeting civil rights requirements.

Better targeting of compliance reviews to assure more effective use of limited resources by focusing on recipients and activities where civil rights problems exist.

Based upon this strategy, the Department has developed new programs which are planned and dedicated to fully achieve fair housing and equal opportunity in the long term. This comprehensive strategy envisions FHEO's programs growing stronger through more effective enforcement techniques; development of preventive programs; and management techniques that assure impact and performance. This new program was developed during fiscal year 1979 and was partially implemented within resources available in fiscal year 1980. A substantial increase in staffing of 122 permanent positions is requested to carry out these programs in a manner which affects all sectors of the Nation. All of the additional positions will be assigned to the Field Offices.

TITLE VIII INITIATIVES

In 1981, we will have completed a full set of substantive Title VIII regulations which capture nearly twelve years of experience and clearly describe discriminatory acts that are prohibited, not only in sales and rentals, but also in financing, insurance and zoning practices.

We will have nationwide implementation of both our new rapid response and our systemic discrimination complaint processing initiatives. These new processing approaches were implemented in five regions during 1980 and the budget requests twenty five additional positions to established Systemic Discrimination Units in the remaining five regions.

By focusing these special units on large scale practices and investigating those with a potential of referral to the Department of Justice, the Department expects to intensify formal prosecution of complaints where conciliation has failed.

We will also begin to analyze the innovative projects undertaken by local private fair housing groups under a demonstration beginning this year. Is is anticipated that the results of the demonstration will pave a way for future utilization of highly effective, imaginative and economical resources to assist HUD in its Title VIII enforcement.

We also plan to increase our guidance and technical assistance to other Federal agencies which have programs covered by Title VIII so we can develop and implement a coordinated approach to end discrimination in housing.

We are requesting total funding of $5.7 million for the continuation of the Fair Housing Assistance Program. The budget requests expansion of the program in 1981 to include $2 million for assistance to Community Housing Resource Boards. This expansion will bring about a coordinated approach to achieve fair housing which we view as reinforcement to the total fair housing effort.

The $2.0 million is requested to contract with Community Housing Resource achieve fair housing which we view as reinforcement to the total fair housing Boards for monitoring services. We are of the opinion that voluntary measures can produce significant results in fair housing and equal opportunity by securing efforts

which exceed the requirements of the law. However, the rate at which voluntary affirmative marketing agreements are consummated makes it extremely difficult for limited HUD staff to monitor signatories. Contracting with Community Housing Resource Boards will provide assurances that signatories are, in fact, affirmatively furthering fair housing. Twenty seven positions are requested for the voluntary program. This increase includes positions for organizing and providing technical assistance to these Boards as required by the agreements with the national realtor and builder organizations.

Of the total request, $3.7 million would be provided to State and local agencies which are recognized as substantially equivalent under Title VIII of the Civil Rights Act of 1968. This is the same amount appropriated for 1980—the first year of funding for this new program. In 1981, the program will be fully implemented with incentives to States and localities to assume a greater share of the responsibilities for administering fair housing laws. This program enables certified agencies to enhance their capability to process complaints and will provide technical assistance and training to improve staff performance.

TITLE VI AND SECTION 109

Our efforts pursuant to Title VI and Section 109 will be expanded. the quality and impact of compliance reviews and complaint investigations will be increased substantially during 1981. Improved quality of FHEO investigations will be accomplished through: better compliance reviews; targeting of these reviews by better utilization of information and data available from Area Office as the result of front-end reviews and monitoring; and through improved a team of highly specialized investigators established in 1980.

We will continue to place increased emphasis on front-end application reviews and monitoring activities. The adequate provision of assistance to recipients at the front-end produces a more satisfactory result and is more staff effective in the long run than reliance on compliance reviews alone. It also allows us to focus limited resources for reviews of those cases where monitoring indicates potential violation of civil rights requirements. The majority of our staffing request—sixty positions—is for these front-end activities.

We anticipate the publication of Section 109 regulations and performance standards prior to the end of this fiscal year. These regulations and standards will facilitate compliance technical assistance and monitoring activities. We have also established a new internal "library" to assist all Area Office personnel in determining the proper condition to impose upon those recipients who fail to promote fair housing and equal opportunities through their CDBG funds.

VOLUNTARY COMPLIANCE

As I said earlier, a companion to our Title VIII enforcement effort is the Voluntary Compliance thrust. We will seek to increase the voluntary involvement of State, local, public and private agencies and organizations in the task of ensuring fair housing and equal opportunity for all U.S. citizens. Key to this effort is the expanded involvement of other Federal agencies.

We will continue our New Horizons program which increase the utilization of CDBG requirements and other HUD funded programs to enforce fair housing and equal opportunity. The program provides incentives for community involvement by allowing communities to develop a fair housing strategy for their own locality.

We are also expending our minority business enterprise program to meet the President's policy of strengthening the small and minority business sector of the country. Our goal for 1980 is $655 million for minority business enterprise and average quarterly minority bank deposits of $90 million.

This concludes my prepared remarks Mr. Chairman. I will be happy to answer any questions which you may have.

FAIR HOUSING ASSISTANCE PROGRAM REGULATIONS

Mr. SABO. Thank you.

Turn to Tab P, the Fair Housing Assistance Program. The 1980 appropriations was $3.7 million, the amount requested. The 1981 request is $5.7 million—including $2 million for a new initiative, assistance to Community Housing Resources Boards. The assistance

to state and local agencies program is getting off to a slower start than anticipated. Have program regulations been developed? Are those the ones you assume will be ready by October?

Mr. TUCKER. Those regulations I referred to earlier are regulations under Title VIII of the Civil Rights Act. We do have interim regulations that have been put out on the Fair Housing Assistance program.

Mr. SABO. When do you expect them to be finalized?

Mr. TUCKER. We can implement the program without finalization.

Mr. KAPLAN. The regulations came to the Hill on the 18th of April as an interim regulation in accordance with the procedural requirements of the Authorization Act. They will go into effect in 20 days after publication in the Federal Register which occurs 15 days after delivery to the Hill.

FAIR HOUSING ASSISTANCE OBLIGATIONS

Mr. SABO. Have any 1980 obligations occurred yet?

Mr. TUCKER. No, we have not obligated any funds as of yet.

Mr. SABO. Are there any particular problems that you are experiencing?

Mr. TUCKER. No, just time requirements from one stage of planning to the next stage of planning. We indicated during the hearings last year that it would be the second half of the fiscal year when the program would go into effect. Therefore our planning is on schedule in that regard.

NUMBER OF AGENCIES SUPPORTED

Mr. SABO. In 1981, I notice that you plan to award grants to 57 agencies, compared to 31 in 1980. What is the basis for that estimate and how many States are included in the estimate of 57 agencies?

Mr. TUCKER. We currently have recognized 25 States and localities. Recognition is pending for 13 State and local agencies. We expect that we will be able to assist these agencies because second year agencies will not receive the same amount in capacity-building in the second year as they would have in the first year. We are spending a good deal of money in the first year to help build up their capacity. We are also providing a good deal of training; therefore, in the second year some of those who have been funded in the first year won't need that capacity-building activity and training.

In terms of States, we figure that in 1980 there would be about 20 states who would be participating in the program, and about 32 in 1981. We estimate that 11 localities will participate in 1980, and approximately 25 localities in 1981

Mr. SABO. Excuse me, how many States did you say?

Mr. TUCKER. Twenty States and eleven local agencies.

Mr. SABO. Twenty States?

Mr. TUCKER. Yes.

Mr. SABO. I notice that last year you indicated that 31 was the maximum you thought you would fund. Is 57 the maximum, again, for 1981?

Mr. TUCKER. Yes. We expect there will be about 57 State and local agencies.

AVERAGE GRANT SIZE

Mr. SABO. Page P-3 indicates the distribution of funds. If 31 agencies are funded in 1980 with $1,750,000, the average grant is approximately $56,000. If 57 agencies are supported with $2,200,000 in 1981, the average declines to $38,000. I think that is accurate, isn't it? What is the significance of the smaller average grant?

Mr. TUCKER. The average grant will be smaller for second year participants because we expect that in the first year, again, there will be a great deal of money spent for capacity-building. We expect no State or local agency to lose any of its momentum in terms of its own contribution. We expect that as we move from year to year, we will be funding less in training, we will be funding less in capacity-building. We will be moving more to funding in terms of number of complaints that agencies will actually be processing. We expect that their momentum and efforts will be maintained.

We think that the support needed from us will probably be less.

STATE/LOCAL RESOURCES FOR TITLE VIII

Mr. SABO. Last year we asked you if the amounts of State and local agency resources devoted to Title VIII discrimination complaints was known. The response was that HUD did not have that data, but it would be obtained as part of our procedure for funding eligible agencies who apply for assistance. Do you have that data now? Can you tell us the amount of State and local resources?

Mr. TUCKER. Based upon a recent survey, we estimate that agencies spend about $2 million themselves on Title VIII activities.

Mr. SABO. Nationwide?

Mr. TUCKER. That is correct. You see, most of the State and local agencies handle more than fair housing. They handle employment and other forms of civil rights activities. It is a very small proportion of this money that State, and local agencies expend on fair housing programs. Most has gone to the equal employment type of activities, and we are trying to build their capacity in the housing area because the problem in this area is great.

BASIS OF DISTRIBUTION FORMULA

Mr. SABO. Page P-4 contains the distributional formula based on number of complaints. It has been changed considerably from the corresponding table in the 1980 justifications. Why did it change?

Mr. TUCKER. The principal reason is that page 4 presents the distribution of second-year funding. Here again, in an effort to spread the monies over a larger number of agencies, which we expect to qualify, and because we expect them to be stronger in the second year, we have revised amounts so that we can get as many involved as we can with the level of help we think that we can afford to provide them.

What we really do not want to do is get in the business of funding State and local agencies and take over the funding of State

and local agencies. We are going to measure each year what we think the need ought to be in terms of what resources we have and the extent to which agencies perform.

Mr. KAPLAN. In addition, Mr. Chairman, the second-year funding reflects a shift from training and from data processing systems reflective of the fact that after the first year's activities many agencies will have that primary foundation in place, and would allow the funds to be used for contribution purposes.

TITLE VIII TECHNICAL ASSISTANCE

Mr. SABO. The 1980 appropriation includes $700,000 for training and technical assistance. What is the status of this money? How much has been obligated and for what specific purposes? How really does that differ from capacity building? They would seem to me to be somewhat related.

Mr. TUCKER. In response to your first question, we have made no allocations to date.

Mr. SABO. Of the $700,000?

Mr. TUCKER. That is correct. Technical assistance will be a part of our whole allocation process which we expect to be into by June. I guess broadly you could say that is capacity-building, although we are thinking of technical assistance primarily in terms of getting the basic structure in place, a basic understanding of what the problems are, and what the issues are. Some of this will go for training once we build up their capacity in terms of staff and data and management systems. We want to train them to do the job.

While training might be a component of capacity building, we tried to break down the funds according to what types of functions we expect these funds to perform, but training and technical assistance are distinct functions.

Mr. SABO. None of this money has been obligated yet this year?

Mr. TUCKER. That is correct.

Mr. SABO. Do you expect all $700,000 to be obligated in 1980?

Mr. TUCKER. Yes, we do.

TITLE VIII INNOVATIVE PROJECTS

Mr. SABO. $550,000 is requested in 1981 for innovative projects, the same as in 1980. Have guidelines been developed for the innovative activity? Have any innovative projects been funded in 1980?

Mr. TUCKER. Again, we have not funded any agencies yet, but we have had a series of meetings with State and local agencies. They have helped us in developing guidelines for each area of this program. We have suggestions from them for training. We are in the process of putting together what the training will be about with their assistance. We have had many discussions with them. We have brought them in for meetings on how we ought to go about innovative projects, what are the problems they have seen, how they feel that we can best move in this area, what suggestions they have for it. As a result of these discussions, very clean guidelines have been developed for innovative projects, and these guidelines are contained in our interim regulations. So in each area of the planning, we are moving extremely well along, and we are up to

date in all of it. We have a pretty clear idea as to what we are going to fund and how we are going to fund it. We know the circumstances under which they will be funded. We just have not selected the agencies yet to be funded.

Mrs. BOGGS. Mr. Chairman, would you excuse me. I am going to have to leave in just a minute. May I ask just one question?

Mr. SABO. Sure.

ENFORCEMENT ROLE UNDER PROPOSED FAIR HOUSING AMENDMENTS

Mrs. BOGGS. I have looked through the rest of the questioning and I think maybe this is an additional comment. If H. R. 5200, the Fair Housing Amendments, is enacted as currently written, your office will have an expanded enforcement role. I know that some groups, notably the National Association of Realtors, are worried about some aspects of the design of the expanded role. They feel that HUD's role would be too great—to include both finding and ruling on cases of discrimination. Could you comment on this, and also could you comment on any efforts that perhaps you have made to reach some consensus with the realtors and other concerned groups?

Mr. TUCKER. Mrs. Boggs, we have worked awfully hard. I have personally been deeply involved over the past year in meetings with the leadership of the National Association of Realtors and others who have a keen interest in this bill and who are concerned about it. They raised a number of concerns from the start and we worked with them trying to resolve some of them. One, for example, is the bill as originally introduced would have provided that the Secretary of HUD could seek temporary or preliminary relief. They were concerned about that, and were opposed to it. We supported an amendment which removed this authority. For such relief now, we would have to go to the Department of Justice in order to make that request.

Regarding the concern you expressed about HUD acting as judge, investigator and jury, the bill as it now stands would remove the Secretary from all adjudicatory functions. An administrative law judge would be appointed. The administrative law judge's decisions would not be subject to review by the Secretary, which is most unusual. Through all of the procedures, due process provisions under law are available to complainants and respondents alike. We worked very carefully to work out any concerns that we thought groups had there.

They were concerned that conciliation, which is currently an important feature under existing law, had been deemphasized in the new bill, the Edwards-Drinan bill. It was amended to insure that that is a very important provision, and one that we are obligated to use, and of course we want very much to use it. The original bill provided a statute of limitations of 3 years. They opposed it. The bill now, reads in its present form, that administrative matters will have a statute of limitation of 1 year, and in other matters it is 2 years. So I think there is a big difference. We have worked very hard to meet many of their complaints, and we have. There are many others that may be of a more minor nature,

and we have worked very hard to accommodate many of their concerns.

Mrs. BOGGS. And you have had frequent meetings with them and continue to do so?

Mr. TUCKER. Yes, we have, and we continue to do so. I think that we have probably resolved as much as it appears we can resolve with them at this point.

SECRETARIAL REVIEW OF ADMINISTRATIVE LAW JUDGE DECISIONS

Mrs. BOGGS. I thank you for your explanation and for your efforts. I think that one of the continuing complaints of citizens with all departments has been that when an administrative law judge is appointed to a case and the findings that come out of that situation can be reviewed by the person who brought the complaints in the first place, that it constitutes almost a denial of constitutional rights. You have eliminated that as I understand it.

Mr. TUCKER. That is correct.

Mrs. BOGGS. The findings of the administrative law court have no judicial review by the Secretary.

Mr. TUCKER. The findings of the Administrative Law Judge are not subject to review by the Secretary, and if either party is unhappy with the results of that decision they may go directly to the district court.

Mrs. BOGGS. Thank you very much.

Thank you, Mr. Chairman.

INNOVATIVE PROJECTS

Mr. SABO. At the top of page 7 there is a sentence that indicates a relationship to innovative activity: "Projects to be funded in 1981 will be primarily different from those funded in 1980."

Mr. TUCKER. What we are really saying is they will not be innovative in 1981 if we have funded them in 1980. In other words, we are not going to try to continue to fund the same innovative programs for State and local agencies which are funded in 1980. Each proposal has to have a particular value not only for that State but should in most cases be able to be replicated elsewhere across the country. We want to continue to look at the most effective ways that we can seek compliance with and enforcement of the law. The point that we want to make here is that we are letting them know right now that they simply cannot expect to add to programs and expect the Federal government to fund the same innovative program.

Mr. SABO. They should expect a one-time funding.

Mr. TUCKER. In all probability that would be the case, yes.

COMMUNITY HOUSING RESOURCE BOARDS (CHRBS)

Mr. SABO. The new 1981 initiative, funding for Community Housing Resource Boards, is addressed at page P–7. Give the Committee a little background on these boards. Who are the members of the board, what are their responsibilities, and what is HUD's current relationship with the boards?

Mr. TUCKER. Title VIII of the Civil Rights Act requires that we work with private organizations. In an effort to strengthen our relationship with the real estate industry, we entered into an affirmative market agreement with the National Association of Realtors where not only have they agreed to obey the law, but also to affirmatively carry out the law. We spelled out that agreement in detail and there are a number of signed agreements. As a matter of fact, that agreement is scheduled to run out in its present form at the end of this year. We are having continuous meetings with them now revising that agreement and working out the problems to carry through necessary changes.

Under that agreement we have responsibility for organizing the Community Housing Resources Boards. They are composed of eight to ten persons including representatives of the affirmative action committees of real estate boards, representatives from community organizations, such as the Urban League or League of Women Voters, and often public officials who serve in city councils or legislatures. These are local people whose job it is to monitor the effectiveness of the agreement, and to help determine how signatories can have an outreach program, so people will know what the law is, know what resources and facilities are available, and what help is available. They can design programs to attract minority brokers and real estate salespersons, and to find ways realtors can effectively carry out the intent of the law in their own communities.

MONITORING AND ASSISTANCE TO CHRBS

What we are finding is that once we organize, and it takes a good deal of time to do that, unless there is some assistance available to them so they can monitor these functions, and unless they have the capacity for monitoring, they fall by the wayside. The stronger CHRBs are those where they are able to get some funds for one reason or another, or where someone has been able to devote a good deal of time away from some other responsibilities. We know that this is not going to work unless there is some stability available to them to carry out their functions. What we want to do is contract with CHRBs. We expect to contract with about 133 CHRBs out of approximately 600 who fully understand what that role is, who can best be able to carry it out, and who can identify ways in which this can best be done.

As we are able to do this, we will demonstrate that fair housing is not just a matter of law, it is a matter also of involvement. It is a matter also of concern. It is also a matter of commitment, and we have given these to local citizens a responsibility which they agree to carry out, and we want to give them some capacity to help us monitor this important function.

FUNDING CRITERIA FOR BOARDS (CHRBS)

Mr. SABO. From what you said there are around 600 boards in existence.

Mr. TUCKER. There will be, yes.

Mr. SABO. And you are going to fund 133 of them. How do you make the decision on which ones to fund? Do they all apply?

Mr. TUCKER. We have developed some criteria which include relationships of the past as they relate to the goals of the agreement. Some we know are more committed and more dedicated to what this is all about than others, but we need more capacity to implement. We are concerned about the efficacity of the activities to the groups that the voluntary group is designed to reach. We want to know to what extent realtors are really reaching out, plan to reach out to those minority and low-income groups. The amount of expertise and funding available to the board to carry out its activities varies. Some of them have some expertise and some have some funding. We know we cannot increase the capacity of all of them to the level that we want. Location will have something to do with it, the region of the country, the nature of the problems, and where a problem impacts more in one place than perhaps in another. These are all concerns that we have in mind as we look at what we want them to do and as we ask them to submit their requests.

Mr. SABO. What will be the geographic distribution?

Mr. TUCKER. The whole country.

Mr. SABO. Any primary areas?

Mr. TUCKER. No, there would not be any primary areas.

Mr. SABO. How will they use the money?

Mr. TUCKER. Several ways.

BOARD ACTIVITIES

Mr. SABO. I understand they will get about $15,000 each.

Mr. TUCKER. Average about $15,000. In monitoring functions they would review literature and materials distributed by signatories, that would help people understand what the law is. They would review the hiring practices of signatories and assess their training programs for employees. They will review signatories' programs for identifying where housing is available, and review their programs for education. They will review newspapers, ads, and monitor what they are saying about housing. They will examine reports of what is happening—what the nature of the effort is on the part of the local real estate board.

Mr. SABO. Will they go for staff people to do this?

Mr. TUCKER. They may well hire some staff.

CURRENT FUNDING FOR CHRBS

Mr. SABO. How are these boards currently funding their operations?

Mr. TUCKER. Most of them are not funded. Some real estate boards have provided some limited funding. Some real estate boards have provided space for them to meet and provided telephone services, but most of them are without funding. Two of them have received some funds from community development block grant moneys, and we find that those with some funding function best.

EVALUATING CHRBS

Mr. SABO. How will you be able to tell if the program is successful?

Mr. TUCKER. There will be a number of ways. For instance, if we find that people are being trained to get into the industry who have not had opportunity, that listings are available where they were not available before, that people know where they can find houses and apartments, that steering practices in many places are reduced, we will know the impact of our efforts. In Richmond a very good study has just been completed by a private fair-housing group. A member of that group happens to be on the Community Housing Resource Board. We hope that that board in Richmond will follow what happens as a result of that study, to determine whether illegal real estate practices have been reduced. On the basis of that study we hope the CHRB will develop a specific program to assess that kind of a practice which is illegal, so we can look at the larger implications of the problem.

Mr. SABO. Will you be monitoring that?

Mr. TUCKER. Oh, yes, we will be monitoring them.

FUTURE FUNDING FOR CHRBS

Mr. SABO. If we fund this program in 1981 what can we expect in future years? Will the same boards want additional money in 1982 Will other boards that were not funded in 1981 want to start receiving funds in 1982?

Mr. TUCKER. We know that funds are always going to be limited. However, we would expect that this would be a permanent part of our funding structure if we regard voluntary programs as integral to our overall program and to our strategy. We do regard voluntary efforts this way. This does not mean that the same boards will always be funded. There is not enough money available to really do a full job of funding, therefore CHRBs would be encouraged to seek additional resources. Some will become strong enough and they would not need support. There is a potential for approximately 1,700 realtor boards thus, 1,700 CHRBs. We do not think that potential is going to be realized, but obviously as they grow, knowing that the source of funding is limited, we will have to be very creative about what we provide and how. It may well be that the 1,700 that we are talking about now probably may not be there later on. Those that we can help now will become very expert within themselves later on, and funding may not well be needed by all the boards. We know it is not going to be an unlimited source of funding.

Mr. SABO. It has great growth potential, though, does it not? The pattern of these things are difficult to stop once they start.

Mr. TUCKER. We often find that when there is a limited source, we have become very creative in the use of it. Also, I believe that once communities discover how valuable CHRBs can be, more CHRBs will be funded from local sources.

USE OF INNOVATIVE FUNDS FOR CHRBS

Mr. SABO. Should it be part of the innovative grant program—so that it is clear for a limited period of time?

Mr. TUCKER. If we did that out of the limited money that we are requesting, we could not do some of the other things we want to do in our program. I think it is possible that once the capacity of a CHRB is developed, it might seek funds from local community development block grant moneys. Montgomery County receives a combination of funding—community development block grant funds and county funds. I think more of that will happen once they get started. They just need to get on their feet.

Mr. SABO. I would like to place additional questions on CHRBs from Congressman Coughlin in the record at this point.

[The questions follow:]

AUTHORITY TO FUND CHRB'S

Question. In fiscal year 1981 the Department of Housing and Urban Development is requesting $2 million for the first time, to spend on Community Housing Resource Boards. Where is the specific authority for the Department to fund the Community Housing Resource Boards?

Answer. Section 808 of Title VIII of the Civil Rights Act of 1968, as amended, addresses the Secretary's authority and responsibility for administering the Act. Part (e) of Section 808 specifically directs the Secretary to "cooperate with and render technical assistance to Federal, state, local, and other public or private agencies, organizations and institutions which are formulating or carrying on programs to prevent or eliminate discriminatory housing practices."

Further, Section 818 authorizes the appropriation of "such sums as are necessary to carry out the purposes of this Title."

The Community Housing Resource Boards are organized by HUD to provide technical assistance on behalf of the Department to local real estate boards which have signed the Voluntary Affirmative Marketing Agreement with HUD. Funding the Resource Boards is an effective means of ensuring ongoing HUD cooperation and technical assistance to signatory realty boards.

CURRENT FUNDING SOURCES—CHRB'S

Question. Please identify those Resource Boards which have received funds from other sources, the amounts, sources, and uses.

Answer. Resource Boards are eligible to receive Community Development Block Grant funds for administrative costs under Section 570.206 of the Block Grant regulations dates September 26, 1979. To date, only three of the Resource Boards have been successful in their request to localities for CDBG FUNDING:

1. Burlington County, New Jersey Resource Board—
   (a) Amount—$14,000.
   (b) Source—CDBG.
   (c) Activity—newsletter; services of a consultant to review and analyze the County's fair housing problem.
2. Montgomery County, Maryland Resource Board—
   (a) Amount—$65,000.
   (b) Source—CDBG.
   (c) Activity—staffing (executive director, clerical staff); housing information programs for the county; newsletter.
3. Ozark County, Alabama Resource Board—
   (a) Amount—$2,000.
   (b) Source—CDBG.
   (c) Activity—Fair Housing Month activity; fair housing information to county residents.

NEED FOR CHRB FUNDING

Question. Community Housing Resource Boards are established and certified by HUD to be solely a "forum" for the review and discussion of pertinent fair housing issues among representatives of various sectors of the community.

(a) Why is funding needed?
(b) What "programs" and "activities" are to be funded?
(c) Is this a departure for HUD's original "forum" idea?

Answer. Resource Boards have two basic objectives: (1) to maximize communication between the housing industry groups and minority and female groups of the community, and (2) to enhance the prospect of HUD and industry group commitments being implemented through effective monitoring. The first objective requires broad minority, female, and fair housing group representation on the Resource Boards. The second objective requires the most influential community representation possible, e.g., Chamber of Commerce, Mayor's Office, League of Women Voters, local bar association, savings and loan association, the real estate board.

Due to the voluntary nature of Resource Boards, funds are needed to cover postage, supplies, staff assistance and other activities which related to their responsibilities in promoting the goals of the Agreement.

To a large degree, the determination of Resource Boards to be funded will depend upon HUD's evaluation of affirmative marketing agreements, which are now in place. In those communities where the activity of the Resource Board has resulted in compliance with the terms of the Agreement, funding will be provided to continue the maintenance of effort.

In those localities where the Agreement is not working, funding will be provided to improve the capability of the Resource Board to provide appropriate technical assistance to the local realty board.

The Resource Boards do not represent a fair housing forum as such. However, Resource Boards may conduct meetings to gauge the fair housing concerns and needs of the local community relative to the goals of the Voluntary Affirmative Marketing Agreement.

VOLUNTARY AFFIRMATIVE MARKETING AGREEMENT

Question. Since the court-ordered consent decree which mandated the Affirmative Marketing Agreement did not require funding of the Resource Boards to the extent you propose, is not a change in that decree necessary before such activities may be funded? The Agreement, which is to be renewed every five years, is being renegotiated right now; is not the budget proposal premature?

Answer. The referenced court-ordered Affirmative Marketing Agreement is a Settlement Agreement and Affirmative Action Program imposed on the American Institute of Real Estate Appraisers of the National Association of Realtors, et al. by the Department of Justice on April 4, 1977. The Settlement Agreement does not make reference to the Resource Boards. The existence of Resource Boards was established in the Voluntary Affirmative Marketing Agreement between HUD and the National Association of Realtors in 1975, which predates the Settlement Agreement.

Resource Board receipt of funding in Fiscal Year 1981 is very timely, notwithstanding the current renegotiation of the HUD/NAR Agreement. Funding is intended to increase the capability of the Resource Boards to assist the signatory realty boards. As such, funding at this point is crucial to continue to build the effectiveness of the Resource Boards and prepare them to undertake any added responsibilities which may evolve from the renegotiation process.

1980 REQUEST TO OMB

Mr. SABO. In 1980, HUD requested $3 million to OMB for Fair Housing Groups. The request was denied. How do fair housing groups relate to Community Housing Resource Boards?

Mr. TUCKER. What was the question?

Mr. SABO. In 1980 HUD requested $3 million to OMB for fair housing groups, which was denied. How do fair housing groups relate to Community Housing Resource Boards?

Mr. TUCKER. Fair housing groups are of course independent functioning bodies. Community Housing Resource Boards are made up of representative groups—a cross-section of persons—many of whom are members of fair housing groups. Take our Richmond group for example. The head of the fair housing group in Rich-

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mond is a member of the Community Housing Resource Board. However, included on that CHRB are representatives of 8 or 10 other groups, each of whom make a contribution to the resources boards, but each of whom also have their own independent programs. Many of their independent programs are much broader in purpose, function and activity than that of the resource boards. They come into the membership of resource boards because they realize that through that vehicle collectively they can make a contribution towards this overall fair housing goal.

1981 REQUEST TO OMB

Mr. SABO. What was the Department's total 1981 request to OMB for Fair Housing and Equal Opportunity? If you do not have it, could you supply it for the record.

[The information follows:]

1981 FHEO BUDGET REQUEST TO OMB

The Department requested $11,510 thousand from OMB for 1981 FHEO program activity. This amount was presented as follows:

[Dollars in thousands]

Item	*Amount*
Fair Housing Assistance Program	$3,700
Fair Housing Monitoring Program	7,810
Fair Housing Information Centers	(4,750)
Community Housing Resource Boards	(3,060)

The President's Budget requested $5,700 thousand. This appropriation would be for the Fair Housing Assistance Program and would be distributed as follows:

[Dollars in thousands]

Item	*Amount*
Assistance to State and Local Agencies	$3,700
Assistance to Community Housing Resource Boards	2,000

STAFFING INCREASE FOR 1981

Mr. SABO. Last year we spoke briefly about the large staff increase that the Fair Housing Office had received. In 1981, 122 additional permanent positions are requested for Fair Housing. That is above the increase of 27 in the 1980 current estimate. Since the Department is only increasing 30 in total, this means the Fair Housing increase will occur at the expense of other offices.

What workload statistics do you have to support an increase of that magnitude? Are you realizing any productivity gains to offset some of the estimated workload increases?

Mr. TUCKER. Let me just make this general comment, Mr. Chairman. We started from further than behind, if that is possible, and we have got a long way to go to catch up. A recent study showed that in America in fiscal year 1977, there were about 2.5 million instances of discrimination. Our study shows that if you are black and looking for an apartment, there is an 85-percent chance that you will be discriminated against; and that if you are an identifiable Hispanic, there is a very large chance, about 96-percent, that you may be discriminated against.

We passed a law in 1968, and the progress anticipated was not made—no priority was given to it. The fact that the Department,

even though it has a small increase in PFTs, has allocated such a large percentage to us indicates the Department feels this ought to be regarded as a priority. The OMB, is also aware of the need to tighten the belt, because it recognized the importance of implementing this strategy.

The Department and OMB approved this staffing. It made these requests which indicates great support throughout the Administration that we relieve some of these discriminatory conditions in our Nation. Our program will not accomplish all that the Civil Rights Commission has proposed that we do and what others have proposed, and to a large extent what we know we ought to be doing. Therefore, it seems like a large increase only because we are so far behind.

There were work measurement studies also done last year. Much of that work had not really been measured, and perhaps can not be measured but through HUD's commitment, we have gone to see what it takes to get the job done. Much of what we learned was that we were trying to do too much with too little. We were trying to provide all the services that people needed with too little staff.

We have a wide variety of statutory and executive order functions for which no staff had been provided, and now we are trying to fill in this gap with adequate staff to carry out these functions.

Mr. SABO. Let me suggest that if you have some more specific detail on the question of staffing, that you supply it to us for the record.

Mr. TUCKER. We will do that.

[The information follows:]

Details On Staffing Increase

The increase in staffing results from a number of factors: revised work measurement standards, increases in workload, expanded civil rights enforcement efforts and civil rights review responsibilities.

Revised Work Measurement Standards. The increase in staffing results primarily from the development of work measurement standards for Area Office functions. Prior to the 1981 budget submission, the primary focus of FHEO was on Regional Office activities such as Title VIII complaint processing, and this was the area in which most work measurement work had been conducted. Area Office staffing requirements, for the most part, were gross estimates due to limited work measurement efforts in this area.

During 1980, as a part of FHEO's new comprehensive strategy, Area Offices are assuming a more dynamic and responsible role in "front-end" activities. This approach is intended to reduce the need for more staff-intensive compliance reviews to be conducted by Regional Office staff. Additionally, Area Office staff are performing more in-depth monitoring reviews which will be used for targeting compliance reviews.

Revised work measurement standards, therefore, reflect increased staffing needs required to effectively carry out these changes in program emphasis and to perform work according to revised processing procedures imposed since the last study.

Increases in Workload. The Budget projects increases in workload over 1980 as follows:

Activity	Increase
Complaints Closed:	
Title VIII	300
Title VIII complaints referred	1,650
Title VI	30
Section 109	16
EEO contract clause	20
Section 504	30
Age discrimination	20
Section 3	25
Application Reviews:	
CDBG-Small Cities	252
UDAG	138
Section 701	50
Monitoring Grantees:	
Entitlement	380
Small Cities Single Purpose	1,638
UDAG	770

Expanded Civil Rights Enforcement Efforts

Systemic Discrimination Units. The Budget proposes the establishment of systemic discrimination units in the remaining five regions. Each unit will consist of five persons for a total request of twenty five positions.

Voluntary Compliance. There has been limited coverage of the Voluntary Compliance Programs because adequate staff has not existed in the Area Offices to fully carry out these programs. The Budget request would provide staff to carry out the voluntary responsibility which requires the provision of a substantial amount of technical assistance to communities, fair housing groups, and members of the housing industry.

Productivity Gains. Since it is anticipated that the increased role of Area Offices in "front-end" activities will significantly reduce the time required to conduct compliance reviews, some productivity gains should be realized in the future.

Civil Rights Review Requirements. Staff increases in 1981 will enable HUD to perform the required civil rights review of applications and documents where reviews also take place by Housing or CPD. A staffing decrease would result in less than 100% of these civil rights reviews being accomplished.

ZBB RANKING

Mr. SABO. It has increased from 560 to 682, so that is over a 20 percent increase in staffing requested for last year?

Mr. TUCKER. That is right—a 22 percent increase.

Mr. SABO. I think it is fair to say that is rather substantial. What was the ZBB ranking of assistance to State and local agencies and of assistance to community housing resource supports?

Mr. TUCKER. The Fair Housing Assistance Program was ranked number 20 and the Community Housing Resource Boards was ranked number 64.

Mr. SABO. Out of how many?

Mr. KAPLAN. I think it was around 165.

Mr. SABO. Out of 165? Very good.

Thank you. We will recess until 2 o'clock this afternoon.

DEPARTMENTAL MANAGEMENT

WITNESSES

JANE L. McGREW, GENERAL COUNSEL
DICKEN CHERRY, ASSISTANT SECRETARY FOR LEGISLATION AND INTERGOVERNMENTAL RELATIONS
WILLIAM A. MEDINA, ASSISTANT SECRETARY FOR ADMINISTRATION
ALBERT M. MILLER, DEPUTY UNDER SECRETARY FOR FIELD COORDINATION
CHARLES L. DEMPSEY, INSPECTOR GENERAL
VINCENT J. HEARING, DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION
EUGENE RUSSELL, ASSISTANT TO THE SECRETARY FOR PUBLIC AFFAIRS
ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

Appropriation	1979	1980	1981	Difference
Salaries and expenses	[1] $265,411,000	[2] $294,815,000	$337,943,000	+$43,128,000
FHA transfer	250,255,000	[3] 266,963,000	249,513,000	−17,450,000
Other transfers	10,999,000	11,512,000	10,586,000	−926,000
Balance lapsing	−9,272,000			
Total program	517,393,000	573,290,000	598,042,000	+24,752,000
Staff years	17,196	17,154	17,207	+53
Permanent positions	16,067	15,956	15,986	+30

[1] Excludes net transfer of $4,181,000.
[2] Includes supplemental request of $11,008,000 for increased pay costs and excludes $382,000 transfer.
[3] Includes supplemental request of $11,845,000 for increased pay costs.

Mr. BOLAND. The Committee will come to order.

We will take up the salaries and expenses for the Department. The table indicates that the salaries and expenses for 1980 were $294,815,000. That includes the supplemental request of $11,008,000 for increased pay costs and excludes $382,000 transfer to the Department of Education. The request for 1981 is $337,943,000. That is an increase of $43,128,000 over 1980.

On the FHA transfer, $266,963,000 is the 1980 amount. That includes a supplemental request of $11,845,000 for increased pay costs. The request is $249,513,000 for 1981, a decrease of $17,450,000.

Other transfers, $11,512,000 in 1980, $10,586,000 in 1981, a reduction, for a total program of $598,042,000 in 1981, an increase of $24,752,000. Permanent full-time positions are 15,986. That is an increase of 30.

With that, we are delighted to have you, Secretary Marrero, and your staff. We will be very glad to hear you. We will put the complete statement in the record if you care to highlight it.

Mr. MARRERO. Thank you, Mr. Chairman.

We do have a statement which we will enter into the record. I will summarize very briefly just a few points that I want to highlight.

Let me first introduce my colleagues here with me today. They are Jane McGrew, our General Counsel; Dicken Cherry, the Assistant Secretary for Legislation and Intergovernmental Relations; William Medina, the Assistant Secretary for Administration; Albert Miller, Deputy Under Secretary for Field Coordination; Charles Dempsey, the Inspector General; Eugene Russell, Assistant to the Secretary for Public Affairs; and of course, Al Kliman, the Departmental Budget Officer.

LEGAL STAFF

Mr. BOLAND. How many lawyers do you have in your group?

Ms. MCGREW. At the moment we have on board 137 lawyers, and the balance of our people on board are nonlegal. We have a ceiling of 225.

Mr. BOLAND. How many lawyers do you have in the General Counsel's office in headquarters?

Ms. MCGREW. All of those I have indicated are in headquarters. We have 315 staff in the field.

Mr. BOLAND. Lawyers?

Ms. MCGREW. 213 of them are lawyers.

Mr. BOLAND. Fine.

Mr. MARRERO. Mr. Chairman, you have heard throughout the past few days the presentations from our various program offices. I think that by and large even I have been impressed with the scope of the work that the Department does is impressive. As you know, this is my first appearance before you and the first opportunity to present the Department's management activities.

Mr. BOLAND. Don't you have any misgivings. You have been before many committees in New York State, I assume. It must be a lot worse there than it is here.

You didn't respond to that. That is my statement, anyway.

GENERAL STATEMENT

Mr. MARRERO. I was going to say that I may be baptized under fire here.

I am very pleased to have this opportunity. The presentations that you have heard from the program offices are those that are in effect backed up by the staff that we have here this afternoon. That is, the management people who support the various program offices in a very professional way, as evidenced in the presentations that you have heard to date.

MANAGEMENT PRINCIPLES

Our management efforts are all based on certain principles, the key of which is decentralization of our department. As you know,

HUD is one of the most decentralized agencies in the Federal government.

Much of our day-to-day activities are handled in the field, while the central office provides the overall and broad policy guidance.

We believe that this form of decentralization is the proper way to administer the type of services that we render. Consequently, we have placed our emphasis on doing that.

Given the kinds of programs that we operate, we feel that it is more effective to have our people out in the field who know the areas, who know the communities and the local officials more closely, to be the people who actually administer our services. That is the way that we will continue to operate this department since we believe it has been quite successful.

Our dedication to sound management principles is also reflected in the various items included in the management budget request, such as for our computer operations, and the other personnel and expense items. Rather than going into any great detail, I will answer questions from you.

However, I would like to put on record two very serious concerns that we have which affect our ability to perform our services properly.

TRAVEL FUND REQUIREMENTS

One of them relates to our travel budget, which has been severely cut in the past year, to a point which we believe is beginning to seriously impair our ability to perform.

We are making a request for travel funds at a level that we believe is justified on the basis of our actual performance. We ask for your serious consideration of that, because without the ability of our people to travel, to get out in the field, we simply are not going to be able to render the kinds of services that are required, that our constituencies demand, and that, indeed, you yourselves, as Members of Congress and as elected representatives would want us to perform for the programs that you enact.

EXECUTIVE AWARDS UNDER SES

We are also concerned about the possible action to remove our ability to reward our senior management people for good performance. Many of these senior management staff have been with the Department for many, many years. This includes people of the caliber of Vince Hearing and Al Kliman. They are people who in the private field certainly would be earning much, much more than they earn now.

They are people who work conscientiously, long hours and with great dedication. The rewards they get from government pay are certainly not sufficient to properly pay for their services.

We think that the entire philosophy of civil service reform was to be able to recognize this kind of service and to be able to reward dedication and talent where it exists, where it is genuine and continues over many, many years.

We believe that it is vital for the Department, indeed for the entire government, to have the flexibility to recognize senior execu-

tives not only by promotions, but by bonuses where they are merited.

I just wanted to place that on the record because it is a serious concern.

AFFIRMATIVE ACTION

I would also like to highlight one more item as part of our presentation, one of which we are very conscious and in which we take pride. That is our performance in the area of affirmative action.

There has been substantial improvement in this field in the past few years. Full-time minority employment in our Department is now 29.7 percent, which is an increase of from last years 28.5 percent, and which continues to increase.

We are even prouder of our record for minorities above the GS–12 level, where we had an increase of 65 positions, from 25.4 percent to 28.6 percent.

I think that our record in the area of employment of women, is also quite impressive. 47.9% of the Department's employees are women. This reflects an increase of almost 2.5 percent during the last year.

In GS-12 and above positions there has been an increase from 14.3 percent to 16.8 percent. We have more than 1,000 women in those positions. This reflects an increase of 141 during the past year.

Even though we are very, very proud of this record, we will continue our affirmative action efforts. We are going to do everything possible to make sure that there are additional increases.

Thank you, Mr. Chairman. I will be delighted to answer any questions.

[The statement follows:]

Mr. Chairman and Members of the Committee, with me today are Jane McGrew, our General Counsel; Albert Miller, Deputy Under Secretary for Field Coordination; Charles Dempsey, the Inspector General; William Medina, Assistant Secretary for Administration; and Vincent Hearing, Deputy Assistant Secretary for Administration.

In this, my first appearance as a witness before this Committee, I would like to report to you on the Department's progress in several areas of management, including our operations under the President's employment limitation, changes in our operating plan process, new management information systems, and the enlarged responsibilities of the Inspector General's office.

MANAGEMENT PHILOSOPHY

Before getting into the details, I think it would be useful if I set forth briefly and comment on the management philosophy of the Department. The Department's management concept is designed to centralize goal and policymaking and decentralize service delivery to the lowest competent level of our headquarters and field structure. An integral part of the successful execution of this strategy is a strong management system which ensures that key Congressional and Department goals and policies are in fact carried out by the entire organization. While no system totally achieves this objective, I am impressed that HUD's management comes closer to the ideal than that of any other large organization I have ever seen.

One of the frequent complaints by political executives in Washington is their difficulty in having a timely and direct impact on the Departments under their control. I am happy to say that the Department of Housing and Urban Development is an organization that is responsive to the major legislative and policy directions of the Congress, the Secretary and the Administration. At the same time, we have decentralized decisionmaking authority deep into our field structure. We take great

pride in the fact that HUD is the most decentralized of all major Federal agencies. Since we operate close to our clients and the problem sites, we feel we are both accessible and knowledgeable about the local objectives both public and private.

In order to carry out the twin dictates of our management philosophy, we execute five separate, but interrelated processes. None of these is individually significant, but executed together and sequentially, they are essential to achieving our policy goals and our operational objectives. These processes are: the establishment of policy goals; the setting of specific operational objectives that carry out the major policy directions; the designing of explicit organizational and individual performance standards which set norms to let us know how successful we are in carrying out an operational objective; the use of rapid response feedback systems, particularly supported by automatic data processing technologies; and finally, the execution of a meaningful consequence system that rewards the achievement of objectives and provides sanctions for performance failures.

It is in the process of establishing policy goals and operational objectives that the Secretary and the executives of the Department establish the major directions for the Department, and establish expectations for operational performance by our Field organizations. The Department has a highly disciplined set of management processes that provide program managers at all levels of the system with rapid information about the performance of each major program in each office.

While no management process totally achieves all its objectives, I think that HUD's success is largely attributable to the excellence of its management processes.

Parenthetically, I should add that earlier this month the Department held a Management Symposium for all of the Government Departments and Agencies in order to share our management processes and techniques. I am very pleased to report that the Symposium, the first of its type ever held in the Federal government, was enthusiastically received by the Departments and Bureaus throughout the Washington area. We have also provided significant technical assistance to other agencies on 15 specific innovations. For instance, as you know, paper and printing costs have skyrocketed; one of the techniques we developed has saved us a half million dollars in printing costs this year alone. As a result, the amount of increase in our ever increasing printing account has been held down. We believe that our constant search to improve how we do business has reduced our overhead expenses and increased the Department's productivity. We believe that the Department is the leader in the Federal government in searching for more effective means to manage itself and to prudently use scarce resources.

IMPROVEMENTS IN THE OPERATING PLAN PROCESS

We reported to you last year on our initial steps to automate our Operating Plan System. An extensive effort was successfully completed this past year. As a result, we are increasingly able to offer managers enhanced planning capability, more timely and accurate accomplishment data and more meaningful management information. Specific enhancements currently under way include the integration of the Operating Plan with the employee time reporting system, as well as the introduction of productivity measurement into the system. In combination with our Executive Management Review System, which assesses progress in key performance areas under the Operating Plan, we are continuing to improve the Department's internal processes for goal setting and resource management.

Another major management improvement which started this past year and which will continue in the coming year is the updating of our Work Measurement System. Refinements include the introduction of additional work measurement techniques, which provide us with scientific work measurement standards; revised standards for several program areas where the previous standards were either outdated or required a more refined structure; and the initiation of work measurement efforts in program areas which had not previously been covered.

The Work Measurement System has been a key aspect of our budgeting and day-to-day management, and we are continually seeking to improve its accuracy and scope.

MANAGEMENT INFORMATION SYSTEMS

Another essential part of our internal management is the use of automated data processing to develop and operate modern high-speed, high-capacity information systems. The Department's ADP plans for 1981 have been based on the continuation of several large-scale efforts initiated in prior years—the completion of substantive system development projects and the utilization of the new teleprocessing network and replacement computer equipment—a combination of in-house and commercial

service. These activities will provide a firm footing for all forseeable automation requirements through the mid-1980's. The capacity of program managers to satisfy their commitments, to meet their schedules, and to respond to Administration and Congressional initiatives has become increasingly dependent on timely ADP service. Our planning efforts are aimed at providing the Department with the level of automation support required for carrying out these requirements. We have already provided your staff with a more detailed briefing on this process.

The HUD Teleprocessing Network (HTN II) is a key element in the improved nationwide system. It was acquired to permit incremental installation and augmentation over a seven-year system life. The modular nature of the system will also permit growth with minimal conversion or disruption in the process of expansion.

With the installation of the new computer system teleprocessing network, we have initiated a major plan to make effective and efficient use of the new equipment. This is being accomplished by a "top down" planning methodology which requires each Program Manager to conduct an intensive two-stage review of the existing base of systems, reports, and proposed additional requirements. In the first stage, each Program Manager "scrubs down" the current ADP support level, eliminating any systems, subsystems, or reports which are no longer useful. In the second stage, all existing work processes are examined to identify labor-intensive, high-volume routine activities that would benefit from automation. In addition to this review of work processes, Managers identify areas in which ADP could improve management/control or could ease a record-keeping or statistical burden. These reviews have resulted in the elimination of systems, subsystems, and reports that are under-utilized, inefficient, or ineffective, and have also enabled us to identify automation projects needed to improve program management and delivery.

This process provides a built-in incentive for Managers to purge their system inventories by allowing them to apply some share of their savings to existing unmet requirements. We believe this approach to improved ADP planning will result in the utilization of our replacement capacity in a way which will support our program objectives more efficiently and effectively.

Major ADP systems development projects planned for 1981 include:

Phase II of CHUMS (the Computerized Homes Underwriting Management System) which is a continuation of a major project to automate mortgage credit and firm commitment functions.

Modifications to the Urban Development Action Grant System, which will result in improved management control, analysis, and reporting functions.

As part of the HUD Teleprocessing Network project, nearly every field system will undergo a major front-end overhaul to provide for decentralized data input as part of the implementation of cluster terminal capacity at field terminal facilities. This will require systems modification and extensive reprogramming, as well as the detail of installation teams to provide on-site training and assistance during the implementation period.

In response to Congressional interest in systems integration and reduction of the systems inventory, we will be consolidating ten existing Single Family systems into a single integrated process with a full range of interface capability with other major systems such as CHUMS, various agency accounting systems, and Single Family processing systems. Integration of data collection and storage modules will eliminate duplication, speed up processing and provide users with much more timely and comprehensive information.

These systems development projects are based on our ADP objective of using automation in all aspects of the Department's work, including field program delivery, planning, and policy direction. With your approval of our ADP request, we will be able to make continued progress in utilizing this advanced technology to carry out our programs.

INSPECTOR GENERAL ACTIVITIES

President Carter signed the Inspector General Act in October 1978. As you know, HUD has had an OIG organization since 1972. Although the IG Act has given Inspectors General additional authority and responsibility, HUD's OIG had been fulfilling many of these responsibilities prior to the Act.

In the area of fraud prevention, the Inspector General has established a new Office of Fraud Control and Management Operations to carry out new functions provided for in the Act such as those related to fraud control and prevention, and Congressional reporting. Interagency coordination has been improved by the IG's active participation in the President's Executive Group to Combat Fraud and Waste in Government.

The OIG has also been able to increase its reviews of existing and proposed regulations and legislation to determine the impact on the efficiency and economy of HUD's program administration. In addition, regulations and legislation are examined in terms of their future potential for fraud and abuse.

Additionally, a Departmental committee has been formed to advise the Secretary on policy matters associated with minimizing fraud, waste, and mismanagement. The committee has developed a new system, known as the Fraud Vulnerability Assessment System, which will be applied to all new or substantially revised programs. The system is designed to see that program officials take positive steps to ensure that adequate safeguards against fraud exist. Another accomplishment of the committee was the completion of a study to assess the degree of vulnerability of HUD's existing programs. The results of this study are being used in another initiative assessing the management controls in those existing programs. The Department's Executive Management Reporting System, which monitors Headquarters and Regional performance on a monthly basis, will track these evaluations.

In the audit function, the Department's Audits Management System advises and assures HUD managers who are responsible for taking closing actions, that all audit recommendations have been satisfactorily resolved and implemented. This system is an integral part of the Department's Executive Management Reporting System.

The Audits Management System has led to a more rapid resolution of audit report recommendations concerning HUD program participants and internal HUD activities. This is evidenced by last year's operating results. The Inspector General reported 8,317 audit findings in fiscal year 1979. The number of audit findings wherein the Audits Management System time frames expired totaled 7,758. Of these audit findings, 7,679 or about 99 percent were acted upon and resolved by HUD management as of September 30, 1979.

I believe our Inspector General operation is one of the finest and most energetic in government. The Inspector General, Mr. Dempsey, will be glad to give you any further details on his office and its responsibilities.

EQUAL EMPLOYMENT OPPORTUNITY

I would also like to report to you on our efforts to ensure equal employment opportunity throughout the Department. Fiscal year 1979 marked the second year of a five-year affirmative action plan for increasing the percentage of women and minorities employed in jobs classified GS–12 and above. In these two years, we have been able to achieve virtually all of the objectives we originally established. As we continue, we have set a goal to devote, as a minimum, at least half of the employment opportunities for GS–12 and above positions to women and minorities. During the last two years, the number of women at GS–12 and above increased by 38 percent (from 739 to 1,020). Minorities in grades 12 and above arose by 19 percent (from 1,008 to 1,198). The total female employment has grown by 15 percent (from 6,719 to 7,711) and the number of minority employees rose by 13 percent (from 4,240 to 4,775). In a related effort, we have increased the number of severely handicapped employees working for the Department by 80 percent.

We are now focusing on specific occupations to eliminate "pockets" of underrepresentation in such fields as attorneys, housing management specialists, multifamily housing specialists and computer specialists. So, I believe we are showing steady improvement toward the goal of providing true equal employment opportunity.

TRAVEL

Of major concern to the Department is the small amount of money we have budgeted for travel. As you know, we were forced to take a reduction in travel in 1980—a reduction which cut us below the absolute dollar level of travel in 1979. This has hurt us seriously and has involved draconian measures.

While I cannot speak for other Departments and Agencies, I can assure you that travel funds in HUD, although very small, are one of the most important and necessary budget items. It does little good to authorize funds for the Inspector General if the Auditors and Investigators cannot travel to do their job. If limitations are placed on the Administrative Expenses of Community Development Block Grants, we cannot assure that Congressional intent will be carried out unless we can send our people on site to monitor activities. We all want observance of the Fair Housing Laws. But, to do so, we must send our people on site to ensure compliance. The fact is that the very nature of our programs requires our people to travel. The jobs you appropriate funds for cannot be accomplished solely with staff sitting in their offices. Staff must visit the cities and towns in order to get the job done and to

get it done right. It is a continuing frustration to be responsible for performing a function while faced with cuts in travel unrelated to the job being done.

To put at elast a modicum of rationality in the process this year, we have extensively studied the travel requirements of each program and regional office. We have developed different travel factors for each program and tied our travel requirements to the work measurement system. An extensive discussion of this matter has been included in the justifications before you, and I commend them to your reading.

EMPLOYMENT LIMITATION

As a result of the limitation on the hiring of Federal civilian personnel set by the President on March 14, we are permitted to fill only one of every two vacancies for permanent full-time personnel. This has been especially difficult for us because such a large proportion of HUD's staff requirements—about 75 percent—is determined by our Work Measurement System, where personnel needs are based on the program workload to be performed. Since our estimates are developed on the assumption of each position performing a certain amount of work, the imposition of a one-for-two replacement could mean an inability to perform the program workload planned in this budget, or reduced quality of service, particularly in the key areas of Housing Programs, Community Planning and Development, and Fair Housing and Equal Opportunity.

We will not be able to assess this situation fully until several months of fiscal year 1981 have gone by.

The revised justifications which are before you include reduction in staff-years prorated among the various activities of the Department to reflect the possible impact of the freeze. It is impossible, however, to state that the impact will be in the places shown since experience with reductions by attrition has shown that the reduction impact can vary unpredictably. Simply, I would like to emphasize that the situation is difficult and, if the workload is to be carried out, the personnel levels requested in this budget are essential.

DEPARTMENTAL MANAGEMENT STAFFING

In this hearing, we will be discussing the Departmental Management activities. For 1981, we are requesting an increase of 171 positions over the 1980 level, but when those positions are offset by reductions, principally in Housing, the net increase in the Department's employment is only 30—from 15,956 in 1980 to 15,986 in 1981. The specific increases for Departmental Management are:

Sixty-five positions for the Office of Inspector General in order to carry out the requirements of the Inspector General Act. These positions will permit increased monitoring of independent public accountant audits, performing in-depth reviews of HUD programs to identify areas susceptible to fraud, waste and mismanagement, and increasing the number of revolving fund and ADP-related audits;

Twenty-three positions for Field Direction and Operational Support in order to meet expanded responsibilities for the economic and market analysis function in the Area Offices, especially as a result of the Community Development Block Grant and Urban Development Action Grant Programs;

Fifty-five positions for the Field Administration function, mainly due to higher workload in accounting, management information and claims collection activities; and

Twenty-eight positions in automated data processing activities to support the improved ADP systems development and operations efforts mentioned previously.

Thank you, Mr. Chairman. My colleagues and I are ready to answer your questions.

Mr. BOLAND. Thank you very much.

You indicated the policy, management concept is designed to centralize goal and policymaking and decentralize service delivery to the lowest component level of headquarters and field structure.

On page 2 you say HUD is the most decentralized of all Federal agencies. Of course, there is a good reason for that, because most of your programs are targeted to localities. The resulting decentralization is a lot more significant in those programs as it is in those not centralized locally.

REORGANIZATIONS

But in any event, how many reorganizations have we had since I have been sitting here? I think it ran around 18 reorganizations of HUD in the time I have been sitting on this Committee—not always as Chairman but as a Member of the Committee.

The last one was under Under Secretary Janis. I think it was a good one. That one is still in place, is it not?

Mr. MARRERO. Yes, sir.

Mr. BOLAND. I think that helped to decentralize a lot of the programs. You are giving more authority to the Area Offices. I think that was a good move. I think it has been effective. I would not disagree with your statement that you are one of the most decentralized of all government agencies. I think the performance by HUD in so many areas is incredibly good.

We recognize the fact that on travel, this is an important element in your ability to do the job. I don't know how serious the reduction in travel funds last year was, but you indicated you could not travel as much as you would like in order to oversee the programs that are decentralized.

TOTAL EMPLOYMENT

You can expand on that a little bit. Your staffing, as I indicated, is 15,986 for this year, an increase of 30 over the 1980 budget. You indicate that the Department is requesting an increase of 171 positions over the 1980 level.

But when these positions are offset by reductions principally in housing—the net increase in the Department's employment is only 30.

Is that the area in which you should have decreased, or is the decrease in the area of housing occasioned by the slump in housing activity?

INSPECTORS AND APPRAISERS

Mr. MARRERO. No. It is occasioned by our going into what we call a 100 percent fee system under which the Department no longer performs the appraisals of our insured property. We will have that service performed by independent fee appraisers. And consequently, we will not need staff to perform that function.

Mr. BOLAND. There has been a general erosion in the housing program of 8,485 staff-years in 1980 to 8,179. The current estimate—that was the budget estimate—is now 8,179 for 1980. Your estimate this year is 7,911 staff-years. That is a reduction of 268 in that area alone, isn't it?

Mr. MARRERO. Most of that is the result of no longer using staff appraisers and inspectors.

Mr. BOLAND. RIFing these people?

Mr. MARRERO. Some of them are choosing to retire or to go into the private sector. Some of them are also being moved into other positions in the Department, where appropriate. Not all of them are being let go.

Mr. MEDINA. It depends on the location, Mr. Chairman.

Mr. MARRERO. We have told them that they have the option to remain with the Department to the extent that positions are available. We have, in fact, attempted to give them priority for transfers to certain positions. Again where appropriate.

Mr. BOLAND. Aren't all of these 268 reductions in the housing area in the field?

Mr. MARRERO. Yes.

Mr. BOLAND. Why not some in headquarters?

Mr. MARRERO. These are appraisers who are assigned to the area offices.

Mr. BOLAND. All right.

Mr. MEDINA. That function is not performed out of headquarters.

INSPECTOR GENERAL STAFF

Mr. BOLAND. You are adding 65 to the Inspector General's Office. How many positions are in the Inspector General's Office at present?

Mr. DEMPSEY. 488, sir.

Mr. BOLAND. The justification, at least the Secretary's statement indicates, that these positions would permit increased monitoring of independent public accountant audits, performing in depth reviews of HUD programs to identify areas of fraud, waste, and so forth.

We appreciate the statement. Of course, if we don't have sufficient departmental management staffing you are not going to be able to support the programs. I think that is elementary.

HIRING LIMITATION

What about the hiring limitation? You talk about it in your statement. What is the effect of the hiring limitation on HUD? Is there any adverse effect? It would not seem to be, because the workload, particularly in FHA, is being reduced.

Mr. MARRERO. Well, we have not seen the full impact of the hiring limitation yet, Mr. Chairman. We have been examining ways to allocate the hiring authority for the remainder of the year, so that it does not adversely affect our programs.

Of course, we would prefer not to have to live under such a limitation, but we realize that, given the condition of the market and given the governmentwide reductions, we will have to absorb some reduction in order to make our contribution.

We think we can do it. It is going to require belt tightening. It might in some instances create difficulties. But we think that they will not be insurmountable.

Mr. BOLAND. It really isn't going to hurt too much. As I understand it, any Agency can appeal to OMB if the hiring limitation drastically affects the program.

Mr. MEDINA. We have a one-for-two limitation.

Mr. BOLAND. As all agencies do.

Mr. MEDINA. Yes. We don't really expect much mercy from OMB, however, on that. But we would expect to have a lower ceiling of about several hundred people by September 30.

The problem will come with the imbalance in the skills mix, so that you may lose in one area and you may have the imbalances

where you might lose a multi-family specialist in a given office, and then with the one for two, you may not be able to replace that individual say, until, October or November, depending on the manager's choices.

STAFF ON-BOARD

Mr. BOLAND. Let me ask you about the employment situation as of March 16—how many were on board? Give me the number of both permanent and other employees.

Mr. KLIMAN. I can provide more recent data. As of the end of March full-time employment in permanent positions was 15,856. Other employment under ceiling was 1,529—for a total employment under ceiling of 17,385. Non-ceiling employment was 196. The total employment was 17,581.

Mr. BOLAND. At the end of March.

How is the Department administering the hiring limitation? Is each field officer allowed to fill one of these two vacancies or is the Central Office determining which positions can be filled?

Mr. MARRERO. We are estimating the total amount that we will be allowed to fill between now and the end of the year, and we are making an equitable allocation of that limit between the field and the central office. Managers will be allowed to hire within the limits that each will be given.

POSITIONS ABOVE THE GS-15 LEVEL

Mr. BOLAND. Last year, the detailed schedule of permanent positions for 1979 and 1980 showed a total of 135 positions above GS-15. This year's detailed schedule of permanent positions shows a total of 157 positions over the GS-15. That is an increase of 22 positions, or 16 percent.

Why the increase in the number of higher paid positions?

One way of controlling this situation of filling positions above GS-15 or impacting it would be for the Congress to place a limitation on the number of positions above GS/GM-15. What about a limitation of that kind?

Mr. MEDINA. Mr. Chairman, we have a limitation now imposed on us by the Office of Personnel Management. Essentially the people above Grade 15 are in two categories. They are in the old grades 16, 17, and 18 positions, which include people who chose not to go into the Senior Executive Service or who are in functions which are excluded from the Senior Executive Service.

The remainder, which is the bulk of the positions are those in the Senior Executive Service. The total is controlled by the Office of Personnel Management. I cannot explain why the number went up like that, but we will be happy to provide an explanation for the record.

[The information follows:]

NUMBER OF POSITIONS ABOVE THE GS-15 LEVEL

A comparison of the data relating to positions above the GS-15 level provided last and this year is as follows:

	In fiscal year 1980 budget	In fiscal year 1981 budget	Increase + Decrease − 1981 vs. 1980
Executive levels I–IV	13	13	
Executive level V	6		−6
GS–16/18	116	5	−111
Senior executive service		139	+139
Total	135	157	+22

The increase of twenty-two positions is related to the establishment of the Senior Executive Service (SES) in accordance with the Civil Service Reform Act of 1978. In implementing that Act as it related to the SES, the Office of Personnel Management (OPM) required: (1) the identification of all Executive Level V and VI positions not requiring Senate confirmation; (2) a review of all GS–16 through 18 positions in terms of their meeting SES criteria; and (3) a review of all GS–15 positions to determine whether or not any of those positions met SES criteria. In addition, since the initial SES authorization is to be in effect for two and one-half years, consideration was also given to projected needs related to program innovations and expansions. As a result of the analysis and projected needs there is a net increase of twenty-two positions of which fifteen are for GS–15's which met SES criteria and seven are related to projected needs for program innovations and expansions. In the case of the latter, the positions are principally for the Office of Inspector General, Fair Housing and Equal Opportunity and Housing Programs.

EXECUTIVE BONUSES

Mr. BOLAND. You talked about bonuses. These were essential if you are going to have any incentive awards to employees. I thought I caught the impression that these were essential in order to keep people aboard.

How much is in the 1981 HUD request for bonuses for the SEC, Senior Executive Service?

Mr. MEDINA. We did not budget, per se, for the bonuses this year because of the timing.

Mr. BOLAND. You have not budgeted for any bonuses?

Mr. MEDINA. The total estimate contains sufficient funds, but they are not separately identified.

Mr. BOLAND. Did you pay any cash awards in 1979 to HUD employees?

Mr. MEDINA. Yes, but we have done that under the regular incentive awards program that has been in existence since 1955.

Mr. BOLAND. How much in cash awards was paid in 1979 to HUD employees? You can supply that for the record.

Mr. MEDINA. For employees of all grades, the Department made cash awards totalling $310,799 in fiscal year 1979.

WITHIN GRADE INCREASES

Mr. BOLAND. Also, in last year's hearings we discussed within grade increases. If you recall the hearings last year, we indicated that these within grade increases were given rather routinely.

Can you tell me the number of within grade increases granted within the department in 1979?

Mr. MEDINA. Yes, sir. 9,158 staff members were given within grade increases, and 48 were denied.

Mr. BOLAND. Fine.

PAY RAISE SUPPLEMENTAL

You are requesting a $22,853,000 supplemental appropriation for increased pay costs. Your original request in the January budget was for $24,853,000. How much of the increased pay cost is HUD actually absorbing?

Mr. KLIMAN. Mr. Chairman, the justifications indicate that we are absorbing $4.7 million. This includes over $1 million of travel funds that we will not expend because of the overall travel limitation.

Mr. BOLAND. How much has been obligated in the first half of 1980 in the salaries and expense account?

Mr. KLIMAN. About 60 percent of the total funds have been obligated. I have a computer run in front of me which indicates that as of March 31 the cumulative obligations of the Salaries and Expense account were $282,437,027.

TRAINING FUNDS

Mr. BOLAND. The department, like other agencies in the government, spends a good deal of its dollars on training. How much money is in the 1981 budget request for training?

Also, how does that compare to the amount for training in 1980, and do the amounts mentioned include the travel funds associated with training? Supply that for the record.

Mr. KLIMAN. We can give you that. We identify training travel funds separately in the budget.

Mr. BOLAND. Say that again.

Mr. KLIMAN. The detailed justifications identify the various categories of funds used for training, and we can provide you a summary listing which will indicate the amount included for travel.

Mr. BOLAND. Thank you.

[The information follows:]

TRAINING COSTS

The following table compares the fiscal years 1980 and 1981 funding levels for the various sub-objects of expense for training and indicates the number of the page on which they are discussed in detail in Part 3 of the Department's Justification:

[Dollars in thousands]

	Estimate 1980	Estimate 1981	Increase + decrease − 1981 vs. 1980	Part 3 page number
Travel	$1,700	$2,250	+$550	H–27
Space rental	125	150	+25	H–33
Printing	35	38	+3	H–34
Enrollments	1,098	1,190	+92	H–38
Contracts	1,600	1,725	+125	H–43
Supplies	105	110	+5	H–47
Equipment	40	40	.....	H–49
Total	4,703	5,503	+800	

The funding increases, exclusive of Travel, total $250 thousand—or approximately 8 percent, and reflect a modest estimate of the impact of cost inflation for these categories of expenses.

In the case of Travel, the fiscal year 1980 funding estimate reflects a significant cut-back in the number of trainees attending courses conducted at the HUD National Training Center at Columbia, Maryland, including the elimination of two supervisory seminars and seven technical training courses, in order to comply with the government-wide travel and transportation ceiling mandated by the Congress in Public Law 96-86. The fiscal year 1981 request for Travel provides sufficient funds to more adequately support the Department's training needs. While a one-time cutback in training, such as that being experienced in fiscal year 1980, can be sustained, continuing training at such a low level over time will seriously impair the Department's capability to deliver its services to the public in an adequate manner.

Mr. BOLAND. Why should the cost of training be increasing? It is my understanding that the cost of training in the 1981 budget is increasing over 1980.

Mr. MEDINA. Mr. Chairman, the vast majority of our training is technical training in our program areas. It reflects the changes that occur in the program due to new legislation and new regulations.

An example is the introduction of the moderate rehabilitation program. We had to bring in field staff to go over the regulations with them and to train them in the new procedures.

Secondly, there is the turbulence of our own staff in terms of turnover. We have new people come on board who need to be brought up to speed in terms of the programs.

TRAVEL FUNDING

Mr. BOLAND. The 1981 revised budget request reduces personnel services, but it doesn't reduce travel. Why shouldn't travel be reduced. That is a huge item across the whole activities of all of the Federal government.

It is one that all Subcommittees are taking a closer look at, and have been for the last couple of years. This is why limitations have been placed in a great number of these areas.

Mr. MARRERO. Well, we think that an agency such as ours, that is decentralized, requires travel back and forth between the area offices, the regional offices, and central, and vice versa. People from Washington have to go out and visit the field because our services are rendered in the field.

It is important that our field staff, the operational people, visit the sites of our housing developments. They have to perform evaluations and inspections of all kinds. When we are covering the entire country, it requires that people have the ability to move.

Mr. BOLAND. The point I make is—in personal services—the previous 1981 budget request is $444,335,000. The revised is $440,467,000, $4 million less than the previous estimate. But travel remains the same, $21,190,000 for both the first estimate and for the revised budget.

Is there any relationship between the two?

Mr. KLIMAN. Mr. Chairman, let me address this for a moment.

You are quite correct in pointing out an apparent disparity. We went to a lot of pain in the preparation of these estimates to relate travel logically to the staffing that we have.

We have provided you, starting on page H-23 and running through page H-29 of the salaries and expenses justification a rather detailed explanation of the methodology used for the development of the travel estimates.

Trying to live with the reduced funding during 1980 has been a very, very painful process for us. I am not sure that we are living with it, but it has forced us to make an intensive analysis of travel costs by program and by region, for every program of the Department.

One of the outgrowths of this effort is the development of travel factors by program, by region, including central office, which we can relate to staff years.

As I stated, this is presented for you, program by program, on pages H-23 through H-29 of the justifications.

I commend this to your reading. I think it is very important. It is the most logical approach to travel funding that we have given you, and will permit us to talk about it on a nonemotional basis.

INSPECTOR GENERAL TRAVEL

Mr. MARRERO. Mr. Chairman, on this point, also, I would like to have our Inspector General, Mr. Dempsey, just give you some indication of the kinds of impediments to his program that he has to face when we have to cut this budget.

Mr. BOLAND. How many people do you have traveling?

Mr. DEMPSEY. A little over 300 are in constant travel status, sir. We originally requested $1.4 million this year. We have been reduced to $1.236 million, but just within the last six weeks a situation has come up in Puerto Rico which required us to triple the staff there.

The per diem in Puerto Rico is $102. It looks like we have to have anywhere from 15 to 20 people working there for the next 60 days. That is right out of the blue. I could not budget for that.

At the rate we are going now, the $1.2 million will not be sufficient. It may be necessary for me to just sit tight the last few months of this year. We simply cannot audit or investigate from a desk.

Mr. BOLAND. The IG is targeted for a $501,000 increase in travel for 1981 over 1980. You are going to get $1,770,000 for travel. Is that sufficient?

Mr. DEMPSEY. I think $1.7 million, with the increased staff would just about do it, yes, sir. We are very close and tight with our travel estimates, as I think our past record shows.

Mr. MARRERO. It also reflects the additional staff we are projecting for the Inspector General.

Mr. BOLAND. I guess the more staff, the more travel.

Mr. DEMPSEY. Auditors and investigators travel, sir.

SMALL AND DISADVANTAGED BUSINESS

Mr. BOLAND. Turn to Tab A, Departmental Management. On page A-10 is mention of the new office of Small and Disadvantaged Business Utilization. The current positions are four.

Was there a reprogramming here to establish this new activity?

Mr. MARRERO. Yes, I believe there was.

Mr. HEARING. I can address that. Basically it was within the same account, the Departmental Management account. If you notice there is a change. There was a counselor to the Secretary's office previously. That office was abolished, and in the process, and, in compliance with the public law, this office was established.

Mr. BOLAND. Previously it was in the Secretary's office?

Mr. HEARING. Yes.

Mr. BOLAND. So it is not really a new activity?

Mr. HEARING. Well, this office is a new activity.

Mr. BOLAND. Who was doing this kind of work before?

Mr. HEARING. It was basically being done within the Department in two places—the procurement activity was being done within administration, and the Office of Fair Housing and Equal Opportunity had oversight responsibility with respect to minority business enterprises.

Last year the public law was passed which required the establishment of a specific office at the Secretarial level for this kind activity. It was all accomplished within that same Departmental Management account. So it wasn't a reprogramming as such.

OFFICE OF INTERNATIONAL AFFAIRS

Mr. BOLAND. On page A–11 is the Office of International Affairs. The table shows 18.5 staff-years in 1979, an increase of 4.5 over the last year's estimate for 1979 of 14.0.

What accounts for the additional 4.5 staff-years in 1979 over last year's estimate? Do you follow me?

Mr. MEDINA. I think it is a reflection of the increased activity for the protocol with Mexico.

Mr. KLIMAN. There was also, Mr. Chairman, a variation of the basis on which we put these numbers in the budget, which perhaps confuses the situation.

Last year we did not reflect the staff-year equivalent of overtime in the budget. This year we have. I have tried to explain that in every place in the written justification that it came up, but it may have been confused. That could very well account for it.

Mr. BOLAND. Let me ask you whether or not the Department has a number of agreements with foreign countries. Does it?

Mr. MARRERO. We have agreements at the moment with the Soviet Union, with Canada, and with Mexico. These are all part of agreements that the State Department has.

Mr. BOLAND. Supply for the record the number of agreements.

Mr. MARRERO. Yes.

[The information follows:]

Agreements With Foreign Countries

The Department is involved in agreements with nine foreign countries. They are:

Canada
France
Federal Republic of Germany
Japan
Mexico
Spain
Sweden
United Kingdom
U.S.S.R.

Mr. BOLAND. What resources—both personnel and funds—in 1979 were devoted to programs with the Soviet Union? You may supply that for the record.

Mr. MARRERO. Yes.
[The information follows:]

FISCAL YEAR 1979 RESOURCES UTILIZED FOR THE USSR AGREEMENT

During fiscal year 1979 approximately three staff years were devoted to the agreement with the USSR. They consisted of two full-time staff members—one GS-9 and one GS-12—and miscellaneous part-time clerical and administrative assistance. The total funding for this activity was $142,500, categorized as follows:

Category:	*Obligations*
Personal services (staff)	$58,323
Travel	51,568
Printing	5,000
Translation services	27,609
Total	142,500

Mr. BOLAND. How much did the Department spend on travel in the Russian program in 1979, if any. You may supply that for the record also.
[The information follows:]

FISCAL YEAR 1979 TRAVEL FUNDS ASSOCIATED WITH USSR AGREEMENT

During fiscal year 1979 the Department obligated $51,568 for travel associated with the USSR agreement.

US-USSR AGREEMENT

Mr. COUGHLIN. What is the nature of the agreement with the Soviet Union?

Mr. MARRERO. It is exchange of information on various topics related to housing, community development, new towns. It requires that they visit here and that we visit there.

Mr. COUGHLIN. Sort of conferences?

Mr. MARRERO. They are generally conferences in which we exchange information about building design, construction management, utility systems, building materials, and similar topics. New towns is one activity for which they are scheduled to visit here.

Mr. BOLAND. Of course, if you are following the Presidential Order, activities with the Soviet Union have been about terminated.

Mr. MARRERO. We have not pursued anymore activities than that. Indeed, the Secretary was scheduled to visit the Soviet Union this spring, and that meeting was cancelled.

Mr. MEDINA. Mr. Chairman, we have the 1979 number for the travel, if you would like it right now. The actual trade obligations related to the Soviet Union agreement during fiscal year 1979 were $51,568.

Mr. BOLAND. What do you have in 1981?

Mr. MEDINA. For 1981, the estimate is $58,000.

Mr. BOLAND. Okay.

TRANSLATION SERVICES

On page A-21 is mention of a translation services contract. The next to the last sentence indicates, "As a result of the heavy and increasing demands upon the US-USSR, and the US-Mexican agreements, almost no other translation has been possible.

How much of the $90,000 request for 1981 is related to Russian translation services?

Mr. MARRERO. We will supply that for the record.
Mr. BOLAND. All right.
[The information follows:]

FISCAL YEAR 1981 ESTIMATE OF RUSSIAN TRANSLATION SERVICE

The fiscal year 1981 request of $90,000 for translation services includes an estimated requirement of $67,000 for Russian language translations.

Mr. BOLAND. How much of the $48,000 spent in 1979 was related to Russian translation services?
Supply that for the record also.
[The information follows:]

FISCAL YEAR 1979 OBLIGATIONS FOR RUSSIAN TRANSLATION SERVICES

The fiscal year 1979 obligations of $48,000 for translation services included $27,609 for Russian translations.

VISIT OF SOVIET UNION STAFF

Mr. MARRERO. Mr. Chairman, so that it does not come as a surprise, I want to indicate while we are on this topic, that the State Department has instructed us that although the relationship between the two countries has shifted slightly in the past few months, that not all activities of the nature of exchanges have been terminated.

They have indicated to us that they want us to continue certain kinds of exchange programs until they notify us to the contrary. In fact, they have asked us to approve the visit of Russian housing experts to this country scheduled to be made in the next few weeks.

We don't know whether or not the Russians will choose to come, but the State Department has indicated to us that if they do, we should continue with the activity.

Mr. BOLAND. What sort of activities is the State Department talking about?

Mr. MARRERO. It is a visit of six Soviet housing and community development people who are supposed to come here pursuant to the exchange.

Mr. COUGHLIN. Excuse me, Mr. Chairman.

So we are going to continue on.

Mr. MARRERO. We cancelled our trip, but they have not yet cancelled theirs. The State Department has indicated to us that until further notice we should program the travel monies required for their trip here.

Mr. COUGHLIN. Maybe we can just deprogram them.

FIELD LEGAL SERVICES

Mr. BOLAND. Turn to Tab C, Field Legal Services. The table on page C–7, under the breakdown of staff-years, permanent full-time personnel, goes from 308.4 in 1979 to 326.0 in 1980, to 315.0 in 1981. What accounts for these fluctuations?

Ms. MCGREW. I would like to ask my deputy to address the matter, Mr. Leigh Curry.

Mr. CURRY. The basic change was the 1979 actual figure.

Mr. BOLAND. You will have to talk louder.

Mr. CURRY. The basic change relates to the actual 1979 figure for field staffing, which is an end of year figure, and which also reflects flexibility which is afforded to the field to add positions to the legal offices to the degree that regional administrators and office heads find the need to augment legal staffing in those offices.

There was a bulge there, but our staffing is, as you see, pretty constant thereafter.

Mr. BOLAND. Why does the line, "other temporary and part-time employees" go from 11.7 in 1979 to 11.9 in 1980 to 10.9 in 1981?

Mr. CURRY. I think we will have to furnish that. I cannot answer that off the top of my head.

[The information follows:]

Field Legal Services Staff-Years

The distribution of the estimated Field Legal Services staff-year requirements and end-of-year permanent full-time staff displayed on page C-7 of Part 3 of the Department's justifications is as follows:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Permanent full-time personnel	308.4	326.0	315.0
Special employment programs	14.5	8.5	10.0
Other temporary and part-time employees	11.7	1.9	10.9
Terminal leave	1.8	1.5	2.0
Overtime	1.5	1.5	1.5
Total staff-years	337.9	339.4	339.4
Permanent full-time positions, end-of-year	331	315	315

The total staff-years identified for this activity anticipate a relatively level workload. The permanent full-time staff is, of course, the principal source for fulfilling the staff-year requirement. There were 331 permanent full-time staff on board at the end of FY 1979 and the FY 1980 end-of-year ceiling is 315 positions; therefore, a reduction of 16 positions is required. For projection purposes, it is assumed that the basic level of 315 positions will be on-board for the full-year (for a total of 315 staff years) and that a net of two-thirds of a staff-year will be realized from each of the 16 positions being reduced (total of 11 staff years). Thus, it is projected that there will be a total of 326 staff-years for permanent full-time personnel. The FY 1981 estimate includes 315 permanent full-time staff-years because there is no change to the end-of-year employment.

Having established the permanent full-time staff years available to meet the total staff-years required, the balance must come from other sources. Terminal leave is discounted from such calculations because it is non-workload related and reflects a statistical distribution of the Department's estimated overall requirement for that purpose. The Overtime projection reflects historical usage and no change is anticipated. Thus, the remaining staff-year requirement must be satisfied through a combination of Special employment programs and other temporary staff. In the case of Field Legal Services, the Special Employment program consists of Legal Interns which are a source of obtaining skills related to this activity on a temporary basis, as well as a means of recruiting qualified staff. The use of such personnel is expected to be maximized within the staff-year allowance.

However, there must be a capability to meet other temporary requirements, such as clerical and other supportive activities and the residual staff-years available after the previous considerations have been met are assigned to that category. The fluctuation for this category, is due to its use as the residual means of satisfying these staff-year requirements.

It should be noted that the individual Regional Administrators have some degree of flexibility in utilizing the total staff-years assigned to them. Their allocations include staff for the various program activities and administrative functions. Thus, actual data will vary from these estimates, depending on individual personnel actions taken by the ten Regions during the course of the year.

INSPECTOR GENERAL STAFF

Mr. BOLAND. Turn to Tab D, Inspector General. The 1981 revised request reflected in the yellow sheet is $18,986,000. The original estimate was $19,120,000. The permanent positions increase by 65, from 488 in 1980 to 553 in 1981.

If the Congress provides a 13 percent increase in permanent positions requested for fiscal year 1981, will this level be sufficient for future years? I am assuming that the program levels will remain about the same.

Mr. DEMPSEY. Sir, I can answer that this way. This is the first budget reflecting the Inspector General Act of 1978. Prior to the passage of the Act, we were doing approximately 6 percent of what is in the Act.

The increase of 65 positions will allow us to start implementing the sections of the Act that add new functions. It may very well be that there is a multiplier effect, and that we will have to come back in later years to ask for an increase. Yes, sir.

Mr. BOLAND. On page D-18, under the Office of Audit, nine of the increase of 55 positions requested—how many positions are requested in the Office of Audit?

Mr. DEMPSEY. 55, sir.

Mr. BOLAND. And nine of the 55 are for the Headquarters?

Mr. DEMPSEY. Yes, sir.

Mr. BOLAND. Why the headquarters? I thought the field was the place.

Mr. DEMPSEY. The headquarters staff performs all of our headquarters audits. We also provide the technical experts needed for nationwide audits.

Our audits are now much more complex and we are going much deeper than in the past as a result of the Act. We need expertise in Washington to pull it all together and to act as a central control point at the request of the GAO we are adding ADP expertise, in order to review the design phases of ADP programs.

Mr. BOLAND. Well, you certainly have a full workload. We have to look at the activities in which you are going to be engaged. If we give you the 55 positions, we will be quite interested next year in your activities.

ADMINISTRATION AND STAFF SERVICES

Turn to Tab E, Administration and Staff Services. The table on the first page indicates staff-years of 1,707.8 for this activity in 1979. Last year's estimate was 1,551 staff-years. Tell me what accounts for the increase of 156.8 staff-years in 1979 above the original estimate.

Mr. KLIMAN. I don't have that in my head at the moment, sir. There was, in the case of Administration and Staff Services, an excess utilization last year. I believe it was in accounting, but I would have to go back and check that.

Mr. BOLAND. Your belief is right. I have a note here that was perhaps where it occurred.

Financing and accounting. Where did the resources to support this increase of staff-years come from?

Mr. KLIMAN. Sir, as you know, we administer our Salaries and Expenses account as one account. We separate it by activities and advise you if we want to make any permanent full-time position adjustments among the accounts. In this case, there was heavy overtime and temporary staff usage.

Mr. BOLAND. You can expand on that. That is a substantial increase. When you see large shifts occur, it gives rise to whether or not your resources are that scarce.

Mr. KLIMAN. We shift among the activities, sir, as necessary to get the job done.

Mr. BOLAND. We will discuss increases related to HUDMAP later.

OFFICE OF PERSONNEL

On page E-31, the Office of Personnel. The table indicates 308.2 staff-years in 1979. Last year , the 1979 estimate was 271.0 staff-years. What accounts for the increase of 37.2 staff-years in 1979 above that year's estimate?

Mr. MEDINA. Basically, the simple answer is the impact of the civil service reform on us in terms of evaluation systems, merit pay, for all employees, and for SES people. We had to develop a lot of new procedures driven by the new public law.

FUNDING LAPSE

Mr. BOLAND. Okay. We will turn to Tab H, Salaries and Expenses. On the first yellow page it is noted that $9,272,000 lapsed at the end of fiscal year 1979. There is nothing wrong with lapsing funds. In fact, it shows pretty prudent management. Still, I am curious as to why the $9,272,000 lapse occurred?

Mr. KLIMAN. As you know, this Department does not engage in year-end spending, and we let the monies lapse if they are not needed.

Mr. BOLAND. Who doesn't engage in year-end spending?

Mr. KLIMAN. HUD doesn't.

Mr. MEDINA. Our fourth quarter spending has been going down for the last three years every year. It was about 19 percent in the fourth quarter.

Mr. KLIMAN. We do not use up money just because it is there. We choose to let the money go back to the Treasury.

Mr. BOLAND. Congratulations.

Mr. KLIMAN. In 1979, unfortunately, as in so many prior years, there was an employment freeze. We budget as carefully as we can, but every time there is a freeze, the calculations are affected as to a lapse of $9 million out of a half a billion dollar administrative expense budget, I can only recite to you the budgeting manual, which will say that is pretty close.

HOUSING APPRAISERS AND INSPECTORS

Mr. BOLAND. We talked a bit about the increase of 30 permanent positions. We also indicated that—at the top of page 12—there are some very significant changes.

The largest reduction is the proposal to eliminate 258 staff appraisers and inspectors in 1981. The Committee has received some

correspondence on this matter. How many staff appraisers and inspectors were there in 1979 and how many in 1980?

Mr. MEDINA. There will be approximately 500 appraiser and inspector positions impacted by moving to the 100 percent fee. I want to point out that we have previously always used fee appraisers. The only difference between this year and last year is we are moving from an 85 percent level to 100 percent. We have been increasing over the past three or four fiscal years.

Mr. HEARING. We can supply the numbers for the record. The relative difference should be about 500.

[The information follows:]

STAFF APPRAISERS AND INSPECTORS

The number of HUD appraisers and inspectors performing home appraisals and inspections in September 1979 was 997 and in February 1980 was 940. The pending conversion to the exclusive use of HUD-approved private appraisers and inspectors is expected to result in a reduction of approximately 500 permanent full-time positions for these functions in 1981. Some staff who are now performing these functions will be retained in 81 field offices for the purpose of providing liaison with the private appraisers and inspectors and to monitor their activities.

Mr. BOLAND. How does the effectiveness and the efficiency of staff appraisers and inspectors compare to fee appraisers and inspectors?

Mr. HEARING. Perhaps the Inspector General could reinforce me on this. Over the years I don't believe there has been anything that has shown that there is any major difference in terms of the quality and the expectations in regards to the use of in-house or fee inspectors and appraisers.

Mr. MEDINA. We do supervise them.

Mr. BOLAND. Have you ever had an opportunity to compare the appraisal fee of staff appraisers and fee appraisers? That would be a pretty good indication of whether or not——

Mr. DEMPSEY. We looked at it from a quality side. There is no difference as far as quality.

Mr. MEDINA. The Veterans Administration has been using the fee system for many years.

Mr. BOLAND. I know they have used the fee system.

Now, the Secretary's statement indicated that the fee charged for such services was substantially below the actual cost of performing the function.

If that is so, why not increase the fee charged for such service to the actual cost? Isn't that what will happen anyway—the mortgagor will pay the actual cost?

Mr. MEDINA. That is one alternative, yes.

Mr. BOLAND. Well, no doubt about it.

Mr. MEDINA. Yes, sir.

Mr. BOLAND. Why not increase the fee charge for such service to the actual cost? As I said, the Secretary's statement indicated that the fee charge for such services was substantially below the actual cost of performing the function.

Mr. MARRERO. I think the answer to that is that at a time when housing costs generally have been going up, we have attempted in every way possible to take steps to reduce costs rather than to increase them. To shift the cost to the developer would only mean you are increasing the overall costs of housing.

Mr. BOLAND. Didn't the fee inspectors cause a big part of the 235, 221-D-3 problem in Detroit some years ago.

Mr. KLIMAN. If I recall correctly, they were both outside people and inside people.

Mr. MEDINA. There were HUD people involved.

Mr. BOLAND. Laying aside the question of who pays the cost, is it not less expensive to use staff appraisers and inspectors instead of fee appraisers and inspectors?

Mr. YAZURLO. I do not know.

Mr. BOLAND. That would be a nice thing to know.

STAFF FLUCTUATIONS

Mr. KLIMAN. Regardless of how that comes out, we mentioned at the beginning of the session that the workload goes down or up because of fluctuations in the FHA market. We have had situations where, because of fluctuations in the market and application receipts, we have had ineffective utilization of staff, simply because the estimates for specific levels of application receipts did not occur. One of the things that will happen and which will enable us to, in effect, to get more bang for the Federal dollar, is to be able to lessen the impact of these market fluctuations upon HUD staff. The fluctuation occurs in the appraisal and inspection functions, and once we get totally out of those functions we will be able to handle our own staff much more effectively. I am not sure how that can be quantified in dollar savings, but it certainly is a better way to use one's staff.

Mr. BOLAND. You can quantify it in workload estimates, or can't you?

Mr. MEDINA. There is the flexibility question, because it gives you much more flexibility.

Mr. DEMPSEY. We will be taking 10 of these appraisers in the Inspector General's office and putting them in specifically right off the bat on fee appraisal and we will be projecting that monthly. We will have them assigned to our office.

Mr. MEDINA. Mr. Chairman, we have a cost-benefit analysis, dated March 13, 1980 on the 100 percent fee conversion. If you would like, we will submit it for the record.

Mr. BOLAND. Why don't you do that, and I will submit a couple of letters that have come to us in reference to this question.

[The information follows:]

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES
AFFILIATED WITH THE AFL-CIO

DES MOINES HUD LOCAL 3452

April 11, 1980

RECEIVED BY
APR 15 1980
EDWARD P. BOLAND, M.C.

Honorable Edward P. Boland
Chairman, House Subcommittee on Housing &
Urban Development - Independent Agencies
H-143 - The Capitol
Washington, D. C. 20515

Dear Mr. Boland:

The Department of Housing and Urban Development (HUD) is planning to elimiate all remaining single-family appraisers and construction analyst (inspector) positions on June 1, 1980. These functions will be contracted out to individuals on a fee basis. Appraisers are responsible for determining the value of single-family homes. Construction analysts determine whether new construction meets the standards that had been approved when the construction was proposed. Indications are that 214 inspectors and 336 single-family appraisers nationally are scheduled to lose their civil service jobs on June 1.

We urge you to consider the effects of the contracting out plan. If HUD contracts out the remaining single-family appraisal and construction analyst functions, efficiency and ecomony in government will decrease and the costs to the housing applicant will increase dramatically.

Studies comparing appraisal work by staff personnel with appraisal work by fee contractors nationally have found in-house work to be less costly without a difference in the quality of appraisals. (See HUD Task Force on Housing Cost Interim Report, July 8, 1977 and An Evaluation of the Staff and Fee Appraisal Process, August, 1978, prepared by Arthur Young & Company.). We also feel, as more work is done by fee appraisers and inspectors, consumer complaints will be increased.

We feel that HUD's contracting out plan is not effective nor efficient. The people effected by this plan are not only the 214 inspectors and 336 single-family appraisers but every consumer who buys a house with F. H. A. insurance. Please consider the long range effects of this plan and do not let HUD implement this plan.

Sincerely,

Jane E. Newberry
President, Local 3452, AFGE, HUD, Des Moines Service Office
4906 Ingersoll Apt. #17
Des Moines, Iowa 50312

JACK HIGHTOWER
13TH DISTRICT, TEXAS

120 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: 225-3706

COMMITTEE
APPROPRIATIONS
SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES
SUBCOMMITTEE ON STATE, JUSTICE, COMMERCE, AND JUDICIARY

Congress of the United States
House of Representatives
Washington, D.C. 20515

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VERNON, TEXAS 76384
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AREA CODE (817) 767-0541

March 26, 1980

Honorable Edward P. Boland
Subcommittee on HUD--Independent Agencies
H-143 Capitol

Dear Congressman Boland:

I have received documentation from two HUD staff appraisers who live who live in my district concerning the proposed elimination of their jobs in the 1981 fiscal year HUD budget. I am forwarding a copy of their letter for the committee's consideration as I feel that it is information that the committee should consider when evaluating the HUD budget.

Under the administration section on page S & E - 2 of the 1981 HUD budget is listed staffing estimates. It is estimated that there will be a decrease of 268 positions by using fee inspection and appraisal services in lieu of federal staff. I think that we all are in favor of cutting government spending, thus, necessitating the action of cutting back on government employees. However, based on Mr. Burkett and Mr. Huyck's letter it would appear that there would be no cost savings by eliminating these postions, but in fact there would be an increase in government spending. Also one must consider the effect that this job lose would have on the individuals involved. Therefore, I am requesting that particularly close attention be given this item, and I would appreciate an explanation of why this cut back is retained in the budget if the committee decides to follow HUD's recommendations.

I thank you for your consideration of this matter, and I would be most greatful for any information that you can provide.

Sincerely,

Jack Hightower

March 5, 1980

Congressman Hightower:

As requested by your office we have compiled some cost figures comparing staff appraisers to contract or fee appraisers. This change is proposed by H. U. D. and its target date is June 1, 1980. We also listed some advantages and disavantages of using fee appraisers.

Year 1979

Jim Burkett	Salary (GS 11 Grade 5)	Mileage	Benefits Retirement, Sick Leave Insurance
Worked 817 cases	$21831.00	$3118.30	$3100.

Cost Per Case

Salary
Mileage = $28050. / 817 worked cases = $34.33 cost per case
Benefits

Proposed Change Cost

817 Cases @ $60.00 = $49020.or $60.00 cost per case

If I had worked last year as a fee appraiser and completed the same number of cases I would have been paid $20970 . more than my annual salary.

We checked with Security Federal Savings and Loan and were informed they charge $80.00 for a V.A. Appraisal plus mileage. F.H.A. will also raise the cost to probably $80.00 which means it would cost even more than the above example.

Advantages of Staff Appraisers

(1) Quality Control
(2) Full time employee
(3) Available for training
(4) Public Relation
(5) 7 Day Processing of Appraisals

62-851 O - 80 - 32

Disadvantages of Fee Appraisers

(1) Lack of Control
(2) Fee Appraisers are only part-time
(3) Difficulty of training
(4) No Public Relations
(5) Will require more time for processing of appraisals.

At the present time Ron and myself are the only F.H.A. representatives in the Amarillo area. We are readily available if the realtor or home-owner has a question concerning F.H.A. requirements or of the appraisal. If we are changed to 100% fee contract work we will lose this personal service and contact with the people.

F.H.A. has made it possible for a great number of people to purchase homes. We feel it is one of the best services the government has to offer its people. The organization, as it is now, is very effective in its goal to providing the necessary insurance on home loans. If the new 100% fee system is allowed to be integrated into the present system, we feel it will be very detrimental to the operation of F.H.A.

We honestly feel this proposed change will be costly and will result in providing the public with a poorer, less efficent operation.

The organizers of this plan say it is patterned after the system used by V.A. If the people would check with local real estate and mortage people, they would find the V.A. system is a slow inefficent system whereas the existing F.H.A. system is much faster and more efficent.

We would appreciate any help you could give us in trying to stop this movement before it is integrated into the system.

We have enclosed some exhibits for your inspection.

Signed Jim Burkett
Jim Burkett
FHA Staff Appraiser

Ron Huyck
Ron Huyck
FHA Staff Appraiser

cc: Lloyd Bentsen
John Tower

Val

RECEIVED
FEB 2 1980
REFERRED TO
BY HT

JK
gaw
JK.
Bom

100 Percent Fee Conversion Outline

Three Program Initiatives

1. 100 percent utilization of fee appraisers and inspectors for initial cases.

2. Elimination of HUD participation in the application billing and the disbursement of payments to fee appraisers and inspectors processes.

3. Implementation of new processing procedures.

   a. telephone assignment procedure for initial cases

   b. revision of inspection assignment procedure.

Implementation Date: June 1, 1980

I. 100 Percent Fee

   A. Distribution of Work - Valuation Section

      1. Fee Appraisers

         a. perform all appraisals requested by mortgagees on all types of construction. (for proposed construction - appraiser must do cost "take-off".)

         b. complete compliance inspections, if required, on existing properties. (Appraiser who made requirement will be responsible for making inspection unless requirement is of a serious structural nature.)

         c. do field work on reconsiderations involving requests for value increases. (Cases will be processed by original appraiser and no fee will be provided.)

      2. Staff Appraisers/ Review Appraisers

         Duties will be identical with those currently performed with exception of the functions assigned to fee appraisers or modified below. Particular emphasis should be placed on review and training responsibilities.

         a. no longer perform quarters appraisals, Section 312 appraisals, and collect data for unsold inventory.

         b. perform all reconsiderations with the exception of those involving value changes.

c. desk review all reconsiderations processed by fees.

d. desk review all compliance inspections completed by fee appraisers.

e. complete appraisals as requested by Mortgage Credit and Property Disposition Sections.

B. Distribution of Work - Architectural Section

1. Fee Inspectors

a. perform all inspections on proposed construction (substantial rehabilitation) properties.

b. perform inspections on existing properties when requirement is of a serious structural nature.

2. Architectural Staff

Duties will be identical with those currently performed with the exception of those functions assigned fee personnel or modified below. Particular emphasis should be placed on training and review responsibilities.

a. appropriate desk review will continue on inspections done by fee inspectors.

b. review of fee appraiser's estimate of replacement cost for proposed construction properties and certification that the property meets the Minimum Property Standards (MPS).

II. Elimination of Application Billing and Fee Personnel Payment Disbursement Processes

A. Regulations are being modified to eliminate the collection of all application (including VA CRVs) and commitment extension fees.

1. the lender may collect the appropriate fee (appraisal or inspection) and pass it on to the fee personnel directly upon completion of work.

2. fee structure will be established locally (similar to VA).

B. There will be no extensions of commitments.

Procedures are being prepared to accommodate situations where a buyer is involved.

3

C. Mortgage Credit may continue to use fee examiners, as necessary, in accordance with existing procedures.

III. New Processing Procedures

A. Initial Cases

1. Lender will call HUD for name of appraiser and send 2800 package directly to appraiser.

2. Appriaser will complete appraisal and transmit entire package directly to HUD.

3. Remaining steps similar to existing procedures with elimination of certain clerical recordkeeping functions.

B. Reconsideration processing will be similar to present procedures

C. Inspection Assignment

1. For proposed construction cases, Field Office will provide inspector at time of commitment.

2. For existing construction cases, original appraiser will be responsible for inspection.

3. Inspection package will be transmitted directly to HUD upon completion for concurrence.

RECEIVED
FEB 28 1990
REFERRED TO
BY

Southwest Region *Letter*

Office of Personnel Management
1100 Commerce Street
Dallas, Texas 75242

FEDERAL RECORDS ADMINISTRATION
RECEIVED
FEB 26 1980
REFERRED TO
BY

351-2
Feb.14,1980

TO: Heads of Activities

REDUCTION IN FORCE APPEAL RIGHTS OF EMPLOYEES

OPM has recently received many inquiries concerning the right of employees to appeal reduction-in-force actions to the Merit Systems Protection Board (MSPB). This letter explains this appeal right and outlines the procedures for agencies to follow in affording employees this right.

In brief the provisions of law and regulation stipulate that:

- Employees in a bargaining unit covered by a negotiated grievance procedure that excludes or does not cover reduction in force may appeal reduction-in-force actions to MSPB.

- Employees in a bargaining unit covered by a negotiated grievance procedure that includes reduction in force must use the negotiated grievance procedure and may not appeal reduction-in-force actions to MSPB.

- All other employees may appeal reduction-in-force actions to MSPB.

Employees may appeal reduction-in-force actions to MSPB at any time during the period beginning with the effective date of the action being appealed until not later than 20 days after the effective date.

The regulations require that, in advising employees of their right to appeal reduction-in-force actions, agencies must follow specific notice procedures.

These MSPB regulations have been reprinted by the Office of Personnel Management in FPM Special Bulletin #70, dated October 22, 1979, for your reference.

Edward Vela, Jr.
Regional Director

Surprise Plan to Convert 1000 HUD Jobs Disputed

The Department of Housing and Urban Development plans to convert some of its oldest positions — Federal Housing Administration appraisers and inspectors — to private "fee" personnel by June 1.

In response, the National Federation of Federal Employees has filed an unfair labor practice charge against HUD and Secretary Moon Landrieu, claiming its consultation rights were violated in the surprise move.

NFFE officials, who labeled the plan "the essence of mismanagement," claim the nationwide reduction-in-force could involve more than 1000 workers who now deal with single-family dwellings.

The severity of the cutback is disputed by officials at HUD, who say many of the staffers will remain in their positions to check and oversee the work of fee personnel as is done now. Fee appraisers and inspectors already do the bulk of on-site work.

HUD spokesman Bob Fagin also said the switch is part of a plan to make users pay directly for FHA services, which under the present system are sometimes subsidized. The change would bring the program in line with the similar mortgage insurance system run by the Veterans Administration, he said.

The union was not consulted beforehand because the plan was part of President Carter's 1981 budget, but discussions now are in progress, Fagin said, adding that he believed HUD had complied with the contract.

It is expected that between 300 and 500 slots will be lost in the shuffle, although some staffers may be trained for multi-family housing work or in housing management and others will be absorbed elsewhere, he said.

Early-out retirement authority has been approved and many would qualify for it, Fagin added.

He also predicted savings from the change and said a cost-analysis was made. NFFE has requested the cost studies under the Freedom of Information Act.

Comments on Fee Inspector Letters

The two letters provided for the record--from the Des Moines HUD Local 3452 of the American Federation of Government Employees and from two HUD Staff Appraisers transmitted by Representative Jack Hightower of Texas--express similar concerns about the conduct of all single family housing appraisals and inspections by private appraisers and inspectors in lieu of a combination of such private individuals and HUD staff. The following comments address those concerns.

Currently, single family mortgage insurance inspections and appraisals are performed by either HUD staff or by private individuals who have been certified by HUD as competent to perform these functions on a fee basis. Under the revised procedures, which will be fully implemented by the beginning of FY 1981, all such inspections and appraisals will be conducted by private individuals. Arrangements for inspections or appraisals and for payment to individuals who perform these services will be the responsibility of the lending institution which initially receives the application. It is the Department's legal opinion that this program change does not constitute "contracting-out" as defined in OMB Circular A-76. Further, in order to ensure quality work associated with this change, the Department will closely monitor performance by private individuals. Failure to meet HUD processing standards will subject private individuals to removal from the list of HUD approved inspectors and appraisers and from doing further business with the Department.

The change will not result in an increase to Government spending. On the contrary, it will reduce the current Government subsidy associated with each appraisal and shift the cost of this service to the user. The cost benefit analysis, which takes into account all costs and which has been provided separately, indicates that the Department will save approximately $9.9 million dollars by implementing this change. We believe that these revised procedures will result in the most efficient and effective use of Government resources.

A number of current HUD staff inspectors and appraisers will be retained for liaison with the private individuals and to monitor their activities. However, approximately 500 inspectors and appraisers will be affected by this reduction to HUD staff requirements. The majority of them will be retained and placed in other positions within the Department. All affected staff will be given the option of placement on the appropriate HUD approved list of inspectors and appraisers in lieu of alternate positions within the Department.

Fee Inspector Cost Benefit Analysis

An analysis has been completed on the cost effectiveness of the proposal to utilize fee personnel for all single family appraisals and inspections and eliminate HUD participation in the application billing and the payment to fee personnel processes. Under present procedures, HUD charges the mortgagee an application fee to cover the cost of processing. In addition, HUD must pay fee appraisers and inspectors for services rendered.

Through the implementation of this proposal, the lender will collect an appraisal fee and inspection fee, if required, and make payment directly to the appropriate appraiser or inspector. HUD's participation in these billing and disbursement processes is eliminated.

Attachment I summarizes the financial comparison between the existing and proposed procedures. With the new procedure, HUD can realize a savings of $9,901,628. The principal areas of savings are the elimination of the $10 "subsidy" on existing appraisals completed by fee personnel and the considerable staff savings generated by the performance of all appraisals and inspections by fees. There is the additional benefit derived of making single family staff positions available to perform other responsibilities within the Department. It should be emphasized that this analysis is limited to those workload activities directly affected by the implementation of the revised procedures. The inclusion of other workload items (i.e., remaining conditional commitment functions and the other components of mortgage insurance processing - mortgage credit and insurance endorsement) would have no effect on the net savings because these other functions are identical for both processes.

With regard to reconsideration processing under the new procedure, fee appraisers will be responsible for completion of field work on requests for value increases. For these reconsiderations, staff appraisers will do a preliminary desk review prior to assignment to the original fee appraiser. Both of these changes are reflected in this analysis.

Attachment II provides a complete cost analysis of the affected work items under both procedures. Workload projections are based on the FY 1981 Budget and staffing factors are predicated on currently approved work measurement standards. FY 1980 Operating Plan fee usage rates were used as the basis for fee costs.

In addition to the savings and expenditures detailed in this analysis, there are other items on both sides of the ledger which have not been evaluated because they will not substantially alter the conclusions of this analysis. From a savings prespective, over 1,000,000 application billing and fee payment transactions will be eliminated for Headquarters' Office of Finance and Accounting and Office of ADP Systems Development. Because of the field office staff savings generated, it may also be possible to reduce rental space requirements.

Concerning expenditures which were not included, no calculations were made relative to the cost of relocating affected employees. Since the magnitude of this expense is unavailable at this time, no cost was determined. However, preliminary analysis indicates that the alternative of relocation will not be employed frequently due to the type of positions affected and the Department's desire to find positions for as many personnel as possible in the office in which they are currently employed. Correspondingly, it is also recognized that training of certain employees will be required to accomplish this goal. It should be added that these expenses are not recurring and will only occur at the time of implementation.

In conclusion, at the request of the Housing Cost Staff, analysis was performed on an alternative staffing pattern which utilized fee personnel for only 25 percent of appraisals and inspections. This rate of fee usage coincides with the Housing Cost Staff's mandate to compare all proposed changes with the staffing level required if fee individuals only perform appraisals and inspections during periods of increased workload. Attachment III provides this analysis which supports the conclusion that the 100 percent fee proposal is cost beneficial to HUD.

Attachment I

COST COMPARISON OF EXISTING AND NEW PROCEDURES

Net Loss	
Existing Procedure	$11,387,097
New Procedure	$1,485,469
Net Cash Outlay Reduction with New Procedure	$9,901,628
Savings	$9,901,628

This analysis is limited to those items directly affected by the proposed revisions. Actual losses would be substantially higher for both procedures. However, the net difference would remain the same because the other work items are identical for both processes (i.e., remaining conditional commitment functions and the other components of the mortgage insurance process - mortgage credit and insurance endorsement).

I. Existing Procedure

Proposed Construction

Total Revenues		$7,615,270
Total Expenditures		
Appraisal and Architectural Processing	$2,995,539	
Inspections		
Fee Payments	$3,444,444	
Clerical Costs - Fees	342,841	
Staff Inspections	886,435	
Reconsiderations		
Staff Costs	$366,801	
Total Expenditures		$8,036,060
Net Loss		$420,790

Existing Construction

Total Revenues		$27,452,250
Total Expenditures		
Appraisals		
Fee Payments	$28,001,280	
Clerical Costs - Fees	483,094	
Staff Appraisals	3,790,273	
Inspections	4,432,174	
Reconsiderations	1,711,736	
Total Expenditures		$38,418,557
Net Loss		$10,966,307
Total Net Loss (Proposed and Existing Construction)		$11,387,097

II. New Procedure

Proposed Construction		
Total Revenues		0
Total Expenditures		
Architectural and Appraisal Processing	$1,399,769	
Inspections	0	
Reconsiderations	0	
Total Expenditures		$1,399,769
Net Loss		$1,399,769
Existing Construction		
Total Revenues		0
Total Expenditures		
Appraisals	0	
Inspections	0	
Reconsiderations	$85,700	
Total Expenditures		$85,700
Net Loss		$85,700
Total Net Loss (Proposed and Existing Construction)		$1,485,469

Attachment II

I. Existing Procedures

A. Proposed Construction

1. Revenue:

117,158 cases (FY 1981 Budget Workload)
x $65 Application Fee
$7,615,270

Total Revenue $7,615,270

2. Expenditures

a) Appraisal and Architectural Costs

117,158
x 1.50 hours per case [1/]
175,737 hours

98 staff years
x $22,672 (GS-11 Step 4)
$2,221,856

Fringe Benefits (26%) [2/] $577,683

Travel [3/] 196,000
$773,683

Expenses

$2,221,856
773,683
$2,995,539

b) Inspections

117,158
x 3.5 inspections per case
410,053 total inspections

Fee Inspector Costs (70% fee rate)

287,037 fee inspections
x $12 fee payment
$3,444,444

Clerical Costs - Fees

287,037 fee inspections
x .14 hours per inspection
40,185 hours

22 staff years
x$12,368 (5/4)
$272,096
Fringe Benefits 70,745
$342,841

Staff Inspections (30% of total)

123,016
x .43 hours per inspection
52,897 hours

29 staff years
x$22,672 (11/4)
$657,488

Travel	$58,000
Fringe Benefits	170,947
	$228,947

Expenses	$3,444,444
	342,841
	657,488
	228,947
	$4,673,720

c) Reconsiderations

Requests for Value Change

38,361 4/ workload
x .55 hours per case
21,098 hours

12 staff years
x$22,672 (11/4)
$272,064

Travel	$24,000
Fringe Benefits	70,737
	$94,737

Expenses	$272,064
	94,737
	$366,801

Total Costs	
Appraisal and Architectural Processing	$2,995,539
Inspections	4,673,720
Reconsiderations	366,801
	$8,036,060
Total Revenues	$7,615,270
Total Expenses	8,036,060
	- $420,790
Proposed Construction	
Net Loss	$420,790

B. Existing Construction

1. Revenue

549,045 cases (FY 1981 Budget workload) 5/
x $50 Application Fee
$27,452,250

Total Revenue $27,452,250

2. Expenditures

a) Appraisal Costs

Fee Appraiser Costs (85% Fee Rate)

466,688 cases done by fee (85%)
x $60 fee payment
$28,001,280

Clerical Costs - Fees

466,688
x .12 hours per case
56,003 hours

31 staff years
x $12,368 (5/4)
$383,408
Fringe Benefits 99,686
$483,094

Staff Appraisals (15% of total)

82,357 (workload)
x 2.72 (hours per case)
224,011 hours

124 staff years
x$22,672 (11/4)
$2,811,328

Fringe Benefits	$730,945
Travel	248,000
	$978,945

Expenses	$28,001,280
	483,094
	2,811,328
	978,945
	$32,274,647

b) Inspection Costs

549,045 workload
x .5 inspections per case
274,523 inspections
x .95 hours per inspection
260,797 hours

145 staff years
x $22,672 (11/4)
$3,287,440 staff costs

Fringe Benefits	$854,734
Travel	290,000
	$1,144,734

Inspection Costs	$3,287,440
	1,144,734
	$4,432,174

c) Reconsiderations

Requests for Value Change (Staff completes entire processing)

38,727 [6/] workload
x 2.60 (hours per reconsideration)
100,690 hours

56 staff years
x $22,672 (11/4)
$1,269,632

Fringe Benefits	$330,104
Travel	112,000
	$442,104

Reconsideration Costs	$1,269,632
	442,104
	$1,711,736

Total Costs

Appraisals	$32,274,647
Inspections	4,432,174
Reconsiderations	1,711,736
	$38,418,557

Total Revenues	$27,452,250
Total Expenses	38,418,557
	- $10,966,307

Existing Construction Net Loss	$10,966,307

C. Net Result for All Types of Construction

Proposed Construction	- $420,790
Existing Construction	- $10,966,307
	- $11,387,097

Net Loss - Existing Procedures $11,387,097

II. New Procedures

A. Proposed Construction

1. Revenue

None collected.

2. Expenditures

a) Appraisal and Architectural Costs

117,158 (FY 1981 Budget workload)
x .75 hours per case
87,869 hours

49 staff years
x 22,672
$1,110,928
Fringe Benefits 288,841
$1,399,769 (no travel costs)

b) Inspections

No inspection costs.

c) Reconsiderations

No costs for Reconsideration of Value 7/

Total Costs $1,399,769

Total Revenue 0
Total Expenses 1,399,769
- $1,399,769

Proposed Construction
Net Loss - $1,399,769

B. Existing Construction

1. Revenue

None.

2. Expenditures

a) Appraisal Costs

None.

b) Inspection Costs

None.

c) Reconsideration Costs

Desk Review of Reconsiderations Processed by Fees (prior to assignment)

38,727 workload
x .16 hours per case
6,196 hours

		3 staff years
	$22,672	(11/4)
	$68,016	
Fringe Benefits	17,684	
	$85,700	

Total Costs

Appraisals	0
Inspections	0
Reconsiderations	$85,700
Total Revenue	0
Total Expenditures	$85,700
	- $85,700
Existing Construction Net Loss	- $85,700

C. Net Result for All Types of Construction

Proposed Construction	$1,399,769
Existing Construction	85,700
	$1,485,469
Net Loss - New Procedures	$1,485,469

Attachment III

Cost Benefit Analysis
of 25% Fee Rate (Appraisals and Inspections)

A. Proposed Construction

1. Revenue

117,158
$65
$7,615,270

Total Revenue $7,615,270

2. Expenditures

a. Appraisal and Architectural Costs

117,158
x 1.5 hours per case
175,737
98 staff years
$22,672 (11/4)
2,221,856
Fringe Benefits 577,683
Travel 196,000
$2,995,539

Expenses $2,995,539

b. Inspection Costs

117,158
3.5 inspections per case
410,053

Fee Inspector Costs (25% fee rate)

102,513 fee inspections
x 12 fee payment
$1,230,156

Clerical Costs - Fees

102,513 fee inspections
x .14 hours per inspection
14,352 hours
8 staff year
$12,368 (5/4)
98,944
25,725
Fringe Benefits $124,669

Staff Inspections (75% of total)

307,540 inspections
.43 hours per inspection
132,242 hours
73 staff years
x 22,672
$1,655,056
Fringe Benefits 430,315
146,000 travel
$2,231,371

Expenses

$1,230,156
124,669
2,231,371
$3,586,196

c. Reconsiderations

Requests for Value Change

38,361 workload
x .55 hours per case
21,098

12 staff years
x$22,672 (11/4)
$272,064

Travel $24,000
Fringe Benefits 70,737
$94,737

Expenses $272,064
94,737
$366,801

Total Costs

Appraisal and Architectural Processing	$2,995,539
Inspections	3,586,196
Reconsiderations	366,801
	6,948,536
Total Revenues	$7,615,270
Total Expenses	6,948,536
	$666,734

Proposed Construction

Net Savings $666,734

B. Existing Construction

1. Revenue

549,045
x $50
$27,452,250

Total Revenue $27,452,250

2. Expenditures

a) Appraisal Costs

Fee Appraiser Costs (25% Fee Rate)

166,551 cases done by fee (25%)
x $60 fee payment
$9,993,060

Clerical Costs - Fees

166,551
x 12 hours per case
19,986 hours
11 staff years
12,368 (5/4)
$136,048
Fringe Benefits 35,372
$171,420

Staff Appraisals (75% of total)

382,494 cases
2.72 hours per case
1,040,384

578 staff years
x $22,672
$13,104,416

Fringe Benefits	3,407,148
Travel	1,156,000
	$17,667,564

Expenses	$9,993,060
	171,420
	17,667,564
	$27,832,044

b) Inspection Costs

549,045 workload
x .5 inspections per case
274,523 inspections
x .95 hours per inspection
260,797 hours

145 staff years
x $22,672 (11/4)
$3,287,440 staff costs

Fringe Benefits	$854,734
Travel	290,000
	$1,144,734

Inspection Costs	$3,287,440
	1,144,734
	$4,432,174

c) Reconsiderations

Requests for Value Change (Staff completes entire processing)

38,727 workload
x 2.60 (hours per reconsideration)
100,690 hours

56 staff years
x $22,672 (11/4)
$1,269,632

Fringe Benefits	$330,104
Travel	112,000
	$442,104
Reconsideration Costs	$1,269,632
	442,104
	$1,711,736

Total Costs

Appraisals	$27,832,044
Inspections	4,432,174
Reconsiderations	1,711,736
	$33,975,954
Total Revenues	$27,452,250
Total Expenses	33,975,954
	-$6,523,704
Existing Construction Net Loss	$6,523,704

C. Net Results for All Types of Construction

Proposed Construction	+$666,734
Existing Construction	$-6,523,704
	- $5,856,970
Net Loss - 25% Fee Proposal	$5,846,970

1/ All hours per case determinations based on single family work measurement studies done in 1975 and 1976 in Region IX and as amended during FY 1977 Operating Plan negotiations.

2/ In accordance with the Cost Comparison Handbook, Supplement No. 1 to OMB Circular No. A-76, a 26% figure was employed for fringe benefits.

3/ It was assumed that each affected position had a travel allowance of $2,000. This is predicated on the fact that the Office of Budget allows approximately $1,000 per Housing employee in the field offices. Since this $1,000 average was based on all staff including clerical and affected positions require extensive travel, we believe $2,000 is a reasonable estimate.

4/ Requests for reconsideration of value are the only reconsiderations affected by this change. Workload for reconsiderations of value are based on actual FY 1979 data. While existing Headquarters data only breaks out data between Type I (minor) and Type II (major) reconsiderations, a recent study indicates that the majority of proposed Type II reconsiderations involve value increases. For this analysis it was assumed that 55% of Type II reconsiderations involve value increases.

5/ This figure does not include 2253 coinsurance cases on which staff functions will remain the same under both procdures.

6/ Based on 4/ above, the same study found that slightly more than 30% of existing construction Type II reconsiderations involved value changes. For this analysis, it was assumed that 30% of Type II reconsiderations were of this type.

7/ There is slightly more work (.02 hr. per case) which translates into less than 1 staff year nationally.

FISCAL YEAR 1979 OBLIGATIONS

Mr. BOLAND. On page H-37 is a list of items of "Other Services." The 1979 total cost is $42,006,000. Last year, the total 1979 cost was estimated to be $39,439,000. Why did you spend $2,567,000 more for other services in 1979 than had been anticipated?

Mr. KLIMAN. Mr. Chairman, that would be a combination of a number of factors, some of which were the result of specific reprogramming actions which we submitted.

Mr. BOLAND. Reprogramming actions. Where did the funds come from?

Mr. KLIMAN. As we indicated in the various letters that we sent at the time, we had to fund certain contracts with regard to 518(b) reviews. We funded them from lapses in personal services costs and from other areas.

Mr. BOLAND. Is that the same answer you are going to give for the increase in special contracts? The estimate for 1979 was $3,516,000, and the actual was $5,200,000. What about that?

Mr. KLIMAN. That is the particular one I was talking about.

Mr. BOLAND. What about the other one?

Mr. KLIMAN. That is the one where there was a specific reprogramming action, which you approved. There are only a limited number of places from which funds can come, of course. The greatest proportion of our total is personal services costs, and it is only to the extent that personal services costs are lower or can be held lower that we can fund additional costs elsewhere. Cost changes in these particular areas are either because of the particular types of court-ordered actions that we identified in the reprogramming, or simply actual experience. Costs also have gone up.

When we make an estimate, it is an estimate. Many, many things happen that change it during the course of the year.

SUPPLIES AND EQUIPMENT

Mr. BOLAND. No doubt about it. The cost increases are substantial in that period of time. I suppose you would give the same answer if I asked a similar question with respect to supplies and equipment categories. Last year's estimates for "supplies, materials," and "equipment" totaled $6,846,000—$3,027,000 for supplies and materials and $3,819,000 for equipment. The 1981 justification shows $8,846,000 actually spent for these two activities in 1979. I presume you would give the same answer.

Mr. KLIMAN. Not necessarily in every case. Uncontrollable costs are part of it. In the case of equipment, if I recall correctly, we took advantage of target-of-opportunity situations. This was the case with regard to the purchase of programmable calculators for the 245 graduated payment mortgage program. The purchase of those particular calculators enabled us to carry on a very complex program without adding a staff. The calculations required for that program are tremendous.

Mr. BOLAND. What about programmable furniture? Why did the Department spend $3,650,000 for furniture, fixtures, and equipment in 1979 when a year ago the estimate was $1.8 million? That is almost a 100-percent increase. Why was that above the estimate? Is it because of the cost increases on the furniture?

Mr. HEARING. Basically, Mr. Chairman, because of the reorganization which, you will recall, was approved in 1977 and early 1978 when full implementation occurred the costs incident to it hit in this time frame. We simply found that, in moving functions among the various offices over the years, that the Department has been lagging badly in replacing old furniture, and that, in many instances, it just was not worthwhile to pay the costs to move the furniture to a new location. So, in order to upgrade the offices and to reduce moving costs, we bought replacement furniture as the reorganization was implemented.

WORKING CAPITAL FUND

Mr. BOLAND. Turn to Tab I, the Working Capital Fund. This fund finances the administrative-type services which can be performed more advantageously on a centralized basis. This fund was established 15 years ago. At that time it was considered an improvement in the way the Department was managing its administrative services, and it has proved to be exactly that.

The Department is requesting an increase of $7,397,000 and 28 positions for its ADP activities in 1981. Why should ADP costs increase from $21,435,000 in 1978, to $26,929,000 in 1979 to $32,218,000 in 1980, to $39,615,000 in 1981. In those three years the ADP costs will nearly have doubled. I guess the question that we ought to ask is what are we getting or receiving from these additional costs? Can you really point to offsetting savings in personnel of other costs?

Mr. MEDINA. Yes.

Mr. MARRERO. I will ask Mr. Medina to answer that.

Mr. MEDINA. We gave a presentation to the staff director here for several hours about 3 or 4 weeks ago, during which we went into this in detail. Basically the Department started from a very low base. Relative to other Departments HUD was very far behind in terms of the application of this technology to its programs. We have consciously formulated a strategy to apply this technology to the work processes of the Department, so that we can automate work more, and therefore defer coming to Congress and asking for large increases in staffing. We think that we are getting far better service in terms of work processing. We know we are getting far better management information systems that are assisting our field managers, as well as our headquarters managers. We feel that the investment is paying off very, very well.

We are finding more and more opportunities to apply this technology to our work. Since we do not feel that we are going to get substantial increases in staffing in the years ahead, we think that this is a good strategy, given the technology that is available in the marketplace, now.

Mr. BOLAND. Of course you could not operate this Department without that kind of activity.

Mr. MEDINA. Absolutely. There is just simply no way we could handle it.

Mr. BOLAND. And the programs change so often too.

ADP USAGE

Mr. HEARING. Mr. Chairman, could I add a point on this subject because I think it is critical that the Committee understand the purpose of this investment. We should be getting a return on it. I have one example of savings which, in part, resulted from the use of the computer. In the property disposition activities, in acquired properties, we were holding an inventory of about 64,000 properties. That was before we provided a critical path processing system, which enabled the field staff to keep track of exactly where all those properties were throughout the whole management process of acquiring them, of repairing them, and of disposing them.

We knew that it was costing us $7.57 a day to maintain every piece of property. The system has greatly enhanced the field managers' ability to track the disposition of the properties. The property inventory went from 64,000 units down to 34,000 units. Also, and very importantly, the time that we had the properties in our care, which obviously was a cost per day, decreased 3 months for all the properties. In that instance the program saved about $20 million a year by just cutting the holding time for the properties and expediting their disposition.

Mr. BOLAND. You are right on target. I figured $48 million for the 64,000 units. You have saved at least $20 million in that process.

HUD MORTGAGE ACCOUNTING PROGRAM

We have a number of questions which result from the General Accounting Office study into the HUDMAP schedule. Let me ask you this one question, and then I will submit the other questions with respect to HUDMAP for the record.

We have been concerned about this for some time. When did the HUDMAP system start?

Mr. MEDINA. It was planned in 1975. Implementation, that is, the beginning of the design phase, was during 1976.

Mr. BOLAND. The General Accounting Office has been reviewing the HUDMAP system for the Committee, and I know the Department has been in communication with the Committee staff. Why has that schedule slipped?

Mr. MEDINA. Basically because the program was poorly planned and conceived from the beginning. When I came to the Department, the work had been under way for some time. We established a regularly scheduled management review of the program at that time, and, as a result of those reviews came to the conclusion that it was poorly planned and was being poorly executed. I removed the project director and the deputy, and brought in a new management team.

Mr. BOLAND. How long ago did you do take that action?

Mr. MEDINA. That was during the spring of 1978.

Mr. BOLAND. What does this system actually do with respect to mortgages?

Mr. MEDINA. It is a mortgage insurance accounting system which records data right at the front end and accounts for it all the way through its life.

Mr. HEARING. It will handle all of the bookkeeping and all the fiscal transactions.

Mr. MEDINA. To a general ledger.

Mr. HEARING. To the mortgage insurance accounting program.

Mr. BOLAND. So it is a mortgage accounting program, is it not?

Mr. HEARING. It is a giant. It is an enormous program.

Mr. BOLAND. It ought to be, because the original total system cost was $4.6 million, and now it is $27.4.

Mr. MEDINA. I would like to speak to that point, sir, because the $4.6 million was for the design cost of the program. The comparable number today is $10.6 million.

Mr. BOLAND. For the design?

Mr. MEDINA. Yes, for the design. The total cost of the design phase of the program will be $10.6 million. The $27.4 million cited by the GAO included not only the design cost, but also the installation costs of the system. Those costs were not originally budgeted or planned for well in the system. That is why the number has increased so much, because many of those items were never properly planned. They were never properly identified.

Mr. BOLAND. But they should have been.

Mr. MEDINA. That is correct, sir, they should have been, but the comparable number to the 4.6 is 10.6. There has been that kind of increase.

Mr. BOLAND. We will place the additional HUDMAP questions in the record at this point.

[The questions follow:]

HUDMAP DEVELOPMENT EFFORT

Question. The General Accounting Office cites factors of insufficient planning and inadequate management review as the basic causes of the four year delay in implementation and the $23 million cost overrun. We understand HUD has taken certain steps to improve the development effort, but we are concerned that some of the old problems are still operating.

Please explain how it could be considered sound planning to go through the manual process analysis, functional requirements specification and overall computer system design simultaneously.

Doesn't this risk wasting resources if, for example, a portion of the manual process analysis forces changes in the computer system design?

Answer. Before answering your questions, we would like to clarify the $23 million cost overrun cited by the General Accounting Office (GAO). In their report the GAO compares an initial estimate, made in 1975, of $4.6 million for systems development and programming costs with a current estimate of $27.6 million for the total system and indicates that this reflects a $23 million overrun. However, the total systems cost includes a large variety of items other than systems development and programming, such as data conversion, training, handbooks and printing, which are required to fully implement the system. Thus, the two figures are not comparable. The current estimate for systems development and programming, which is comparable to the $4.6 million cited, is $10.6 million. While we agree that this is a significant increase, it does reflect some basic conceptual revisions and improvements, and certainly is not of the magnitude cited.

Now, in regard to your questions, it should be noted that only the manual process analysis and functional requirements specifications are being done simultaneously. These two activities together are necessary to fully specify the system both for the manual activities and for the computer programming requirements. The results of these two effort will be documented and reviewed by the users as a part of the Functional Requirements Document (FRD).

During the period that the users are reviewing the Functional Requirements Document, the contractor responsible for the computer program design and development work will also be reviewing the FRD as a part of the initial computer programming design effort. After completion of user review and any changes to the

FRD resulting therefrom, the computer programming design work will be completed. Thus, while computer program design work does overlap both manual process analysis and functional requirements specifications to some extent, it is not complete until after the earlier efforts have been completed.

We believe this approach, while having some risks, is sound in that is offers the opportunity for a shorter overall schedule time compared to a sequential schedule. Should major problems develop during FRD reviews, we have the option of delaying computer program design.

In answer to the second question, computer program design does not begin until completion of the initial manual process analysis. Since both the manual process analysis and the requirements specifications are completed and subjected to review by the development personnel prior to either user review or the beginning of the computer program design, we believe the risk to be minimal.

Interaction Between HUDMAP Developers and Users

Question. What procedures and organizational structure do you have for insuring that developers of the HUDMAP system and the users of that system are working effectively with each other?

Answer. The procedures we follow to assure that developers and users of the system are working effectively include the following: all major systems specifications such as the Conceptual Requirements Document (CRD) and the Functional Requirements Document (FRD) are subjected to a formal review process with the user groups. In addition, the development process requires substantial interaction with the users in assuring that the specifications being developed are accurate. Such meetings with users are scheduled in advance and the results are documented. These meetings take several forms ranging from review of draft work through detailed discussions of specific issues.

We use the following organizations to assure close and effective working relationships between users and developers. First, since the primary user of MIAS will be the Mortgage Insurance Accounting Group within the Office of Finance and Accounting, the HUDMAP Task Force is also assigned within the Office of Finance and Accounting. The Director of the Office of Finance and Accounting reports to the Assistant Secretary for Administration. Thus, normal review and management reporting occurs within the same organizational structure and within normal management control.

A review committee to conduct the formal reviews of the systems requirements and design documentation, such as the Conceptual Requirements Document, has been established. This committee is chaired by the Deputy Director of HUDMAP and has representatives from all users both from OFA and Housing as well as the Inspector General and General Counsel.

There is an Administration HUDMAP Support Committee. This committee is made up of the Assistant Secretary for Administration, the Director of the Office of ADP Systems Development, the Director of the Office of Personnel, the Director of the Office of Finance and Accounting, the Director of the Office of ADP Operations, and the Director and Deputy Director of the HUDMAP Task Force. The Administration HUDMAP Support Committee assures that all key offices within Administration whose activities contribute to HUDMAP are aware of and are participating in the ongoing work necessary to develop and install the MIAS.

Finally, there is a HUDMAP Steering Committee composed of the Assistant Secretaries for Administration and Housing, respectively, as well as the General Counsel and Inspector General. This Steering Committee oversees all major issues, including effective user interaction. The HUDMAP Steering Committee employs a working group composed of the principal staff members from the Office of the Assistant Secretaries, the Inspector General, and the Director and Deputy Director of HUDMAP. This working group assures that the principals of the HUDMAP Steering Committee are kept advised on all critical matters.

Management Review

Question. What procedures for managment review of HUDMAP system progress are in place? Is there reporting to management in written form? Are there controls to verify its accuracy? Are full and accurate system development costs being accumulated?

Answer. Management review of system progress is accomplished by both oral and written reports. There are bi-weekly meetings of the Administration HUDMAP Support Committee. This committee consists of the Assistant Secretary for Administration, the Deputy Assistant Secretary for Administration, the Director of the

Office of ADP Systems Development, the Director of the Office of Personnel, the Director of the Office of Finance and Accounting, the Director of the Office of ADP Operations, and the Director and Deputy Director of the HUDMAP Task Force.

We have a detailed baseline plan of activities and milestones. On a weekly basis, brief status reports are submitted and, on a monthly basis, a comprehensive report against the entire baseline is also submitted. Finally, periodic reporting against the HUDMAP milestones contained in the Headquarters Operating Plan is required. Accuracy of the reporting is maintained by reviewing HUDMAP milestones for quality and timeliness. The majority of the milestones are in the form concrete, deliverable products.

Full and accurate system development costs are being accumulated. HUD personnel costs are based on the actual personnel assigned to the project and the duration of their assignment. Contractor costs, computer time costs and equipment costs are based on vouchers submitted by the vendors.

Changes in HUDMAP Design

Question. How are changes to HUDMAP design features presented to management for decisionmaking on their costs and benefits? Are alternatives analyzed and documented?

Answer. Changes to design features are presented in both oral and written form to management. Oral presentations take the form of briefings and discussions and these are followed by a decision paper stating the essence of the change, its cost and benefits, and a recommendation relative to the alternatives proposed. We are now reviewing this procedure to insure a strong process to capture costs/benefits/alternatives and decision factors to be certain those choices are well documented.

Testing HUDMAP

Question. Please describe your plans for testing the HUDMAP system.

Answer. Testing the new system involves testing both computer program capabilities and manual processes and procedures. For the computer program system, testing will use the following approach:

Document validation

The first step in system testing begins well before components are available for actual testing. This first step is to validate and assure quality in the requirements and design document. The documentation will be reviewed by designers, developers and users in the review process and review techniques will be utilized.

Component testing

Tests of individual program modules both in the terminal software and in the central processing software, will be conducted. Such tests insure that the individual modules meet their specifications.

Subsystem testing

Combinations of the modules making up the various subsystem of computer programs in the terminal and in the central processors will be tested to assure adherence to specifications.

Computer program system testing

The full set of subsystems, both those in the terminal and those in the central processors, will be tested to insure that the computer program system will perform in accordance with its design specifications.

Individual manual procedures

Individual manual procedures and processes will be tested in logical form to insure their completeness and accuracy. This testing of procedures is analogous to component testing in the computer program area.

Combined manual procedures

Combination of individual procedures necessary to perform a function will also be tested for logical completeness.

Full system test

The combination of manual procedures and computer program will be tested in full scale system tests to assure that procedures, forms and computer programs perform as required. Full system testing is expected to take approximately three months. The full system tests will simulate the requirements the system is to meet when in operation. The last of these tests will replicate work in current operations.

Because of the nature of the timing and substantially different techniques being used plus the staff and workload implications, it is not possible to operate both the old and new systems in parallel.

HUDMAP Completion Date

Question. What is the current completion date for HUDMAP?

Answer. HUDMAP is currently scheduled to be fully operational in July 1982. This, of course, assumes that there will be no legislative or regulatory changes to the mortgage insurance programs serviced by the system which are of sufficient significance to require basic system revisions and that the funding and staff required for this effort are provided.

Benefit/Cost Ratio

Question. What is your current benefit/cost ratio from the HUDMAP system?

Answer. The most recent cost benefit analysis of HUDMAP was completed on August 13, 1979 and indicated a cost benefit ratio of 1.27 to 1. However, the GAO report previously cited, indicated that it does not ". . . accurately reflect the economics of the system because they exclude some costs and some benefits that should have been included. We believe that if all development costs and benefits are considered, the new system will provide opportunities for an even greater return rate than reflected in HUD's latest benefit/cost analysis." The Department is currently exploring the alternatives raised by the GAO report, with a view of possible revision to the analysis.

Personnel Reduction

Question. What are your current plans to bring about the net personnel reduction that the HUDMAP system is designed to yield?

Answer. The reduction of personnel resulting from the new system is complicated by the need to insure continuing functioning of present capabilities until such time as the new system is fully in place and operating. In order to achieve both goals, that is, reducing personnel while maintaining current operations, the following approach is planned.

To the extent possible, we will allow normal attrition in current staffing to occur. Replacements for such attrition will be primarily in the form of term and temporary appointments. Thus, when the new system is operational, excess personnel who have been on term and temporary appointments may be terminated more readily than permanent full-time staff. In addition, we will encourage those eligible to retire to do so at appropriate points in time. Finally, we would expect, as necessary, to request early out retirement.

Clearly, key positions essential to maintaining current operations will have to be staffed. Such staffing may require permanent full-time appointments.

Data Validation

Question. Please describe the efforts underway to validate the data in the existing master file prior to the installation of the HUDMAP system.

Answer. At the present time, a Data Purification Project is underway. Current efforts are directed at collecting and validating data in the master file of the portfolio of insurance loans, as overdue and delinquent premiums are processed. We are also working with mortgage banking institutions to correct and validate institutional data included in the institution master file.

In addition to those efforts, all data will be validated when it is converted and encoded for input into the master file as the system becomes operational.

Reduction of Consulting Services in 1981

Question. There has been some concern about the costs and benefits of using consultants instead of Federal employees. I understand there is an OMB Circular to reduce consulting services by 15 percent in 1981. Is that correct? How much money is in the 1981 request for consulting services? How much was spent in 1979 for consulting services?

Answer. OMB Bulletin Number 80-9, which addresses the subject of consulting services, was issued on April 14, 1980. It, as you indicated, provides for a 15 percent reduction in consulting services during fiscal year 1981. However, and as you may be aware, there is some confusion as to the definition of "consulting services." The revised OMB Circular Number A-120, which was issued with the Bulletin, attempts

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to clarify the term. We have not yet fully evaluated our activities on the basis of the revised definition, but we estimate, based on our current understanding, that we obligated $5,319,000 for such services during fiscal year 1979. This estimate includes research funds, administrative expenses and CDBG Technical Assistance. Of that amount, $472,000 was for the direct hire of consultants and the balance, $4,847,000, was for contracted consulting services. It should be noted that the contracted amount included a one-time contract of $1,907,000 to conduct a court ordered review of Section 518(b) structural defects evaluations.

We similarly estimate that our fiscal year 1981 request includes $3,519,000 for consulting services. However, we expect to revise our management information system to reflect the revised definition, and this could result in some variation from our current estimate.

CONSULTANT SERVICES

Mr. BOLAND. Let me ask you this question: There has been some concern about the costs and benefits of using consultants instead of Federal employees. I understand that there is an OMB circular to reduce consulting services by 15 percent in 1981. Is that correct?

Mr. HEARING. That is right.

Mr. BOLAND. How much money is in the 1981 request for consulting services?

Mr. HEARING. Mr. Chairman, there is great confusion about the definition of consulting services, and OMB is now in the process of trying to straighten out that definition. What are they talking about in that 15 percent reduction? There are consulting activities that are done in our budget under special contracts. Those activities are typically smaller kinds of contracts, although one of the giants in there, if so defined, could be the HUDMAP activity. Also in Donna Shalala's area in the PD&R research and technology appropriation there is a problem of definition. The OMB is trying to come to a clear definition of that term. We can supply you with an estimate based on our understanding of the term, but it is a difficult question to answer clearly.

Mr. BOLAND. Can you give us any idea of what was spent in 1979 for consulting services?

Mr. HEARING. Yes, we certainly can furnish that also.

[The information follows:]

CONSULTING SERVICES

Based on our current understanding of the definition of consulting services, approximately $5,319,000 was obligated for such services during fiscal year 1979 from all funding sources including research funds, administrative expenses, and CDBG Technical Assistance. Of that amount, $472,000 was for the direct hire of consultants, and the balance, $4,847,000, was for contracted consulting services. It should be noted that the contracted amount included a one-time contract of $1,907,000 to conduct a court ordered review of Section 518(b) structural defects evaluations. Although the department does not budget specifically for consulting services, based on our fiscal year 1979 experience, we project that there would be approximately $3.8 million used in fiscal year 1981 for such services.

Mr. BOLAND. Mrs. Boggs?

SMALL AND DISADVANTAGED BUSINESS

Mrs. BOGGS. Thank you, Mr. Chairman.

I was very pleased to see that an office of small and disadvantaged business utilization has been established. You have four permanent positions in it. I understand that this office provides a focal point with regard to issues concerning participation of small and

disadvantaged businesses in contracting activities of the Department.

As you know, in May of 1979 the President issued an Executive Order calling for Federal encouragement of women's business enterprise. What has been HUD's response to this Presidental directive?

Mr. MARRERO. That initiative is going to be part of the work of the Office of Small and Disadvantaged Business Utilization. Up to now much of the HUD initiative in that area has been handled through Donna Shalala's office. She has done a great deal to encourage business opportunities for women, not only within HUD, but within the organizations that she funds. I know she funded a project called Compendium of Minority and Women Owned Businesses to promote opportunities for small businesses owned by women. We expect that, with the creation of the Office of Small and Disadvantaged Business Utilization, we will be able to put greater focus on all parts of small business, not only for women but also minorities.

Mrs. BOGGS. You know there was an interagency committee formed by the Executive Order. Do you participate in that committee?

Mr. MARRERO. Yes. I am the Department's representative on that committee, and that is the one chaired by Under Secretary Hodges.

AFFIRMATIVE ACTION

Mrs. BOGGS. Earlier I asked Secretary Landrieu a question I have been asking of each of the Departments and agencies, after having done some research in the field, to come up with the types of questions that could truly be helpful according to the situations as they seem to exist in terms of hiring and promotion of women. Something we did not anticipate when the questions were devised was the March 14 order for the freezing of hiring—permitting only one of each two vacancies to be filled. What has happened to the affirmative action program as a result?

Mr. MARRERO. Of course they do not get frozen entirely. We simply have to be much more judicious and cautious in how we fill vacancies. The programs will be affected as all other operations will be affected. We will just have to be much more prudent in what we fill and how.

Mr. MEDINA. The goals are the same. They are not varied at all, because we calculate them in percentages of opportunities. If they have fewer opportunities, they still have to hit the goal within that amount. There is a constancy in the program, whether we have a large number of opportunities or small number of opportunities. They still have to hire the same percentage of women, the same percentage of minorities.

Mrs. BOGGS. And what does this do to your upward bound program of encouraging promotions?

Mr. MEDINA. It does not affect it, because promotions are not covered under the freeze, or under the hiring limitation authority. We expect that to continue at the same pace as it would have before.

PROPOSED FAIR HOUSING LEGISLATION

Mrs. BOGGS. The Office of the Administrative Law Judge seems to have two employees. If new fair housing legislation is enacted creating an administrative law procedure for enforcement of the fair housing law, how much expansion do you anticipate would be required in this office?

Mr. MARRERO. I think we will have to supply that for the record. That was part of the questioning this morning which we said we would supply for the record.

[The information follows:]

STAFFING FOR PROPOSED FAIR HOUSING LEGISLATION

The proposed legislation, known as the Edwards-Drinan Bill, would permit the Secretary, for the first time, to file an administrative complaint. It would provide the respondent an opportunity to appear and give testimony at a hearing conducted by an Administrative Law Judge.

Currently, the Office of Administrative Law Judge has two employees. Although actual requirements would depend on the complexity of each case, it is estimated that a staff of 11 would be required to accomplish the additional workload if the proposed legislation is enacted in its current form. This estimate is detailed below.

Historically, the Department has made conciliation attempts in 20 percent of all cases processed. Successful conciliation agreements have been achieved in 50 percent of these conciliation attempts. Therefore, the remaining cases (50 percent) would meet the administrative hearing requirement. However, it is estimated that 32 percent of these cases would be resolved prior to the actual hearing, leaving a balance of 68 percent which would actually go through the administrative hearing process. The following is a tabular breakdown of these assumptions:

Estimated number of complaints processed by HUD in 1981	3,700
Estimated number of conciliation attempts	740
Estimated number of successful conciliations	370
Estimated number of complaints resolved prior to administrative hearing process	120
Estimated number of cases requiring administrative hearings	250
Staffing Estimate:	
Estimated average judge time per case (days)	6.3
Estimated staff-years of judge time for 250 cases	7.0
Plus estimate for clerical support	4.0
Total estimated staff-year requirement	11.0

NOTE.—The 1981 Budget does not include a request for this staffing estimate. Furthermore, the staffing estimate is based on full enactment of the Edward-Drinan Bill. Depending upon the legislative requirements of the act, when passed, and the timing and degree of implementation, the staffing estimate could be considerably different.

Mrs. BOGGS. Thank you very much.

Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Sabo?

GAO REPORT ON OBLIGATIONS

Mr. SABO. Thank you, Mr. Chairman.

In the Star today there is a story, big headline "HUD May Have Misled Congress In Spending, GAO Report Says," and it has several assertions. Let me just simply read a couple, and I might indicate it includes a recommendation by auditors that Congress not take any action on HUD's current budget request until the dispute is resolved relating to the use of particularly housing funds. The audit report indicates that HUD may have misled Congress, improperly inflated the amount of money claimed to be spending on

low-income housing by $16 billion a year, the Federal auditor charges. That is the lead sentence. It indicates that there are large amounts of funds that are obligated and deobligated. There is an indication the auditors found that HUD canceled $7 billion worth of projects last year that had been obligated since the 1976 fiscal year. Similarly HUD officials told GAO they are expecting to cancel billions of dollars in housing projects this year, and spend the money for other programs.

This leads to a charge by one of our colleagues that HUD has been working with a slush fund. It relates to paper obligations of housing projects and deobligation of these projects in later years. It indicates that HUD has looked at the report and does have some response.

Mr. MARRERO. We have some very strong response to that which in fact is being prepared and will be delivered to the Members of Congress to whom the report was addressed. We were somewhat disappointed that the report was issued as it was, because we had been discussing this matter with the staff of the GAO for several weeks. The matter involves some very, very difficult and complex legal and technical disputes concerning how we keep our records. There are legitimate differences of opinion about how we should treat and record certain of these obligations. We are very disappointed that the report chose, or the person who prepared the report chose, to present his case in what we consider to be a misleading manner. The difference of opinion about accounting procedures should not be taken to mean that we have been acting in bad faith, deliberately misleading the Congress or trying to withhold information.

Going back in time, and this predates our Administration, the practice that we found in place at the time that this Administration took office is that a reservation of funds upon a commitment made by HUD to provide subsidies to a particular project would be treated as an obligation. It was decided to do it that way simply because once we send a letter to a developer saying that the developer had a certain amount of funds reserved for the project approved, he should be able to plan on the basis of that amount, and to begin to incur expenditures. That is the way the system works.

Should a developer who must incur substantial amounts of money not to be able to rely upon a letter that he gets from HUD as an indication that there is something backing that letter? Once we send those letters and make the reservation, we begin to count those reservations as obligations. This procedure began in 1975.

DEFINITION OF AN OBLIGATION

There was considerable debate within the Agency at that time. Our General Counsel was involved. We had discussions with other agencies to make sure that what we were doing was proper. That is the system that was developed and it has been in effect for some time. We tried to explain to the staff people from GAO who were preparing the report that deobligations occur because some of the reservations that are made over a period of time fall through. The developer somehow is unable to carry forward the project, or the

site is not a proper site, or the municipality may disapprove the zoning, or for one reason or another the project falls through, and the funds then are recaptured, and consequently deobligated.

What we have been doing over these years has been a matter of public knowledge. We have had discussions with the Congress about it. We have had discussions with the members of your staff, and they have been the subject of many reports to the Congress and testimony here. Indeed, the last investigatory report that we have from the Congress, one dated April 1980, said that the problem of paper reservations is minimal on a nationwide basis compared to our overall program, and that we had made substantial progress towards eliminating paper reservations. So in light of that total record, and the efforts that we made to clear the misimpression of the GAO auditor, we felt that it was unfair and unfounded to make the allegations contained in that letter.

Secretary Landrieu felt strongly enough about this that, upon receiving a draft of the letter that actually went out, he took the trouble of calling Comptroller General Staats to express his deep concern that the letter was unsubstantiated by the record, and was an unfortunate attack on the Department. That will be the nature of the response that we will formally submit to the Congress.

RECAPTURED RESERVATIONS

Mr. KLIMAN. I would just add to that that with regard to whether or not the Congress has been informed, the question of recaptured reservations has been a subject which has been before this Committee and other Committees many times. In fact, if I recall correctly, the Chairman sort of took us to task last year with regard to the amount of recaptured reservations. There were extensive discussions.

The dollars related to the reservation were not discussed at every point of the hearing, but, as I just reminded your staff, a table was inserted on page 236 of the record of last year's hearings which goes into that particular subject in great detail.

We feel that the GAO auditors did not understand the program at all, and came to entirely incorrect conclusions. The technical question of when obligation is to be recorded is a proper subject for discussion between us and the Comptroller General. They take dispute over the point of obligation. That, however, would not change the amount requested for "Annual Contributions." The program is, and will continue to be, reserved, monitored and budgeted on a reservation basis. We thought in good faith that a reservation should be recorded as an obligation.

If it were not recorded as an obligation, current OMB instructions require that the documents included in the printed budget should be a six column statement, rather than a three column statement. This would be required in order to display both reservations and obligations. We so advised the auditors, but they made no note of it in their report. This is a standard procedure, sanctioned by OMB instructions for many, many years. They took no note of this. I do not know why.

The inferences that were drawn in that particular report are entirely unfair and highly misleading. We will be testifying on that subject before Mr. Harris shortly.

Mr. SABO. You know, I heard this report on the House floor yesterday, and I guess what you say is what my reactions were. Clearly, it does not affect our outlays.

Mr. KLIMAN. It has no impact whatsoever on the full need for the funds, on outlays or on anything for that matter other than whether or not we show three columns or six columns in the printed budget.

Mr. MARRERO. Congressman, this is purely an accounting dispute between the agencies. When we first received the draft of that letter, the Secretary was very dismayed. He felt that this smacked of allegations of wrongdoing. His feeling was that if there was any indication whatever that any member of his staff was engaged in any concealment, cover-up or attempt to mislead the Congress, the proper authorities should be looking into it.

In fact, the Secretary asked the Inspector General to give us his opinion about the underlying dispute, which I will not characterize, since, you wish, the Inspector General can answer for himself. He indicated to us that although he agreed with the GAO that there was an underlying accounting dispute as to the point when an obligation is recorded, the tone and the substance of the charges were unfortunate under the circumstances.

RECAPTURED OBLIGATIONS

Mr. SABO. Can this obligation authority be used for any other purpose than housing?

Mr. MARRERO. No.

Mr. KLIMAN. It can only be used for Section 8 and public housing. I do not know what they are talking about as to other programs.

Mr. SABO. The story indicates two things. This is quoting HUD officials: "Similarly, HUD officials told GAO they expect to cancel billions of dollars in housing projects this year and spend the money for other programs."

Mr. MARRERO. I think that no official at HUD who knows his business could have made such a statement.

Mr. KLIMAN. I will tell you exactly what they were told, which doesn't show up there, unfortunately. They were told that we will continue to cull the pipeline, especially in public housing, and to cancel any projects which will not start, because we want housing starts, as do you.

What we will do, of course, is we will reuse the funds as we always have to reserve projects that will start. This has been the way the program works. We do not use it for other programs. We can't, and there is no proof to that allegation.

SLUSH FUND

Mr. SABO. I see another charge. There is a slush fund. You are going to have a great big pot of money to fool around with.

Mr. KLIMAN. I wish we did, sir.

Mr. SABO. I guess, Mr. Chairman, I would think that a legitimate question, or Committee and other Committees have a proper knowledge as to what is or will not be obligated and be started. Frankly, as I listened to some discussions I was rather disturbed. This story started out, it says that "There is a $16 billion inflation on the amount to be spent on low-income housing," and that is more than the total HUD budget for the year. Again, I am sure that they are mixing up budget authority versus outlays.

Mr. MARRERO. Yes.

Mr. SABO. Somebody suggests that if we simply dealt with this problem we could in a very simple way balance the Federal budget. There was much discussion on the floor yesterday.

Mr. MARRERO. Just by way of general observation concerning these items, the programs that we operate are very, very complicated, as you no doubt know, and it takes many years even for our best people to comprehend them totally, and to understand all the nuances, and the ins and outs of them. It is difficult for someone who is not familiar with these programs to come in and conduct an audit. They must be educated by our people, and, even then, they cannot fully understand the programs. It makes it even more difficult when they find something contrary to their institutional viewpoint, which is, of course, one of the reasons they are conducting an audit. In such a case, they must maintain and defend that point of view.

If they did not do that, they would not be doing their job. That is the nature of the difficulty. It has occurred in other instances, but, unfortunately, it was handled poorly in this instance.

Mr. SABO. I guess a legitimate follow-up question would be: How much in our charts which is shown as obligated at this point is likely to be deobligated?

Mr. MARRERO. At any particular time or in any particular year we can supply that, depending upon what basis you want the information on. We do not dispute their accounting principle. If they want us to give the Congress the information on some other basis that they feel is legitimate we will provide it. They have the right to require us to provide it, and, we indeed, Secretary Landrieu indicated to Comptroller General Staats that we will cooperate fully.

If, as we believe, it is their prerogative to determine on what basis the Congress should have information, we will supply it on that basis. However, to say that because we have been supplying it on another basis with your knowledge for all these years is an indication that we have been misleading and hiding information from you is unfortunate and not fair.

Mr. KLIMAN. Mr. Sabo, in direct answer to your question on how much, this question came up this morning and Mr. Simons testified that based upon our current assumptions on program activity, we expect as a normal rule that about 10 percent of the new and rehabilitation reservations in Section 8 will be, before they get started at some point, culled out of the pipeline. We are reserving the funds. Some of it falls out because projects can't go for one reason or another. That 10 percent, in our opinion anyway, and in the opinion of our housing managers, is not an unreasonable estimate of fallout.

Mr. SABO. Thank you.

Mr. BOLAND. Did the GAO send HUD a letter in timely fashion so it could respond to its position on these charges?

Mr. KLIMAN. We received a number of early drafts which we complained about. The final version, however, I received only through the good graces of your staff, and that has enabled us to respond.

Mr. BOLAND. The Committee's Surveys and Investigations Staff report went into paper reservations, and basically agreed with HUD's position. The question of whether or not there is a legal obligation, that is a question I guess that has to be solved legally. But, generally speaking, our investigative report pretty generally agreed with HUD's position.

CONSULTANT DAILY RATES

Let me ask this last question. The reason I ask it is because it came up while Donna Shalala was here, and I will ask it of Bill Medina.

Last year we had the general provision that we have been carrying it for a number of years. It states that "None of the funds provided in this Act may be used, directly or through grants, to pay or provide reimbursement for payment of the salary of a consultant (whether retained by the Federal government or a grantee) at more than the daily equivalent or the maximum rate paid for GS-18, unless specifically authorized by law."

Information developed during the 1980 hearings with the Neighborhood Reinvestment Corporation—the then Urban Reinvestment Task Force that was being funded out of Donna Shalala's shop for about $8.5 million—that in 1979 they were paying consultant fees of $350 per day. The GS daily rate at that time was approximately $180. Were you aware of that?

Mr. MEDINA. We became aware of it at lunchtime when Donna Shalala alerted us to your question.

Mr. BOLAND. Are there any grantees being paid more than the GS-18 daily rate?

Mr. MEDINA. The answer is no, but let me ask Mr. Hearing to give you a more precise explanation of that.

Mr. HEARING. We have not had a chance to research the specific case which your staff identified.

Mr. BOLAND. She said it was your problem anyway?

Mr. MEDINA. Yes.

Mr. HEARING. In order to implement the provision you included in the Act, we have put a specific limitation in the general provisions of all of our grants which limits the pay of consultants to the daily rate of a GS-18. That is now $192. When we negotiate the budget for any cooperative agreement, we also make sure that there is nothing above $192 a day included. We also check the invoices submitted from the grantees for payment to be sure that they comply. Finally, the grants are audited and any violation of the limitation is a cost for which we would seek reimbursement.

Mr. BOLAND. I notice that in the 1980 hearings on page 420—use of consultants—the daily rate we presently have under contract on individuals. It states: "We presently have under con-

tract individuals paid at the rates shown. Daily rate, $350 per day, the maximum annual rate, $7,000." There is a descending scale, $350, $300, $350, $300, $200.

Mr. HEARING. We would like to supply details for the record.

Mr. BOLAND. All right.

Mr. HEARING. I understand, from a very quick review of what happened, that there was a transfer of money and the corporation received some funding from the Federal Home Loan Bank Board. As I understand it, the restriction does not apply to the board. I do not know why they went to $350 a day, but we will certainly find out and supply the information for the record.

[The information follows:]

NEIGHBORHOOD REINVESTMENT CORPORATION CONSULTANTS

During fiscal year 1979, HUD provided support for the Neighborhood Reinvestment Corporation through an inter-agency agreement with the Federal Home Loan Bank Board (FHLBB). The Board has advised us that funds provided were used to reimburse consultants at a rate in excess of the daily pay rate of a GS-18, but that the reimbursements were designed to include not only the consultants salary, but also travel and other overhead costs. Since their records do not categorize the various costs included in the reimbursements they cannot confirm the precise salary level, but indicate that there may have been isolated instances where the salary was inadvertently in excess of the limitations. However, they indicate further that their current procedures provide for separate identification of such costs and that they are in full compliance with the limitation provisions.

Mr. BOLAND. Would you think perhaps they would say that consultant rate was paid out of the Federal Home Loan Bank Board?

Mr. HEARING. That is what I understand, but we really have to investigate this and we will put it in the record.

Mr. BOLAND. That ends it completely. Thank you very much. We will place the justifications for the Department of Housing and Urban Development in the record at this point.

The Committee stands adjourned.

[The justification follows:]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Justification for 1981 Estimates

Revised Budget Requests

Book 1

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DEPARTMENTAL SUMMARY
HOUSING
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
FEDERAL NATIONAL MORTGAGE ASSOCIATION

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FISCAL YEAR 1981 REVISED BUDGET REQUEST

INTRODUCTION

Included with the Justifications to the Department's 1981 Budget estimates are supplementary pages which describe the changes resulting from the President's budget reductions announced on March 14, 1980. These changes are part of the President's anti-inflation program which includes his decision that it is necessary to balance the Federal budget in FY 1981. This effort to achieve a balanced budget would involve the deferral or rescission of certain budget authorities, revisions to budget requests now pending before the Congress, a reduction in expenditures for personnel and operations, and a freeze in Federal civilian employment effective on February 29, 1980.

The changes in budget authority, outlays and program levels are described in the supplementary pages for each of the programs or accounts affected. The overall effect on the Department's 1981 Budget presentation as previously submitted to the Congress may be summarized in the following tabulation:

	BUDGET AUTHORITY		OUTLAYS	
	ESTIMATE 1980	ESTIMATE 1981	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)			
PREVIOUS 1981 BUDGET ESTIMATES	$35,687,194	$40,407,980	$11,636,206	$11,776,132
HOUSING				
Troubled Projects (Flexible Subsidy) program	...	-10,000	-3,000	-7,000
Federal Housing Administration Fund (including Administrative Expenses)	...	...	...	-9,745
Homeownership Assistance (Sec. 235)--as reflected in the appropriation for "Housing Payments"	...	...	...	-9,000
Subtotal, Housing	...	-10,000	-3,000	-25,745
COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants:				
Community Development Grants	-65,200	...	...	-25,000
Categorical Program Financial Settlement Fund	-88,000	...	-21,000	-67,000
Subtotal, CDBG	-153,200	...	-21,000	-92,000
Rehabilitation Loans - Section 312	-38,000	-64,000	-14,000	-72,000
Subtotal, CPD	-191,200	-64,000	-35,000	-164,000
NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION				
Neighborhood Self-Help Development	...	-5,000	...	-3,000
POLICY DEVELOPMENT AND RESEARCH				
Research and Technology	...	-1,900	...	-1,322
SALARIES AND EXPENSES	-964	-2,939	-908	-2,995
Total Change	-192,164	-83,839	-38,908	-197,062
TOTAL, REVISED ESTIMATES	35,495,030	40,324,141	11,597,298	11,579,070

Introduction

1981 Budget Reestimates

As required by the Congressional Budget Act of 1974, the President sent to the Congress revised estimates from the 1981 Budget based on reestimates of receipts and outlays in the light of changed economic assumptions and more recent data. The supplementary pages accompanying the Justifications do not incorporate these reestimates. However, they may be summarized as follows:

	BUDGET AUTHORITY		OUTLAYS	
	ESTIMATE 1980	ESTIMATE 1981	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)			
PREVIOUS 1981 BUDGET ESTIMATES	$35,687,194	$40,407,980	$11,636,206	$11,776,132
Budget reductions shown above	-192,164	-83,839	-38,908	-197,062
Subtotal	35,495,030	40,324,141	11,597,298	11,579,070
REESTIMATES:				
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION				
Special Assistance Functions--increase in discount because of higher mortgage interest rates	+14,500	...	+14,500	...
Emergency Mortgage Purchase Assistance--effect of higher mortgage interest rates	...	...	+82,000	...
COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants--revisions based on first quarter experience in FY 1980	...	...	+300,000	+195,000
Subtotal, Reestimates	+14,500	...	+396,500	+195,000
TOTAL REVISED AND UPDATED ESTIMATES TO THE 1981 BUDGET	35,509,530	40,324,141	11,993,798	11,774,070

Additional Controls on Federal Credit Programs

The Budget for 1981 contains for the first time provisions for the control of Federal credit programs by means of annual limitations to be included in appropriation acts. All HUD direct loan, loan guarantee and insurance programs are included in the system in some manner, but not all of them were presented in the Budget with a specific limitation on commitment activity. The revisions to the 1981 Budget proposed by the President contain language for the appropriation act to include specific limitations for two programs not limited previously: FHA Mortgage Insurance and Mortgage-backed Securities. These additional controls will not affect outlays but have been proposed as a further means of curbing inflationary pressures. In addition to placing a limitation on mortgage insurance commitments and mortgage-backed securities commitments, the budget revisions include a reduction in the previously proposed limit for Section 108 Loan Guarantees under the Community Development Grants program.

Introduction

The revisions proposed are summarized in the following:

	Amount of Federal Credit Control Limitation (Dollars in Millions)	
	Original	Revised
Housing for the Elderly or Handicapped (Section 202)	$895.0	$895.0
Nonprofit Sponsor Assistance	2.3	2.3
Federal Housing Administration Fund	No Limitation	34,154.7 a/
Low-Rent Public Housing Loan Fund	No Limitation	No Limitation
Guarantees of Mortgage-Backed Securities	No Limitation	$53,000.0 b/
Special Assistance Functions	$1,800.0	1,800.0
Emergency Mortgage Purchase Assistance	Not Specified c/	Not Specified c/
Community Development Grants Program - Section 108 Loans Guarantees	$300.0	$250.0
Rehabilitation Loans (Section 312)	255.0	191.0
Urban Renewal Program	Not Specified d/	Not Specified d/
New Communities Fund	No Limitation	No Limitation

a/ Limitation is on gross commitments at the conditional commitment stage.

b/ Limitation is on commitments to guarantee rather than guarantees issued.

c/ Program limited to amendments to previous mortgage purchase commitments approved in prior years.

d/ Amounts of direct loans and loan guarantees are tied to amounts of urban renewal grants approved in previous years and now in liquidation.

Limitation on Federal Employment

In conjunction with the budget reductions announced on March 14, 1980, the President announced also a general restriction on hiring of Federal employment. He directed that controls be established by each agency in the Executive Branch to limit the number of appointments to full-time permanent positions to not more than 50 percent of the number of vacancies occurring after February 29, 1980.

The level of employment in the Department in full-time permanent positions, when the President announced the limitation, was about 16,490, including bona-fide commitments to hire, compared to a September 30, 1980 estimate shown in the budget of 15,956. Therefore, the dollar savings to result from the hiring limitation will be subject to the rate at which the Department incurs position vacancies through attrition and is able to fill positions under the 50 percent rule.

The revisions to the 1981 budget reflect estimated dollar reductions in 1980 and 1981 which would result in outlay reductions of $6.7 million in 1981. The estimates have computed the potential impact on staff-years of the outlay reductions, a substantial portion of which can be expected to be derived from cutbacks in hiring in the Department. Of course, the actual number of staff-years which would be reduced in 1980 and in 1981 will be subject completely to the rate of attrition, which is essentially beyond the control of the Department both in terms of numbers and where it will occur, and the duration of the freeze. The potential reduction in staff years in 1980 would be 78 and 130 in 1981. These staff year reduction estimates have been pro-rated to the various activities but do not represent proposed reductions in any specific area. Rather, the actual number of staff years and their distribution by organizational component and budget activity will be dependent on the rates and location of such attrition as takes place.

Introduction

Solar Energy and Conservation Bank

The previous 1981 Budget estimates for the Government, but not for HUD, included estimates for a Solar Energy and Conservation Bank. Such estimates are found under "Funds Appropriated to the President." The proposal was for (1) an Energy Security Trust Fund to be funded out of the proposed "windfall" profits tax, and (2) a Solar Energy and Conservation Bank to be located in HUD. The purpose of the Bank is to encourage energy conservation and the application of solar technology in commercial and residental buildings, thereby lessening the dependence on imported oil and other foreign sources of energy. The revisions to the 1981 Budget propose the following:

Solar Loan Subsidies. For 1980, the previous 1981 Budget had included a proposed supplemental appropriation of $35 million to support an estimated $233 million in loans for the purchase and/or installation of solar energy systems in commercial and residential buildings. This proposed supplemental request has been withdrawn.

For 1981, the budget had proposed $150 million in appropriations for the support of approximately $1.0 billion in solar energy system loans. The revised budget includes an estimate of $47.5 million, of which $10 million would be used for planning, development and implementation of solar energy system demonstrations and $37.5 million in support of loans amounting to $250 million.

Conservation Loan Subsidies. For 1980, a supplemental appropriation of $100 million was proposed for the support of an estimated $875 million in energy conservation improvement loans. An additional $300 million was proposed for 1981. The revised 1981 budget includes no appropriation for this program in 1980 or 1981, and the request is being deferred for consideration in 1982.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DEPARTMENTAL SUMMARY

INTRODUCTION

These volumes present the 1981 Budget estimates for the Department of Housing and Urban Development. The 1981 Budget continues the President's strategy of restraint proposed for fiscal year 1980 while providing for selected, essential increases in areas of high priority and great national concern. It contains increases in both subsidized housing and community development to support the President's firm desire to assist an urban nation.

HOUSING PROGRAMS

The Budget provides $31.9 billion in budget authority for the Section 8 and Public Housing programs, which is expected to support 300,000 units, 60,000 more than estimated for fiscal year 1980. This includes 258,000 unit reservations for the Section 8 program and 42,000 for Public Housing, including 4,000 units for Indian housing. An additional $1.3 billion is requested for subsidized housing programs, as well as to convert new financing under Public Housing programs from a tax-exempt to a taxable basis. The Budget includes subsidies for 25,000 units for the Section 235--Homeownership Assistance program, 5,000 units of which would be existing housing earmarked for low-income families who are displaced by the conversion of their units from rental to condominium or cooperative housing. Included also are 7,000 Section 235 units of new construction and substantially rehabilitated housing earmarked for persons who otherwise would have been displaced because their neighborhoods are undergoing significant revitalization activity. Among the Section 8 units are 18,800 which will receive direct loans under the Section 202--Housing for Elderly or Handicapped program.

The Budget includes a proposal, beginning in 1980, for a comprehensive modernization program that would allow communities to use up to one half of amounts received for the production of new Public Housing units to be available for the repair of existing units. This would allow cities, at their option, to fix up units requiring major rehabilitation rather than build new units.

The Budget reflects proposed legislation for a Temporary Mortgage Assistance Payments program designed to prevent assignments of single mortgages by helping those homeowners who, through no fault of their own, have experienced temporary financial reverses and cannot meet their full monthly mortgage payments. It is expected through the prevention of assignments that the program will result in substantial savings to the FHA mortgage insurance funds while allowing single family homeowners to remain in their homes.

GNMA Tandem authority will continue to be made available in 1981 in support of the Section 8 program and to support low-interest mortgages on housing in distressed cities or neighborhoods targeted for revitalization. The Budget proposes a program level of $1.5 billion for Section 8 Tandem and $300 million for the Targeted Tandem program. In addition, $30 million in budget authority is proposed to support a demonstration Mortgage Assistance Grant program. The program would authorize GNMA to make payments to financial institutions for the purpose of subsidizing an estimated $200 million below-market-interest-rate loans which are secured by

FHA-insured project mortgages. The grant program may be a possible alternative to the current method of tandem financing which involves the purchase and sale of mortgages by GNMA.

COMMUNITY DEVELOPMENT PROGRAMS

The Budget includes an appropriation of $3.95 billion for the Community Development Grants program, an increase of $150 million. It is estimated that 5,262 cities and communities will benefit from this program in 1981. In addition, the Budget includes $675 million for the Urban Development Action Grants program which assists an estimated 305 severely distressed cities, towns, and urban counties in the revitalization of their economic bases and the reclamation of deteriorated neighborhoods. Authorizing legislation will be required for the Community Development Grants and the Urban Development Action Grants programs in 1981.

NEIGHBORHOOD PROGRAMS

In 1981, $10 million is proposed for an expanded Housing Counseling program which would provide comprehensive counseling services to an estimated 220,000 families. In addition, the Budget requests $15 million for the Neighborhood Self-Help Development program, an increase of $5 million above the appropriation provided in 1980. One of the President's Urban Policy recommendations, the program will assist about 120 neighborhood organizations to undertake specific housing, economic and community development projects.

FAIR HOUSING

The Budget includes $5.7 for Fair Housing Assistance, an increase of $2 million from 1980. The request will provide assistance to State and local public agencies to enforce more effectively their fair housing statutes, increase their capability to process complaints and provide training and technical assistance to improve their staff performance. Included, also, is a program initiative to provide capacity building resources to Community Housing Resource Boards which will assist HUD's efforts to further affirmative fair housing efforts.

SOLAR ENERGY AND CONSERVATION BANK

Included in the Budget totals for the Government but not in the HUD Budget are estimates for a Solar Energy and Conservation Bank. Such estimates are found under "Funds Appropriated to the President." A budget request has not been transmitted to the Congress and therefore no justifications are included for this item. After the necessary authorizing legislation is enacted, requests and justifications will be submitted. The following is provided, however, to explain the estimates.

The Administration proposal is for (1) an Energy Security Trust Fund to be funded out of the proposed "windfall" profits tax, and (2) a Solar Energy and Conservation Bank to be located in HUD. The purpose of the Bank is to encourage energy conservation and the application of solar technology in commercial and residential buildings, thereby lessening the dependence on imported oil and other foreign sources of energy.

The Bank would accomplish its purpose by providing grants to financial institutions which make available below-market-interest-rate loans for the purchase and installation of either solar energy systems or energy conservation improvements in commercial and residential buildings. The grants to the financial institutions would compensate the lenders for the difference between making low-interest loans and the yield they would receive if the loans were originated at the prevailing market rate.

Introduction

The funds provided to the Solar Energy and Conservation Bank would be obtained from the Energy Security Trust Fund, as provided in appropriation acts. The Energy Security Trust Fund is being proposed by the Administration as the depository for funds obtained from the Windfall Profits Tax.

Solar Loan Subsidies. $35 million in 1980 would support an estimated $233 million in loans for the purchase and/or installation of solar energy systems in commercial and residential buildings. $150 million in 1981 would support approximately $1.0 billion in solar energy system loans. An average loan amount of $5,000 for a term of 30 years is estimated. The interest rate on these solar energy loans would be approximately 2.5 percent below the prevailing market interest rate for home mortgages.

Conservation Loan Subsidies. $100 million in 1980 would support an estimated $875 million in energy conservation improvement loans. $300 million in 1981 would support an estimated $2,625 million in energy conservation improvement loans. The average loan size is estimated at $1,750 for the 5-year loans at an interest rate of six percentage points below the FHA Title II maximum rate.

FEDERAL CREDIT CONTROL

The Budget for 1981 contains, for the first time, provisions for the control of Federal credit programs by means of annual limitations to be included in appropriation acts. The new control system applies to direct loan, loan guarantee, and insurance programs and is intended to provide a mechanism for the review of those programs during the annual budget process. The system will help coordinate credit policy with fiscal policy and synchronize Federal credit activity with budget allocations.

While all HUD direct loan, loan guarantee, and insurance programs are included within the system in some manner, not all of them require that the annual appropriation act contain a specific amount. In some instances, programs cannot be subject to specific dollar limitations without serious impairment to other aspects of program operations which ultimately determine the volume of insurance written, direct loans or loan guarantees. The objectives of Federal credit control may be obtained in some programs without the need for specific dollar limitations. Each program, therefore, has had to be considered on a case-by-case basis.

The amount of the direct loans or loan guarantee commitments stated in the Federal credit control language in the appropriation act is not necessarily the same as the budget authority for the program. Budget authority relates essentially to the amount of additional funding to be made available, such as that becoming available through additional borrowing authority, rather than to the actual level of commitments which may be made in a given year. Moreover, Federal credit control limitations are stated in gross amounts--that is, including amounts that may be committed through the use of recaptured authorities during the fiscal year.

Introduction

The HUD programs covered under the Federal credit control system are the following:

	Amount of Federal Credit Control Limitation (Dollars in Millions)
Housing for the Elderly or Handicapped (Section 202)	$895.0
Nonprofit Sponsor Assistance	2.3
Federal Housing Administration Fund	No Limitation
Low-Rent Public Housing Loan Fund	No Limitation a/
Guarantees of Mortgage-Backed Securities	No Limitation
Special Assistance Functions	$1,800.0
Emergency Mortgage Purchase Assistance	Not Specified b/
Community Development Grants Program - Section 108 Loan Guarantees	$300.0
Rehabilitation Loans (Section 312)	$255.0
Urban Renewal Program	Not Specified c/
New Communities Fund	No Limitation

a/ Amounts are actually determined by amounts approved in contracts for annual contributions controlled by appropriation acts.

b/ Program limited to amendments to previous mortgage purchase commitments approved in prior years.

c/ Amounts of direct loans and loan guarantees are tied to amounts of urban renewal grants approved in previous years and now in liquidation.

BUDGET AUTHORITY

In general, budget authority means any new or increased authorization to commit the Government to incur obligations and to make budget outlays. Appropriations--other than appropriations to liquidate contract authorizations--are normally included in budget authority. However, there are other types of authorizations. One of these is contract authority as included under the heading "Subsidized Housing Programs" (for Annual Contributions for Assisted Housing). The budget authority for this program is stated in the appropriation act and represents the estimated obligations covering the total Federal outlays which may result from the assistance contracts being approved. The estimate covers contract terms providing for Federal outlays as long as forty years or for a period as short as fifteen years and for periods in between. Appropriations to cover the actual payment requirements each year for the purpose of liquidating the contracts are provided under "Housing Payments".

Another form of budget authority is represented by authorizations to borrow from the Treasury. This may be reflected in the Budget as estimated borrowings for the purpose of paying claims in the FHA insurance funds and to fulfill New Communities guarantee commitments.

The 1981 Budget reflects a Government-wide effort to refine the calculations of budget authority to improve consistency and conformance with concepts contained

Introduction

in the Congressional Budget and Impoundment Control Act of 1974. The method of calculating budget authority has been revised from that used by HUD for the 1980 Budget in several accounts, as follows:

-- Section 202 - Housing for the Elderly or Handicapped Fund. In the 1981 Budget, budget authority is counted on the basis of the actual amount of Treasury borrowing required to finance the direct loan level approved in the appropriation act offset by collections (loan repayments and other income) which may be used to finance loans, thereby reducing the actual borrowing required in the fiscal year. Previously, budget authority in this program was defined as the amount of loans which could be made in the fiscal year as specified in an appropriation act irrespective of the borrowing actually needed.

-- Low-Rent Public Housing Loan Fund. A Treasury borrowing authorization of $1.5 billion has been available for direct loans by the Department to Public Housing Authorities (PHAs) pursuant to Section 4(b) of the U.S. Housing Act of 1937, as amended. In past years, to the extent that net obligations outstanding remained within the available borrowing authorization no additional budget authority was recorded. Under the new rules, budget authority will be recorded reflecting the net change in obligations. Net obligations (budget authority) will represent additional loan commitments and interest expense less cancellations and repayments.

The new budget authority concept does not impact the statutory $1.5 billion authorization which remains unchanged. The new concept is an indication of the additional obligations that may be incurred by the Federal Government. Since the budget authority is available without further action by the Congress in an appropriation act, it is classified as permanent-indefinite.

-- Special Assistance Functions. From 1978 through 1980, the appropriation acts have released the use of collections (recaptures derived through mortgage sales and other income, such as interest, fees and mortgage repayments) for the purpose of making commitments to purchase and to purchase mortgages. Budget authority was counted only to the extent that the use of additional mortgage purchase authority, not previously released in appropriation acts, was required. Collections carried forward from previous years continued to remain available without being counted as budget authority and could be used, subject to release in an appropriation act, for mortgage purchase commitments. Under the revised concept, only the collections earned during the fiscal year may be so utilized, and additional borrowing required from the Treasury in order to support the program level now is counted as budget authority.

Introduction

The effect of the revised basis for calculating budget authority on previous methods may be summarized in the following tabulation:

	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)	
Budget Authority as shown in 1981 Budget.....	$35,687,194	$40,407,980
Housing for the Elderly or Handicapped (revised method decreases Budget Authority by the amount of net collections).....	+26,795	+49,930
Low Rent Public Housing Loan Fund (revised method requires change in net loan commitments to be counted as Budget Authority).....	-77,935	-262,121
GNMA Special Assistance - Section 8 and Targeted Tandem (new method requires program level not financed from collections to be shown as Budget Authority).....	-1,822,259	-662,093
Total, Budget Authority, old basis.....	33,813,795	39,533,696

The Budget proposes a total of $40.4 billion in budget authority for 1981. The largest single increase ($5.2 billion) is in Annual Contributions for Assisted Housing for the Section 8 and Public Housing programs and would provide for a total of 300,000 unit reservations. In addition, the Budget includes an additional $1.3 billion covering an add-on for taxable financing in the Public Housing programs. Under existing procedures, the notes and bonds issued to finance Public Housing development and modernization activities are sold in the private market and the investor yield from such obligations is not subject to Federal taxation. Beginning in fiscal year 1980 the Budget proposes to initiate a program of selling bonds to the Federal Financing Bank (FFB). The FFB, to finance such purchases, would borrow from the Treasury at an interest rate which will reflect the yield paid by Treasury on related taxable obligations sold. The FFB, in turn, will require reimbursement from HUD for its borrowing costs. The resulting interest rate differential reflecting the difference between taxable and tax-exempt interest rates represents a substitution of "cash expenditures" for "tax expenditures" and is expected to bring savings to taxpayers. Generally to cover the higher FFB borrowing costs, the Budget proposes the transfer during fiscal year 1980 of $1,995.3 million in unobligated budget authority from the Annual Contributions for Assisted Housing account to the Low-Rent Public Housing Loan Fund, and supplemental appropriation language is proposed to authorize this transfer. For fiscal year 1981, the Budget includes $1.3 billion to finance the cost of the difference between the cost of tax-exempt financing and taxable financing. These are discussed under the headings for Annual Contributions for Assisted Housing and Low-Rent Public Housing Loans and Other Expenses.

Introduction

The Budget includes a rescission of $1,050 million representing the rescission of an estimated $30 million in Rent Supplement program contract authority. Beginning in fiscal year 1981, the Department proposes to phase in the conversion to the Section 8 program of units that previously were assisted under the Rent Supplement program.

The major elements of budget authority are shown in the following table and in more detail in the tables following this discussion. Budget authority is also addressed in each Justification.

MAJOR ELEMENTS OF HUD BUDGET AUTHORITY

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Millions)		
HOUSING:			
Annual Contributions	$24,434.0	$26,719.7	$31,941.8
Add-on for Taxable Financing	...	...	1,287.3
Operating Subsidies (Pub. Hsg.)	727.0	794.1	862.0
Congregate Services	10.0	10.0	...
Flexible Subsidy	74.0	79.5	41.1
FHA Fund	391.0	286.0	262.8
Elderly or Handicapped	786.0	803.2	780.1
Rescissions	-604.3	-80.0	-1,050.0
GNMA:			
Section 8 and Targeted Tandem	500.0	1,822.3	662.1
COMMUNITY PLANNING AND DEVELOPMENT:			
Community Development Grants	3,650.0	3,800.0	3,950.0
Financial Settlement Fund	100.0	100.0	...
Urban Development Action Grants	400.0	675.0	675.0
Comprehensive Planning Grants	53.0	42.5	40.0
Rehabilitation Loans	231.8	135.0	188.0
ALL OTHER:			
Housing Counseling Assistance	9.0	9.0	10.0
Neighborhood Self-Help Development	5.0	10.0	15.0
Research and Technology	57.2	49.6	54.0
Fair Housing Assistance Program	...	3.7	5.7
Other	310.9	427.6	683.1
Total Budget Authority	31,134.6	35,687.2	40,408.0

Introduction

BUDGET OUTLAYS

For 1981, the outlay estimate is $11.8 billion, an increase of about $140 million above 1980. The major increases are in Housing Payments as more units are expected to come under subsidy payments (+$1.1 billion), in Community Development Grants (+$305 million) and Urban Development Action Grants (+$185 million) as city and community programs accelerate in progress. These increases are offset by significant reductions elsewhere. Outlays for the FHA mortgage insurance programs decrease by $219 million, largely as a result of fewer insurance claims as well as increased income from fees and premiums and property sales. Outlays in the Special Assistance Functions (Tandem programs) decrease by $479 million and in Emergency Mortgage Purchase Assistance by $914 million, reflecting the sale of mortgages purchased in previous years.

The major elements of outlays are shown in the following table and a detailed breakdown appears in the summary tables following this discussion. In addition, each program Justification includes an identification of the budget outlays for that program.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Major Elements of Budget Outlays			
Housing Payments	$3,559,120	$4,372,000	$5,494,000
Community Development Grants	3,161,229	3,500,000	3,805,000
Urban Development Action Grants	73,167	180,000	365,000
Public Housing Operating Subsidies	653,584	720,000	811,000
Housing for the Elderly or Handicapped	459,382	700,000	700,000
Special Assistance Functions	57,532	658,532	179,661
Urban Renewal Programs	281,099	241,875	170,000
Emergency Mortgage Purchase	270,733	489,850	-423,800
Rehabilitation Loans	100,322	170,000	190,000
Troubled Projects (Flexible Subsidy)	-11,972	42,200	103,200
Comprehensive Planning Grants	61,613	56,000	45,000
Research and Technology	63,555	54,690	53,570
New Communities	31,155	39,008	40,611
Mortgage Insurance Programs	192,848	148,094	-70,500
All Other Outlays (net)	259,615	263,957	313,390
Net Budget Oulays	9,212,982	11,636,206	11,776,132

Budget Authority and Outlays by Function

The Federal Budget includes a classification of budget authority and outlays by function which presents data on the basis of major purpose without regard to which agency is carrying out the activity. The Congressional Budget and Impoundment Control Act of 1974 requires that the Congress pass resolutions establishing budget targets and ceilings in terms of these functional categories affecting authorizing legislation and appropriation acts.

Introduction

The summary tables following this discussion are based on the functional classification adopted by the Office of Management and Budget as used in the 1981 Budget. The Department's programs are scattered among a number of the functions, the principal ones and the amounts of budget authority are as follows:

FUNCTION	BUDGET AUTHORITY ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Millions)		
COMMERCE AND HOUSING CREDIT			
Mortgage Credit and Thrift Insurance	$1,686	$2,918	$1,741
Other	9	19	17
Subtotal	1,695	2,937	1,758
COMMUNITY AND REGIONAL DEVELOPMENT			
Community Development	4,103	5,049	5,175
INCOME SECURITY			
Public Assistance and Other Income Supplements	25,319	27,671	33,438
OTHER FUNCTIONS	18	30	37
TOTAL	31,135	35,687	40,408

CURRENT SERVICES ESTIMATES

The Congressional Budget Act of 1974 requires that the President submit to the Congress estimates of the outlays and budget authority needed to maintain current government services and activity levels. These estimates show what outlays, receipts, and budget authority would be if no policy changes were made and provide a base with which the Administration's budget proposals may be compared. The amounts are neither recommended levels nor forecasts as to what figures for 1980 and 1981 actually will be.

The current services estimates for 1981 reflect the expected costs of continuing ongoing Federal programs at 1980 levels in real terms, without policy change; that is, they omit all proposed and pending new initiatives, presidential or congressional, that are not now enacted. In general, the 1980 level on which the current services estimates are based is that which is authorized or implied by enacted 1980 appropriations. The estimates allow for the future implications of current law and for anticipated changes of a relatively uncontrollable nature. For the 1981 Budget, for the first time the presentation reflects the effects of inflation in order to provide a more meaningful measure of program restraint or expansion.

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The Department's 1981 Budget estimates are compared with the current services estimates in the following tabulation:

	CURRENT SERVICES		1981 BUDGET	
	ESTIMATE 1980	ESTIMATE 1981	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Millions)			
Budget Authority.....	$35,635	$38,179	$35,687	$40,408
Differences from current services estimate.....	...	...	+52	+2,229
Outlays.....	11,565	11,840	11,636	11,776
Differences from current services estimate.....	...	...	+71	-64

The current services estimates differ from those shown in the 1981 Budget in a number of respects.

The difference in budget authority between the 1980 current services estimates and the 1980 column of the Budget is attributable to the proposed supplemental appropriation request for Public Housing operating subsidies. Outlay changes reflect the operating subsidy supplemental and supplemental for the payment to the Federal Financing Bank for the financing of Public Housing bonds.

For 1981, budget authority is $2.2 billion higher than the current services estimate. In the Housing programs, the 1981 Budget proposes 300,000 unit reservations for the Section 8 and Public Housing programs compared with 240,392 in the current services estimate, resulting in an increase of $2.8 billion. Included also is an increase of $1.3 billion for the taxable financing of Public Housing bonds through the Federal Financing Bank. Offsetting these increases from the current services estimate in 1981 are decreases for the proposed rescission of Rent Supplement contract authority (-$1.1 billion), no additional funding for the Congregate Services program (-$10 million), and savings in the Mortgage Insurance Programs which are the result, in part, of the proposed Temporary Mortgage Assistance Program (-$43 million). Also offsetting the increases are anticipated higher sales levels (-$7.8 million), fewer units under the Section 202 Housing for the Elderly or Handicapped program (-$74.9 million), and reduced appropriation requirements for the Troubled Projects (Flexible Subsidy) program (-$53.9 million as a result of the $55 million carryover from FY 1980). In addition, a reduction of $200 million from the current services estimate for Special Assistance Functions (Tandem programs) results from a proposal for a demonstration Mortgage Assistance Grant program (+30 million). Community Planning and Development programs are lower in that Community Development Grants and the Urban Development Action Grants programs are proposed at recommended authorization levels without including an inflation factor (-$105 million and -$63 million, respectively). Moreover, no Categorical Financial Settlement Fund appropriation is proposed for 1981 (-$100 million) and there is a decrease in the amount requested for Section 701--Comprehensive Planning Assistance (-$6.5 million). For Section 312 Rehabilitation Loans, however, an increase of $10 million is proposed above the current services estimate to support an additional number of units. Lesser increases are distributed among other HUD programs mainly as a result of proposed increases in program levels in the 1981 Budget.

Introduction

The 1981 current services and Budget estimates of outlays are essentially mechanical projections of the budget authority assumptions described above. The principal exception is in the Mortgage Insurance Programs where outlay differences reflect revised assumptions of workload and costs which do not affect budget authority. The difference between the current services and the 1981 Budget estimate of outlays is -$64 million, which is consistent with the budget authority increases in 1981, described above.

EMPLOYMENT AND OPERATING EXPENSES

The Department's permanent full-time employment for September 30, 1981 is estimated at 15,986, an increase of 30 positions. Beginning in fiscal year 1981, the Department will participate in the implementation on a test basis of a full-time equivalent (FTE) system for controlling employment. The purpose of the continuing experiment, initiated among a number of Federal agencies in 1979, is to demonstrate that FTE controls can improve personnel management and overcome some of the criticism associated with the existing end-of-year control system. For fiscal year 1982, the entire Executive Branch (excluding the Postal Service) is expected to be shifted to such a system. Meanwhile, in 1981, HUD will join other agencies in the test leading to full implementation.

Under the system, the Department will be assigned ceilings based on the number of workyears needed to achieve departmental missions and objectives. This would include workyears for permanent full-time employment and for part-time work which would be counted in equivalents of full-time work. Ceilings would be imposed which:

-- represent the maximum cumulative number of regularly scheduled hours (i.e., excluding overtime work) to be worked during a year.

-- include separate FTE ceilings for full-time permanent (FTP) and total employment (all workyears, full-time and part-time). Workyears may be shifted by HUD from the FTP ceiling to the total but not vice versa.

-- apply to the types of appointments given to personnel rather than to the positions themselves.

FTE calculations are more truly indicative of the staff effort applied to HUD programs than end-of-year positions. Full-time equivalent employment would be based largely on workload measurement calculations. End-of-year positions represent staff on hand on one day of the year (September 30), while FTE positions will present the actual application of employment to the programs during the year. Moreover, as noted above, FTE positions include temporary employment not reflected in permanent employment totals and thus would be higher than the permanent employment totals.

The Department already has moved to an approach for calculating staffing requirements on the basis of staff-years. The staff-years are essentially similar to FTE except that overtime is included within the staff-year calculations.

Introduction

For 1981, HUD staff-years and the FTE position ceiling may be compared as follows:

	1981	
	Staff-Years	Full-Time Equivalent
Permanent Full-Time.....	16,072.0	16,622.0
Other Full-Time:		
Special Employment Programs.....	421.6	174.6
Temporary Employment.....	476.8	123.8
Subtotal.....	898.4	298.4
Terminal Leave.....	96.5	...
Overtime.....	289.0	...
Total.....	17,355.9	16,920.4

The differences in the numbers of Other Full-Time Employees derive from the fact that the FTE concept excludes from that category those employees who may occupy temporary positions but have permanent appointments and incorporates them as permanent full-time positions. The staff-year figures, however, are based on the nature of the position that is filled, not the nature of the personnel appointment, so that permanent appointees occupying temporary positions are counted as "temporary". This is consistent with the current Government-wide method of counting year-end employment totals. The staff-year totals include terminal leave and overtime in that, while they may not add to the actual number of employees, the days and hours must be compensated. Hence, the staff-years actually identify the number of employment hours which must be compensated and for which appropriations must be provided.

The differences in the increases in staff-years (and FTEs) and in the permanent full-time employment summarized below is based on the fact that not all full-time positions are on board for the entire year because of recruiting lags, vacancies which occur, etc. This lag--or lapse--results in an average employment level during the year, stated as a staff-year, which may differ from the actual number on board as of September 30.

Introduction

PERMANENT FULL-TIME EMPLOYMENT

	ACTUAL SEPTEMBER 30, 1979	ESTIMATE SEPTEMBER 30, 1980	ESTIMATE SEPTEMBER 30, 1981
Housing Programs	8,455	8,179	7,911
Government National Mortgage Association	45	53	61
Community Planning and Development	1,814	1,881	1,899
New Communities	66	61	40
Neighborhoods, Voluntary Associations and Consumer Protection	354	376	376
Policy Development and Research	188	200	200
Fair Housing and Equal Opportunity	485	560	682
Departmental Management	136	160	160
General Counsel	221	225	225
Field Legal Services	331	315	315
Inspector General	460	488	553
Administration and Staff Services	1,635	1,675	1,703
Field Direction and Operational Support	663	657	680
Field Administration	1,214	1,126	1,181
Total	16,067	15,956	15,986
Summary			
Headquarters	3,831	3,972	4,003
Field Offices	12,236	11,984	11,983
	16,067	15,956	15,986

Introduction

The net staffing increases requested for 1981 are due to increased program workload and are as follows:

Fiscal year 1980 employment	15,956
A net reduction in Housing resulting from a decrease in single family mortgage insurance activity and maximum use of fee inspection and appraisal services in lieu of Federal staff, partially offset by increased workload in Section 8 and Public Housing programs	-268
Expansion of the Section 108 Loan Guarantee program and increased Urban Development Action Grant activities in Community Planning and Development	+18
Increased Community Development Block Grant review and monitoring by Fair Housing and Equal Opportunity and more rapid response to Title VIII complaints	+122
Increased auditing, monitoring and in-depth reviews by the Office of Inspector General pursuant to requirements of the Inspector General Act of 1978	+65
Increased field administration staff for accounting activities claims collection and management information system	+55
Increase in automated data processing staff to support development and operations	+28
Increase in field office capability for economic and market analysis in direct support of program operations	+23
All other changes	-13
Fiscal year 1981 employment	15,986

ORGANIZATIONAL CHANGE

Pursuant to the Department of Education Organization Act (P.L. 96-88) 34 positions are being transferred to the new Department from HUD during fiscal year 1980 for the College Housing Loan program. The positions will come primarily from HUD's field offices, and they are no longer included in the Justifications for this Department.

ORGANIZATION OF THE JUSTIFICATIONS

The Justifications are organized into three parts, as follows:

Part 1. Departmental Summary
Housing
Government National Mortgage Association
Federal National Mortgage Association

Part 2. Community Planning and Development
New Communities
Neighborhoods, Voluntary Associations and Consumer Protection
Policy Development and Research
Fair Housing and Equal Opportunity

Part 3. Departmental Management

TABLE I

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS--REVISED BUDGET
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	REVISED ESTIMATE 1980	REVISED ESTIMATE 1981
	(Dollars in Thousands)		
HOUSING			
Annual Contributions for Assisted Housing:			
Unit Reservations			
Section 8	269,707	202,220	258,000
Public housing	55,368	38,172	42,000
Total reservations	325,075	240,392	300,000
New construction/substantial rehab	(199,952)	(153,370)	(180,000)
Existing	(125,123)	(87,022)	(120,000)
Unit Starts			
Section 8	153,251	140,000	121,000
Public housing	21,868	40,000	55,000
Total	175,119	180,000	176,000
Use of Contract Authority			
Production:			
Section 8	$1,168,102	$945,608	$1,253,681
(Amendments)	(55,977)	(84,000)	(60,457)
Public housing	185,107	174,095	212,380
(Amendments)	(11,468)	(21,000)	(20,500)
Add-on for Taxable Financing	...	...	46,000
Total, contract authority	1,353,209	1,119,703	1,512,061
Obligations			
Production:			
Section 8	22,910,131	19,568,104	24,418,937
(Amendments)	(1,433,658)	(1,894,624)	(1,295,913)
Public housing	7,138,480	6,655,420	6,498,840
(Amendments)	(437,424)	(840,000)	(788,000)
Subtotal	30,048,611	26,223,524	30,917,777
Add-on for Taxable Financing	...	...	1,287,254
Total, obligations	30,048,611	26,223,524	32,205,031
Modernization a/			
Contract authority	49,984	50,000	50,000
Obligations	997,040	1,000,000	1,000,000
Capital costs financed	544,089	545,500	545,500
LHA-Leased Adjustments			
Contract adjustments	39,538	32,500	24,100
Congregate Services Program (obligations)	...	20,000	...

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS--REVISED BUDGET
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	REVISED ESTIMATE 1980	REVISED ESTIMATE 1981
	(Dollars in Thousands)		
Low-Rent Public Housing Loan Fund			
Payments to Federal Financing Bank - Proposed	...	$1,995,325	...
Payments for Operation of Low-Income Housing Projects	$727,000	741,500	$862,000
Proposed supplemental	...	52,600	...
Housing Payments			
Units eligible for payment, end of year	3,031,979	3,253,000	3,471,000*
Liquidation requirements:			
Appropriations	$4,464,762	$5,529,000	$7,127,000
Proposed supplemental	...	745,037	...
Section 235 Homeownership Assistance			
Contract authority reserved against court order	29,623	44,784*	62,550*
Budget authority reserved against court order	888,690	1,343,520*	1,876,500*
Units reserved	14,471	18,000*	18,000*
(New construction/substantial rehab)	(14,471)	(13,000)*	(13,000)*
(Existing)	(...)	(5,000)	(5,000)
Section 236 Rental Housing Assistance			
Use of contract authority (net):			
Bona fide commitments	...	$5,500	...
Deep subsidy	$10,030	10,000	$10,983
Recapture	-3,038	-1,200	-500
Total, contract authority	6,992	14,300	10,483
Obligations (net)	279,674	572,000	419,325
Rent Supplement			
Obligations	20,699	...	525,000
Estimated Rescission:			
Contract authority	...	-2,000	-30,000
Budget authority	...	-80,000	-1,050,000

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TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS--REVISED BUDGET
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	REVISED ESTIMATE 1980	REVISED ESTIMATE 1981
	(Dollars in Thousands)		
Troubled Projects (Flexible Subsidy) Program			
Obligations	$846	$117,599*	$109,000
Original appropriations	74,000	79,500	41,100
Budget amendment	...	...	-10,000
Revised appropriation	74,000	79,500	31,100*
Projects assisted	6	3,118	2,797
Mortgage Insurance Programs b/			
Unit application receipts:			
Home mortgages:			
Regular	792,966	712,180	697,260
Coinsurance	3,160	2,820	2,740
Subtotal, homes	796,126	715,000	700,000
Multifamily:			
Section 8 Insured	(70,497)	(53,000)	(61,700)
Regular	127,259	127,520	130,150
Non-housing	18,419	18,480	18,850
Subtotal, multifamily	145,678	146,000	149,000
Assignments (units):			
Homes	3,836	3,378	...
Multifamily	9,235	12,676	12,700
Total, assignments	13,071	16,054	12,700
Sales (units):			
Homes	26,212	26,329	25,487
Multifamily	11,999	20,000	28,000
Total, sales	38,211	46,329	53,487
Acquisitions (units):			
Homes	19,092	24,734	25,390
Multifamily	11,855	21,124	21,415
Total, acquisitions	30,947	45,858	46,805
Mortgage Insurance in force, end of year (in millions)	105,132	114,933	125,362

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS--REVISED BUDGET
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	REVISED ESTIMATE 1980	REVISED ESTIMATE 1981
	(Dollars in Thousands)		
Insurance written (dollars in millions):			
Multifamily	$2,735	$3,190	$3,619
Single family	16,468	16,100	17,776
Total	19,203	19,290	21,395
Title I loans insured:			
Number of notes	368,552	435,000	445,000
Insurance written (in millions)	$1,878	$2,405	$2,893
Housing for the Elderly or Handicapped			
Units approved	22,525	20,440	18,800
Loan reservations:			
Net	$800,000	$830,000	$830,000
Gross	NA	NA	895,000
Nonprofit Sponsor Assistance			
Loan reservations (amount)	1,936	2,130	2,300
Number of loans	85	71	71
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Special Assistance Functions Fund:			
Section 8			
New commitments	$1,500,000	$1,500,000	$1,500,000
Purchases	32,924	562,300	868,600
Sales	2,036	133,200	951,400
Targeted Tandem			
New commitments	500,000	500,000	300,000
Purchases	9,033	162,200	307,400
Sales	1,807	33,300	321,600

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS--REVISED BUDGET
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	REVISED ESTIMATE 1980	REVISED ESTIMATE 1981
	(Dollars in Thousands)		
Other			
Amendments to prior commitments	$11,110	$4,000	$2,000
Purchases	107,639	38,100	46,400
Sales	164,088	38,100	46,400
Mortgage Assistance Grants			
Obligations	...	...	30,000
Loans supported (amount)	...	...	200,000
Emergency Mortgage Purchase Assistance			
Amendments to prior commitments	41,521	60,000	24,000
Purchases	1,342,062	1,168,200	537,200
Sales	1,317,948	965,000	1,310,000
Guarantees of Mortgage-Backed Securities c/			
Commitments issued	41,750,000	47,200,000	53,000,000
Guarantees issued in year	22,175,900	20,500,000	25,000,000
Outstanding, end of year	70,558,400	85,475,800	104,375,800
Participation Sales Fund			
Certificates retired	162,000	162,000	127,000
Certificates outstanding end of year	3,004,000	2,842,000	2,715,000
Solar Energy and Conservation Bank d/			
Solar Loan Subsidies:			
Obligations	...	...*	47,500*
Number of loans	...	...*	50,000*
Amount of improvements	...	...*	$250,000*
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants			
Obligations (net):			
Community Development Grants	4,181,505	3,834,581*	3,940,000
Categorical program financial settlement fund	139,968	39,740*	...
Subtotal, CDBG obligations	4,321,473	3,874,321*	3,940,000

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS--REVISED BUDGET
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	REVISED ESTIMATE 1980	REVISED ESTIMATE 1981
	(Dollars in Thousands)		
Appropriations	$3,750,000	$3,900,000	$3,950,000
Proposed rescission	...	-153,200	...
Revised budget authority	3,750,000	3,746,800*	3,950,000
CDBG Loan Guarantees (Section 108)			
Number of loans guaranteed	10	42	53*
Amount (obligations)	$31,286	$200,000	$250,000*
Urban Development Action Grants			
Grant Announcements:			
Number	302	318	350
Amount	$518,500	$633,113	$675,000
Obligations (net)	615,050	740,548	675,000
Appropriations	400,000	675,000	675,000
Comprehensive Planning Grants (Section 701)			
Reservations (net)	54,028	44,687	40,000
Rehabilitation Loans (Section 312)			
Reservations (net):			
Single family	174,559	146,000*	106,000*
Multifamily	50,909	26,000*	65,000
Non-residential	8,400	5,000	5,000
Total	233,868	177,000*	176,000*
Gross Reservations	NA	NA	191,000*
Original appropriation or budget request	231,822	135,000	188,000
Rescission or budget amendment	...	-38,000	-64,000
Revised budget authority	231,822	97,000*	124,000*
Units Supported:			
Single family	15,700	12,255*	8,185*
Multifamily	5,408	2,575*	6,000
Total	21,108	14,830*	14,185*
Urban Homesteading			
Localities with programs	72	85	85
Properties conveyed	950	1,500	1,500
Reimbursement to FHA and other agencies	$7,178	$11,550	$12,600

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS--REVISED BUDGET
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	REVISED ESTIMATE 1980	REVISED ESTIMATE 1981
	(Dollars in Thousands)		
NEW COMMUNITIES			
New Communities Fund (Obligations)			
Interest payments on guaranteed debentures	$7,072	$9,761	$7,261
Redemption of guaranteed debentures	...	10,000	...
Project operations	4,856	3,350	2,600
Operating cost	21,611	27,988	30,297
Total, NCF	33,539	51,099	40,158
New Community Assistance Grants:			
Rescission of appropriations	-8,091	...	-1,400
NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION			
Housing Counseling Assistance			
Number of clients counseled (estimate)	200,000	200,000	220,000
Number of HUD-approved counseling agencies	600	650	700
Obligations	$8,992	$9,000	$10,000
Mobile Home Inspection and Monitoring			
State plans approved	34	36	39
Mobile homes produced (estimate)	280,000	290,000	300,000
Obligations	NA	$8,300	$7,000
Interstate Land Sales			
Registration statements filed	457	535	535
Amended registrations filed	2,012	2,200	2,200
Exemption requests filed	735	525	525
Amended exemptions filed	248	200	200
Total, number of filings	3,452	3,460	3,460
Neighborhood Self-Help Development Program			
Number of grants	...	120	80*
Obligations	...	$15,000	$10,000*
Appropriation or budget request	5,000	10,000	15,000
Budget amendment	...	...	-5,000
Revised appropriation	5,000	10,000	10,000*

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS--REVISED BUDGET
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	REVISED ESTIMATE 1980	REVISED ESTIMATE 1981
	(Dollars in Thousands)		
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology (obligations):			
Housing assistance	$8,528	$9,613	$7,156
Housing safety and standards	3,994	2,650	3,700
Housing economic data and analysis	12,367	14,570	14,950*
Consumer and equal opportunity	5,633	3,195	4,400
Community conservation	11,362	3,205	3,325
Community development	5,166	7,058	5,540*
Energy conservation and standards	2,349	1,700	2,550
Program evaluation	6,083	5,050	7,225
Research program support and utilization	1,664	3,050	3,254*
Total, obligations	57,146	50,091	52,100*
Original appropriation or budget request	57,250	49,650	54,000
Budget amendment	...	...	-1,900
Revised appropriation	57,250	49,650	52,100*
FAIR HOUSING AND EQUAL OPPORTUNITY			
Title VIII complaints processed:			
By HUD	2,763	3,400	3,700
By States	149	350	2,300
Compliance Review Completions:			
Title VI/Section 109	681	600	600
Fair Housing Assistance Program			
Assistance to State and local agencies:			
Number	...	31	57
Obligations	...	$3,700	$3,700
Assistance to Community Housing Resource Boards (CHRBs):			
Number	...	...	133
Obligations	...	...	$2,000

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS--REVISED BUDGET
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

a/ In addition, beginning in 1980 the Budget proposes to allow 50 percent of the funds for Public Housing production to be used at the discretion of PHAs for comprehensive Modernization.

b/ A limitation is being proposed for 1981 for loan guarantees (mortgage insurance commitments) amounting to $34,155 million.

c/ Federal Credit Controls amounting to a total of $53 billion of guarantee commitments will be proposed beginning in 1981.

d/ Proposed for later transmittal under "Funds Appropriated to the President." Funding will not be requested until authorizing legislation is enacted. Budget justifications not included at this time.

*Revision from original 1981 Budget.

TABLE I

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Annual Contributions for Assisted Housing:			
Unit Reservations			
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Existing	(125,123)	(87,022)	(120,000)
Unit Starts			
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Public housing	21,868	40,000	55,000
Total	175,119	180,000	176,000
Use of Contract Authority			
Production:			
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Proposed supplemental	...	52,600	...
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Proposed supplemental	...	745,037	...
Section 235 Homeownership Assistance			
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Budget authority reserved against court order	888,690	1,971,210	2,753,250
Units reserved	14,471	25,000	25,000
(New construction/substantial rehab)	(14,471)	(20,000)	(20,000)
(Existing)	(...)	(5,000)	(5,000)
Section 236 Rental Housing Assistance			
Use of contract authority (net):			
Bona fide commitments	...	$5,500	...
Deep subsidy	$10,030	10,000	$10,983
Recapture	-3,038	-1,200	-500
Total, contract authority	6,992	14,300	10,483
Obligations (net)	279,674	572,000	419,325
Rent Supplement			
Obligations	20,699	...	525,000
Estimated Rescission:			
Contract authority	...	-2,000	-30,000
Budget authority	...	-80,000	1,050,000

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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Appropriations	74,000	79,500	41,100
Projects assisted	6	3,858	2,797
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Coinsurance	3,160	2,820	2,740
Subtotal, homes	796,126	715,000	700,000
Multifamily:			
Section 8 Insured	(70,497)	(53,000)	(61,700)
Regular	127,259	127,520	130,150
Non-housing	18,419	18,480	18,850
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Assignments (units):			
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Insurance written (dollars in millions):			
Multifamily	$2,735	$3,190	$3,619
Single family	16,468	16,100	17,776
Total	19,203	19,290	21,395
Title I loans insured:			
Number of notes	368,552	435,000	445,000
Insurance written (in millions)	$1,878	$2,405	$2,893
Housing for the Elderly or Handicapped			
Units approved	22,525	20,440	18,800
Loan reservations:			
Net	$800,000	$830,000	$830,000
Gross	NA	NA	895,000
Nonprofit Sponsor Assistance			
Loan reservations (amount)	1,936	2,130	2,300
Number of loans	85	71	71
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Special Assistance Functions Fund:			
Section 8			
New commitments	$1,500,000	$1,500,000	$1,500,000
Purchases	32,924	562,300	868,600
Sales	2,036	133,200	951,400
Targeted Tandem			
New commitments	500,000	500,000	300,000
Purchases	9,033	162,200	307,400
Sales	1,807	33,300	321,600

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Other			
Amendments to prior commitments	$11,110	$4,000	$2,000
Purchases	107,639	38,100	46,400
Sales	164,088	38,100	46,400
Mortgage Assistance Grants			
Obligations	...	...	30,000
Loans supported (amount)	...	...	200,000
Emergency Mortgage Purchase Assistance			
Amendments to prior commitments	41,521	60,000	24,000
Purchases	1,342,062	1,168,200	537,200
Sales	1,317,948	965,000	1,310,000
Guarantees of Mortgage-Backed Securities			
Commitments issued	41,750,000	47,200,000	53,000,000
Guarantees issued in year	22,175,900	20,500,000	25,000,000
Outstanding, end of year	70,558,400	85,475,800	104,375,800
Participation Sales Fund			
Certificates retired	162,000	162,000	127,000
Certificates outstanding end of year	3,004,000	2,842,000	2,715,000
Solar Energy and Conservation Bank b/			
Solar Loan Subsidies:			
Obligations	...	35,000	150,000
Number of loans	...	46,700	200,000
Amount of improvements	...	$233,000	$1,000,000
Conservation Loan Subsidies:			
Obligations	...	100,000	300,000
Amount of Loans Supported	...	875,000	2,625,000
Number of Loans	...	500,000	1,500,000

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants			
Obligations (net):			
Community development grants	$4,181,505	$3,899,781	$3,940,000
Categorical program financial settlement fund	139,968	127,740	...
Subtotal, CDBG obligations	4,321,473	4,027,521	3,940,000
Appropriations	3,750,000	3,900,000	3,950,000
CDBG Loan Guarantees (Section 108)			
Number of loans guaranteed	10	42	63
Amount (obligations)	$31,286	$200,000	$300,000
Urban Development Action Grants			
Grant announcements:			
Number	302	318	350
Amount	$518,500	$633,113	$675,000
Obligations (net)	615,050	740,548	675,000
Appropriations	400,000	675,000	675,000
Comprehensive Planning Grants (Section 701)			
Reservations (net)	54,028	44,687	40,000
Rehabilitation Loans (Section 312)			
Reservations (net):			
Single family	174,559	154,000	170,000
Multifamily	50,909	56,000	65,000
Non-residential	8,400	5,000	5,000
Total	233,868	215,000	240,000
Gross reservations	NA	NA	255,000
Units Supported:			
Single family	15,700	12,900	13,200
Multifamily	5,408	5,600	6,000
Total	21,108	18,500	19,200
Urban Homesteading			
Localities with programs	72	85	85
Properties conveyed	950	1,500	1,500
Reimbursement to FHA and other agencies	$7,178	$11,550	$12,600

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
NEW COMMUNITIES			
New Communities Fund (Obligations)			
Interest payments on guaranteed debentures	$7,072	$9,761	$7,261
Redemption of guaranteed debentures	...	10,000	...
Project operations	4,856	3,350	2,600
Operating cost	21,611	27,988	30,297
Total, NCF	33,539	51,099	40,158
New Community Assistance Grants:			
Rescission of appropriations	-8,091	...	-1,400
NEIGHBORHOOD, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION			
Housing Counseling Assistance			
Number of clients counseled (estimate)	200,000	200,000	220,000
Number of HUD approved counseling agencies	600	650	700
Obligations	$8,992	$9,000	$10,000
Mobile Home Inspection and Monitoring			
State plans approved	34	36	39
Mobile homes produced (estimate)	280,000	290,000	300,000
Obligations	NA	$8,300	$7,000
Interstate Land Sales			
Registration statements filed	457	535	535
Amended registrations filed	2,012	2,200	2,200
Exemption requests filed	735	525	525
Amended exemptions filed	248	200	200
Total, number of filings	3,452	3,460	3,460
Neighborhood Self-Help Development Program			
Number of grants	...	120	120
Obligations	...	$15,000	$15,000

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology (obligations):			
Housing assistance	$8,528	$9,613	$7,156
Housing safety and standards	3,994	2,650	3,700
Housing economic data and analysis	12,367	14,570	15,250
Consumer and equal opportunity	5,633	3,195	4,400
Community conservation	11,362	3,205	3,325
Community development	5,166	7,058	6,740
Energy conservation and standards	2,349	1,700	2,800
Program evaluation	6,083	5,050	7,225
Research program support and utilization	1,664	3,050	3,404
Total, obligations	57,146	50,091	54,000
FAIR HOUSING AND EQUAL OPPORTUNITY			
Title VIII complaints processed:			
By HUD	2,763	3,400	3,700
By States	149	350	2,300
Compliance Review Completions:			
Title VI/Section 109	681	600	600
Fair Housing Assistance Program			
Assistance to State and local agencies:			
Number	...	31	57
Obligations	...	$3,700	$3,700
Assistance to Community Housing Resource Boards (CHRBs):			
Number	...	...	133
Obligations	...	...	$2,000

a/ In addition, beginning in 1980 the Budget proposes to allow 50 percent of the funds for Public Housing production to be used at the discretion of PHAs for comprehensive Modernization.

b/ Proposed for later transmittal under "Funds Appropriated to the President. Funding will not be requested until authorizing legislation is enacted. Budget justifications not included at this time.

TABLE II

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981
(Based on House Subcommittee Print)

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
		(Dollars in Thousands)			
HOUSING					
Annual Contributions for Assisted Housing	$24,395,848	$26,680,128	$26,680,128	$31,909,377	$31,909,377
Add-on for taxable financing	...	...	...	1,287,254	1,287,254
Total, Annual Contributions	24,395,848	26,680,128	26,680,128	33,196,631	33,196,631
Contract Authority	(1,322,297)	(1,140,661)	(1,140,661)	(1,553,661)	(1,553,661)
Rescission of Recaptured Authority: Rent Supplement	...	-80,000	-80,000	-1,050,000	-1,050,000
Housing Payments (Liquidation of Contract Authority)	(4,460,000)	(5,529,000)	(5,529,000)	(7,127,000)	(7,127,000)
Payments for Operation of Low-Income Housing Projects	727,000	741,500	741,500	862,000	862,000
Congregate Services Program	10,000	10,000	10,000	...	...
Troubled Projects (Flexible Subsidy) Program	74,000	79,500	79,500	41,100	31,100
Mortgage Insurance Programs: Debt Reduction	...	...	...	-60,000	-60,000
Appropriation for Losses	352,290	194,850	194,850	268,640	268,640
Subtotal, Mortgage Insurance Programs	352,290	194,850	194,850	208,640	208,640
Housing for the Elderly or Handicapped (Section 202): Borrowing Authority	800,000	830,000 a/	830,000 a/	780,070	780,070
Nonprofit Sponsor Assistance - Loan Limitation	NA	NA	NA	(2,300)	(2,300)
Low-Rent Public Housing Loan Fund: Payment to Federal Financing Bank (FFB)	...	(1,995,325) b/	(1,995,325) b/	...	...
Subtotal, Housing	26,359,138	28,455,978	28,455,978	34,038,441	34,028,441

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981
(Based on House Subcommittee Print)

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
	(Dollars in Thousands)				
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION					
Special Assistance Functions Fund:					
Limitation on Loans.....	($2,000,000)	($2,000,000)	($2,000,000)	($1,800,000)	($1,800,000)
New Budget Authority Specifically Provided in Appropriations	500,000	...	...	...	...
Mortgage Assistance Grants.....	...	...	...	30,000	30,000
Payment of Participation Sales Insufficiencies.	20,477	16,971	16,971	4,967	4,967
Subtotal, GNMA.....	520,477	16,971	16,971	34,967	34,967
COMMUNITY PLANNING AND DEVELOPMENT					
Community Development Block Grants:					
Community Development Grants...	3,650,000	3,800,000	3,800,000	3,950,000	3,950,000
Proposed Rescission..	...	...	-65,200	...	...
Categorical Program Financial Settlement Fund.....	100,000	100,000	100,000	...	...
Proposed Rescission..	...	...	-88,000	...	...
Subtotal...	3,750,000	3,900,000	3,746,800	3,950,000	3,950,000
Section 108 Loan Limitation.....	NA	NA	NA	(300,000)	(250,000)
Urban Development Action Grants...	400,000	675,000	675,000	675,000	675,000
Comprehensive Planning Grants (Section 701)...	53,000	42,500	42,500	40,000	40,000
Urban Homesteading (Section 810)...	20,000	...	...	...	...
Rehabilitation Loans (Section 312):					
Appropriation...	230,000	135,000	135,000	188,000	124,000
Proposed Rescission...	...	...	-38,000	...	...
New Loan Limitation.....	NA	NA	NA	(240,000)	(176,000)
Subtotal, CPD	4,453,000	4,752,500	4,561,300	4,853,000	4,789,000

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981
(Based on House Subcommittee Print)

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
	(Dollars in Thousands)				
NEW COMMUNITY DEVELOPMENT CORPORATION					
Rescission of Recaptured Obligations for New Community Assistance Grants.....	-$8,091	...	...	-$1,400	-$1,400
NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION					
Housing Counseling Assistance.....	9,000	$9,000	$9,000	10,000	10,000
Neighborhood Self-Help Development Program...	5,000	10,000	10,000	15,000	10,000
Subtotal, NVACP.....	14,000	19,000	19,000	25,000	20,000
POLICY DEVELOPMENT AND RESEARCH					
Research and Technology.....	57,250 c/	49,650	49,650	54,000	52,100
FAIR HOUSING AND EQUAL OPPORTUNITY					
Fair Housing Assistance Program....	...	3,700	3,700	5,700	5,700
Assistance to State and Local Agencies...	(...)	(3,700)	(3,700)	(3,700)	(3,700)
Assistance to Community Housing Resource Boards (CHRBs).....	(...)	(...)	(...)	(2,000)	(2,000)
DEPARTMENTAL MANAGEMENT					
Salaries and Expenses, HUD.....	269,458 d/	284,189 e/	284,189 e/	340,882	337,943
Total, Budget Authority (as included in Sub-committee print)...	31,665,232	33,581,988	33,390,788	39,350,590	39,266,751

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981
(Based on House Subcommittee Print)

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
		(Dollars in Thousands)			
RECONCILIATION TO TOTAL HUD BUDGET AUTHORITY					
ADD:					
Permanent Budget Authority -					
Annual Contributions for Assisted Housing.....	$38,169	$39,538	$39,538	$32,500	$32,500
FHA Fund Net Borrowings and Debentures Issued.....	38,660	91,100	91,100	54,130.	54,130
Low Rent Public Housing Loan Fund: Borrowing Authority.....	...	77,935	77,935	262,121	262,121
Budget Authority Under New Concepts for Special Assistance Functions Fund.	...	1,822,259	1,822,259	662,093	662,093
Participation Sales - Permanent Indefinite Appropriation.....	3,798	3,260	3,260	3,542	3,542
New Communities Fund - Treasury Borrowing.....	24,046	37,618	37,618	38,921	38,921
Interstate Land Sales (Indefinite).....	270	350	350	350	350
Mobile Home Inspection and Monitoring (Indefinite)...	...	9,835	9,835	5,700	5,700
Reappropriation -					
Rehabilitation Loans (Section 312).....	1,822	...	...	...	...
Pending Supplementals -					
Housing Payments.....	...	(745,037)	(745,037)	...	...
Payments for Operation of Low-Income Housing Projects	...	52,600	52,600	...	...
Pay Costs.....	...	11,972	11,008	...	...

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981
(Based on House Subcommittee Print)

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
	(Dollars in Thousands)				
SUBTRACT:					
Rescissions -					
Rescission of Recaptured Authority:					
State Housing Finance and Development Agencies Interest Subsidies....	-$600,000	...	...	...	...
College Housing - Debt Service Grant Contract Authority.....	-4,282	...	...	...	...
OTHER ADJUSTMENTS					
Adjustment for New Budget Authority Concept for Housing for the Elderly or Handicapped.....	-14,000	-$26,795	-$26,795	...	...
Participation Sales Insufficiencies Appropriation:					
College Housing transfer to Department of Education.....	-13,097	-12,117	-12,117	...	...
Comparability Adjustments for "Salaries and Expenses" f/.....	-4,047	-382	-382	...	...
Deductions for Offsetting Receipts.....	-2,002	-1,967	-1,967	-$1,967	-$1,967
Subtotal, HUD Authority..	31,134,569	35,687,194	35,495,030	40,407,980	40,324,141
RE-ESTIMATE					
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION					
Special Assistance Functions.....	...	...	+14,500	...	...
Total, HUD Authority...	31,134,569	35,687,194	35,509,530	40,407,980	40,324,141

a/ Represents budget authority enacted by Congress under prior concepts. Under revised concepts, budget authority is estimated at $803,205 thousand.
b/ Proposed transfer from Subsidized Housing Programs.
c/ Excludes $250 thousand transferred to the Federal Emergency Management Agency (FEMA).
d/ Does not reflect $4,181 thousand transferred to the Department of Labor and a reestimate of -$134 thousand in monies transferred to FEMA.
e/ Does not reflect anticipated transfer of $382 thousand to Department of Education.
f/ 1979 reflects $4,181 thousand transferred to Department of Labor less $134 thousand re-estimated in monies transferred to FEMA. 1980 reflects anticipated transfer to Department of Education.

TABLE II

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981
(Based on House Subcommitte Print)

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
HOUSING			
Annual Contributions for Assisted Housing	$24,395,848	$26,680,128	$31,909,377
Add-on for taxable financing	...	...	1,287,254
Total, Annual Contributions	24,395,848	26,680,128	33,196,631
Contract Authority	(1,322,297)	(1,140,661)	(1,553,661)
Rescission of Recaptured Authority:			
Rent Supplement	...	-80,000	-1,050,000
Housing Payments (Liquidation of Contract Authority)	(4,460,000)	(5,529,000)	(7,127,000)
Payments for Operation of Low-Income Housing Projects	727,000	741,500	862,000
Congregate Services Program	10,000	10,000	...
Troubled Projects (Flexible Subsidy) Program	74,000	79,500	41,100
Mortgage Insurance Programs:			
Debt Reduction	...	...	-60,000
Appropriation for Losses	352,290	194,850	268,640
Subtotal, Mortgage Insurance Programs	352,290	194,850	208,640
Housing for the Elderly or Handicapped (Section 202):			
Borrowing Authority	800,000	830,000 a/	780,070
Nonprofit Sponsor Assistance - Loan Limitation	NA	NA	(2,300)
Low-Rent Public Housing Loan Fund:			
Payment to Federal Financing Bank (FFB)	...	(1,995,325) b/	...
Subtotal, Housing	26,359,138	28,455,978	34,038,441
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Special Assistance Functions Fund:			
Limitation on Loans	(2,000,000)	(2,000,000)	(1,800,000)
New Budget Authority specifically provided in Appropriations	500,000	...	...
Mortgage Assistance Grants	...	...	30,000
Payment of Participation Sales Insufficiencies	20,477	16,971	4,967
Subtotal, GNMA	520,477	16,971	34,967

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants:			
Community Development Grants	$3,650,000	$3,800,000	$3,950,000
Categorical Program Financial Settlement Fund	100,000	100,000	...
Subtotal	3,750,000	3,900,000	3,950,000
Section 108 Loan Limitation	NA	NA	(300,000)
Urban Development Action Grants	400,000	675,000	675,000
Comprehensive Planning Grants (Section 701)	53,000	42,500	40,000
Urban Homesteading (Section 810)	20,000	...	...
Rehabilitation Loans (Section 312):			
Appropriation	230,000	135,000	188,000
New Loan Limitation	NA	NA	(240,000)
Subtotal, CPD	4,453,000	4,752,500	4,853,000
NEW COMMUNITY DEVELOPMENT CORPORATION			
Rescission of Recaptured Obligations for New Community Assistance Grants	-8,091	...	-1,400
NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION			
Housing Counseling Assistance	9,000	9,000	10,000
Neighborhood Self-Help Development Program	5,000	10,000	15,000
Subtotal, NVACP	14,000	19,000	25,000
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	57,250 c/	49,650	54,000
FAIR HOUSING AND EQUAL OPPORTUNITY			
Fair Housing Assistance Program	...	3,700	5,700
Assistance to State and Local Agencies	(...)	(3,700)	(3,700)
Assistance to Community Housing Resource Boards (CHRBs)	(...)	(...)	(2,000)
DEPARTMENTAL MANAGEMENT			
Salaries and Expenses, HUD	269,458 d/	284,189 e/	340,882
Total, Budget Authority (as included in Subcommittee print)	31,665,232	33,581,988	39,350,590

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
RECONCILIATION TO TOTAL HUD BUDGET AUTHORITY			
ADD:			
Permanent Budget Authority -			
Annual Contributions for Assisted Housing.	$38,169	$39,538	$32,500
FHA Fund Net Borrowings and Debentures Issued.....	38,660	91,100	54,130
Low Rent Public Housing Loan Fund: Borrowing Authority.....	...	77,935	262,121
Budget Authority Under New Concepts for Special Assistance Functions Fund.....	...	1,822,259	662,093
Participation Sales - Permanent Indefinite Appropriation.....	3,798	3,260	3,542
New Communities Fund - Treasury Borrowing.	24,046	37,618	38,921
Interstate Land Sales (Indefinite).....	270	350	350
Mobile Home Inspection and Monitoring (Indefinite).....	...	9,835	5,700
Reappropriation -			
Rehabilitation Loans (Section 312).....	1,822	...	...
Pending Supplementals -			
Housing Payments.....	...	(745,037)	...
Payments for Operation of Low-Income Housing Projects.....	...	52,600	...
Pay Costs.....	...	11,972	...

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
SUBTRACT:			
Rescissions -			
Rescission of Recaptured Authority:			
State Housing Finance and Development Agencies Interest Subsidies	-$600,000	...	...
College Housing - Debt Service Grant Contract Authority	-4,282	...	...
OTHER ADJUSTMENTS			
Adjustment for New Budget Authority Concept for Housing for the Elderly or Handicapped	-14,000	-$26,795	...
Participation Sales Insufficiencies Appropriation:			
College Housing transfer to Department of Education	-13,097	-12,117	...
Comparability Adjustments for "Salaries and Expenses" f/	-4,047	-382	...
Deductions for Offsetting Receipts	-2,002	-1,967	-$1,967
Total HUD Authority	31,134,569	35,687,194	40,407,980

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

a/ Represents budget authority enacted by Congress under prior concepts. Under revised concepts, budget authority is estimated at $803,205 thousand.

b/ Proposed transfer from Subsidized Housing Programs.

c/ Excludes $250 thousand transferred to the Federal Emergency Management Agency (FEMA).

d/ Does not reflect $4,181 thousand transferred to the Department of Labor and a reestimate of -$134 thousand in monies transferred to FEMA.

e/ Does not reflect anticipated transfer of $382 thousand to Department of Education.

f/ 1979 reflects $4,181 thousand transferred to Department of Labor less $134 thousand re-estimated in monies transferred to FEMA. 1980 reflects anticipated transfer to Department of Education.

TABLE III

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET OUTLAYS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
		(Dollars in Thousands)			
HOUSING PROGRAMS					
Housing Payments	$3,559,120	$4,372,000	$4,372,000	$5,494,000	$5,485,000
Proposed Supplemental	...	(100,000)	(100,000)	(200,000)	(200,000)
Payments for Operation of Low-Income Housing Projects	653,584	720,000	720,000	811,000	811,000
Proposed Supplemental	...	52,600	52,600	...	...
Congregate Services Program	...	3,500	3,500	6,400	6,400
Troubled Projects (Flexible Subsidy) Program	-11,972	42,200	39,200	103,200	96,200
Mortgage Insurance Programs	192,848	148,094	148,094	-70,500	-80,245
Housing for the Elderly or Handicapped (Section 202)	459,382	700,000	700,000	700,000	700,000
Public Housing Loan Fund	-2,960	...	...	...	...
Payment to Federal Financing Bank (FFB)	...	18,296	18,296	49,883	49,883
Nonprofit Sponsor Assistance	687	668	668	421	421
Community Disposal Operations Fund	-551	-500	-500	-420	-420
Revolving Fund (Liquidating Programs)	-4,078	-2,340	-2,340	-5,624	-5,624
Rental Housing Assistance Fund	65,992	6,084	6,084	...	...
Disaster Assistance Fund	18,124	-34,936	-34,936	...	...
Subtotal, Housing Programs	4,930,176	6,025,666	6,022,666	7,088,360	7,062,615
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION					
Special Assistance Functions	57,532	658,532	658,532	179,661	179,661
Emergency Mortgage Purchase Assistance	270,733	489,850	489,850	-423,800	-423,800
Management and Liquidating Functions	-35,555	-34,600	-34,600	-30,300	-30,300
Guarantees of Mortgage-Backed Securities	-54,625	-63,000	-63,000	-80,200	-80,200
Participation Sales Fund	-11,682	375	375	350	350
Solar Energy and Conservation Bank:					
Solar Loan Subsidies	...	(28,875)	(...)	(129,875)	(20,500)
Conservation Loan Subsidies	...	(11,850)	(...)	(335,650)	(...)
Subtotal, GNMA	226,403	1,051,157	1,051,157	-354,289	-354,289

TABLE III (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET OUTLAYS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
	(Dollars in Thousands)				
COMMUNITY PLANNING AND DEVELOPMENT					
Community Development Block Grants:					
Community Development Grants	$3,103,721	$3,400,000	$3,400,000	$3,673,000	$3,648,000
Categorical Program Financial Settlement	57,508	100,000	79,000	132,000	65,000
Subtotal, CDBG	3,161,229	3,500,000	3,479,000	3,805,000	3,713,000
Urban Development Action Grants	73,167	180,000	180,000	365,000	365,000
Comprehensive Planning Grants (Section 701)	61,613	56,000	56,000	45,000	45,000
Urban Homesteading (Section 810):					
Direct Appropriation	...	...	...	9,719	9,719
FHA Fund Appropriation	(7,178)	(11,550)	(11,550)	(2,881)	(2,881)
Model Cities and Other CPD Programs	14,535	14,582	14,582	...	...
Rehabilitation Loans (Section 312)	100,322	170,000	156,000	190,000	118,000
Urban Renewal Program:					
Grants	308,978	260,000	260,000	174,825	174,825
Loans	-27,879	-18,125	-18,125	-4,825	-4,825
Subtotal, Urban Renewal	281,099	241,875	241,875	170,000	170,000
Subtotal, CPD	3,691,965	4,162,457	4,127,457	4,584,719	4,420,719
NEW COMMUNITIES					
New Communities Fund	30,985	37,408	37,408	38,711	38,711
New Community Assistance Grants	170	1,600	1,600	1,900	1,900
Subtotal, NCDC	31,155	39,008	39,008	40,611	40,611
NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND CONSUMER PROTECTION					
Housing Counseling Assistance	5,472	8,780	8,780	9,420	9,420
Neighborhood Self-Help Development Program	...	9,000	9,000	10,000	7,000
Interstate Land Sales	636	350	350	350	350
Mobile Home Standards Program	209	731	731	...	...
Mobile Home Inspection and Monitoring	...	8,300	8,300	7,000	7,000
Subtotal, NVACP	6,317	27,161	27,161	26,770	23,770

TABLE III (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET OUTLAYS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
		(Dollars in Thousands)			
POLICY DEVELOPMENT AND RESEARCH					
Research and Technology	$63,555	$54,690	$54,690	$53,570	$52,248
Subtotal, PDR.....	63,555	54,690	54,690	53,570	52,248
FAIR HOUSING AND EQUAL OPPORTUNITY					
Fair Housing Assistance Program.....	...	1,295	1,295	5,995	5,995
Assistance to State and Local Agencies.	(...)	(1,295)	(1,295)	(4,995)	(4,995)
Assistance to Community Housing Resource Boards (CHRBs).....	(...)	(...)	(...)	(...)	(1,000)
Subtotal, FHEO....	...	1,295	1,295	5,995	5,995
DEPARTMENTAL MANAGEMENT					
Salaries and Expenses, HUD.....	264,151	264,892	264,892	331,882	328,887
Proposed Supplemental for Pay Costs.....	...	11,287	10,379	685	685
Working Capital Fund..	1,230	-183	-183	-204	-204
Urban Transportation..	35	54	54	...	...
Low-Income Housing Demonstration.....	-22	689	689	...	...
Joint Grants Management Fund.....	19	...	...	...	...
Subtotal, DM.....	265,413	276,739	275,831	332,363	329,368
Subtotal, HUD.....	9,214,984	11,638,173	11,599,265	11,778,099	11,581,037
Deductions for Off-setting Receipts.....	-2,002	-1,967	-1,967	-1,967	-1,967
Subtotal, HUD.....	9,212,982	11,636,206	11,597,298	11,776,132	11,579,070

TABLE III (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET OUTLAYS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
		(Dollars in Thousands)			
RE-ESTIMATES					
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION					
Special Assistance Functions Fund - based on long-term interest rates	...	...	$14,500	...	...
Emergency Mortgage Purchase Assistance - based on long-term interest rates	...	...	82,000	...	...
Subtotal, GNMA	...	...	96,500	...	...
COMMUNITY PLANNING AND DEVELOPMENT					
Community Development Block Grants - effect of actual first quarter of FY 1980	...	...	300,000	...	$195,000
Subtotal, CPD	...	...	300,000	...	195,000
Subtotal, Reestimates	...	...	396,500	...	195,000
Total, HUD, Reductions and Reestimates	$9,212,982	$11,636,206	11,993,798	$11,776,132	$11,774,070

TABLE III

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET OUTLAYS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
HOUSING PROGRAMS			
Housing Payments	$3,559,120	$4,372,000	$5,494,000
Proposed Supplemental	...	(100,000)	(200,000)
Payments for Operation of Low-Income Housing Projects	653,584	720,000	811,000
Proposed Supplemental	...	52,600	...
Congregate Services Program	...	3,500	6,400
Troubled Projects (Flexible Subsidy) Program	-11,972	42,200	103,200
Mortgage Insurance Programs	192,848	148,094	-70,500
Housing for the Elderly or Handicapped (Section 202)	459,382	700,000	700,000
Public Housing Loan Fund	-2,960	...	...
Payment to Federal Financing Bank (FFB)	...	18,296	49,883
Nonprofit Sponsor Assistance	687	668	421
Community Disposal Operations Fund	-551	-500	-420
Revolving Fund (Liquidating Programs)	-4,078	-2,340	-5,624
Rental Housing Assistance Fund	65,992	6,084	...
Disaster Assistance Fund	18,124	-34,936	...
Subtotal, Housing Programs	4,930,176	6,025,666	7,088,360
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Special Assistance Functions	57,532	658,532	179,661
Emergency Mortgage Purchase Assistance	270,733	489,850	-423,800
Management and Liquidating Functions	-35,555	-34,600	-30,300
Guarantees of Mortgage-Backed Securities	-54,625	-63,000	-80,200
Participation Sales Fund	-11,682	375	350
Solar Energy and Conservation Bank:			
Solar Loan Subsidies	...	(28,875)	(129,875)
Conservation Loan Subsidies	...	(11,850)	(335,650)
Subtotal, GNMA	226,403	1,051,157	-354,289

TABLE III (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET OUTLAYS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants:			
Community Development Grants	$3,103,721	$3,400,000	$3,673,000
Categorical Program Financial Settlement	57,508	100,000	132,000
Subtotal, CDBG	3,161,229	3,500,000	3,805,000
Urban Development Action Grants	73,167	180,000	365,000
Comprehensive Planning Grants (Section 701)	61,613	56,000	45,000
Urban Homesteading (Section 810):			
Direct Appropriation	...	...	9,719
FHA Fund Appropriation	(7,178)	(11,550)	(2,881)
Model Cities and Other CPD Programs	14,535	14,582	...
Rehabilitation Loans (Section 312)	100,322	170,000	190,000
Urban Renewal Program:			
Grants	308,978	260,000	174,825
Loans	-27,879	-18,125	-4,825
Subtotal, Urban Renewal	281,099	241,875	170,000
Subtotal, CPD	3,691,965	4,162,457	4,584,719
NEW COMMUNITIES			
New Communities Fund	30,985	37,408	38,711
New Community Assistance Grants	170	1,600	1,900
Subtotal, NCDC	31,155	39,008	40,611
NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND CONSUMER PROTECTION			
Housing Counseling Assistance	5,472	8,780	9,420
Neighborhood Self-Help Development Program	...	9,000	10,000
Interstate Land Sales	636	350	350
Mobile Home Standards Program	209	731	...
Mobile Home Inspection and Monitoring	...	8,300	7,000
Subtotal, NVACP	6,317	27,161	26,770
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	63,555	54,690	53,570

TABLE III (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET OUTLAYS
COMPARATIVE SUMMARY, FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
FAIR HOUSING AND EQUAL OPPORTUNITY			
Fair Housing Assistance Program	...	$1,295	$5,995
Assistance to State and Local Agencies	(...)	(1,295)	(4,995)
Assistance to Community Housing Resource Boards (CHRBs)	(...)	(...)	(1,000)
Subtotal, FHEO	...	1,295	5,995
DEPARTMENTAL MANAGEMENT			
Salaries and Expenses, HUD	$264,151	264,892	331,882
Proposed Supplemental for Pay Costs	...	11,287	685
Working Capital Fund	1,230	-183	-204
Urban Transportation	35	54	...
Low-Income Housing Demonstration	-22	689	...
Joint Grants Management Fund	19	...	...
Subtotal, DM	265,413	276,739	332,363
Subtotal, HUD	9,214,984	11,638,173	11,778,099
Deductions for Offsetting Receipts	-2,002	-1,967	-1,967
Total, HUD	9,212,982	11,636,206	11,776,132

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TABLE IV

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY AND OUTLAYS BY FUNCTION
FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
		(Dollars in Thousands)			
BUDGET AUTHORITY:					
COMMERCE AND HOUSING CREDIT					
Mortgage credit and thrift insurance:					
Mortgage insurance programs - FHA Fund	$390,950	$285,950	$285,950	$262,770	$262,770
Housing for the elderly or handicapped	786,000	803,205	803,205	780,070	780,070
GNMA - Mortgage purchases programs:					
Special assistance functions fund	506,800	1,828,759	1,828,759	668,493	668,493
Other GNMA	2,193	...	...	...	...
Mortgage assistance grants	...	...	...	30,000	30,000
Subtotal, Mortgage credit	1,685,943	2,917,914	2,917,914	1,741,333	1,741,333
Other subfunctions (Mobile homes, interstate land sales, S&E, participation sales)	8,710	18,746	18,713	16,655	16,532
Subtotal, Commerce and Housing	1,694,653	2,936,660	2,936,627	1,757,988	1,757,865
COMMUNITY AND REGIONAL DEVELOPMENT					
Community development:					
Community development grants	3,750,000	3,900,000	3,746,800	3,950,000	3,950,000
Urban development action grants	400,000	675,000	675,000	675,000	675,000
Comprehensive planning grants	53,000	42,500	42,500	40,000	40,000
Rehabilitation loans	231,822	135,000	97,000	188,000	124,000
Urban homesteading	20,000	...	...	...	...
New communities	15,955	37,618	37,618	37,521	37,521
Neighborhood self-help development program	5,000	10,000	10,000	15,000	10,000
Research and technology	57,250	49,650	49,650	54,000	52,100
State housing finance and development agencies (Rescission)	-600,000	...	...	...	...
Other (S&E, Urban renewal, etc.)	169,608	199,624	199,154	215,965	214,094
Subtotal, Community and regional development	4,102,635	5,049,392	4,857,722	5,175,486	5,102,715

TABLE IV (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY AND OUTLAYS BY FUNCTION
FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
		(Dollars in Thousands)			
EDUCATION, TRAINING, EMPLOYMENT, SOCIAL SERVICES, AND HEALTH (College housing, counseling, etc.)	$4,718	$9,000	$9,000	$10,000	$10,000
INCOME SECURITY					
Public assistance and other income supplements:					
Annual contributions for assisted housing	24,434,017	26,719,666	26,719,666	33,229,131	33,229,131
Payments for operation of low-income housing projects	727,000	741,500	741,500	862,000	862,000
Proposed supplemental	...	52,600	52,600	...	...
Troubled projects (Flexible subsidy)	74,000	79,500	79,500	41,100	31,100
Rent supplement:					
Rescission of recaptured authority	...	-80,000	-80,000	-1,050,000	-1,050,000
Other (Congregate services, Nonprofit sponsor assistance, Rental housing assistance, S&E, etc.)	84,208	157,726	157,331	355,327	354,611
Subtotal, Income security	25,319,225	27,670,992	27,670,597	33,437,558	33,426,842
ADMINISTRATION OF JUSTICE (FHEO, etc.)	15,340	23,117	23,051	28,915	28,686
INTEREST (Offsetting receipts)	-2,002	-1,967	-1,967	-1,967	-1,967
Total	31,134,569	35,687,194	35,495,030	40,407,980	40,324,141

TABLE IV (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY AND OUTLAYS BY FUNCTION
FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
		(Dollars in Thousands)			
BUDGET OUTLAYS:					
COMMERCE AND HOUSING CREDIT					
Mortgage credit and thrift insurance:					
Mortgage insurance programs - FHA Fund	$192,848	$148,094	$148,094	-$70,500	-$80,245
Housing for the elderly or handicapped	459,382	700,000	700,000	700,000	700,000
GNMA - Mortgage purchases programs:					
Special assistance functions fund	57,532	658,532	658,532	179,661	179,661
Emergency mortgage purchase assistance	270,733	489,850	489,850	-423,800	-423,800
Other GNMA	-90,180	-97,600	-97,600	-110,500	-110,500
Subtotal, Mortgage credit	890,315	1,898,876	1,898,876	274,861	265,116
Other subfunctions (Mobile homes, interstate land sales, S&E, participation sales)	-9,156	-5,506	-5,536	15,215	15,124
Subtotal, Commerce and housing	881,159	1,893,370	1,893,340	290,076	280,240
TRANSPORTATION (Urban transportation)	35	54	54	...	...
COMMUNITY AND REGIONAL DEVELOPMENT					
Community development:					
Community development grants	3,161,229	3,500,000	3,479,000	3,805,000	3,713,000
Urban development action grants	73,167	180,000	180,000	365,000	365,000
Comprehensive planning grants	61,613	56,000	56,000	45,000	45,000
Rehabilitation loans	100,322	170,000	156,000	190,000	118,000
Urban homesteading	...	...	...	9,719	9,719
New communities	31,155	39,008	39,008	40,611	40,611
Neighborhood self-help development program	...	9,000	9,000	10,000	7,000
Research and technology	63,555	54,690	54,690	53,570	52,248
Other (S&E, Urban renewal, etc.)	460,624	441,080	440,637	376,964	375,079
Subtotal, Community development	3,951,665	4,449,778	4,414,335	4,895,864	4,725,657
Other subfunctions (Disaster assistance fund)	18,124	-34,936	-34,936	...	...
Subtotal, Community and regional development	3,969,789	4,414,842	4,379,399	4,895,864	4,725,657

TABLE IV (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY AND OUTLAYS BY FUNCTION
FISCAL YEARS 1979-1981

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED
	(Dollars in Thousands)				
EDUCATION, TRAINING, EMPLOYMENT, SOCIAL SERVICES, AND HEALTH (College housing, counseling, etc.)	$209	$7,760	$7,760	$8,071	$8,071
INCOME SECURITY					
Public assistance and other income supplements:					
Housing payments	3,559,120	4,372,000	4,372,000	5,494,000	5,485,000
Payments for operation of low-income housing projects	653,584	720,000	720,000	811,000	811,000
Proposed supplemental	...	52,600	52,600	...	...
Troubled projects (Flexible subsidy)	-11,972	42,200	39,200	103,200	96,200
Other (Congregate services, Nonprofit sponsor assistance, Rental housing assistance, S&E, etc.)	136,228	93,732	93,359	145,403	144,597
Subtotal, Income security	4,336,960	5,280,532	5,277,159	6,553,603	6,536,797
VETERANS BENEFITS AND SERVICES (Participation sales	11,934	22,168	22,168	1,972	1,972
ADMINISTRATION OF JUSTICE (FHEO, etc.)	14,898	19,447	19,385	28,513	28,300
INTEREST (Offsetting receipts)	-2,002	-1,967	-1,967	-1,967	-1,967
Total	9,212,982	11,636,206	11,597,298	11,776,132	11,579,070

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY AND OUTLAYS BY FUNCTION
FISCAL YEARS 1979 - 1981

	BUDGET AUTHORITY			OUTLAYS		
	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
			(Dollars in Thousands)			
COMMERCE AND HOUSING CREDIT						
Mortgage credit and thrift insurance:						
Mortgage insurance programs - FHA Fund	$390,950	$285,950	$262,770	$192,848	$148,094	-$70,500
Housing for the elderly or handicapped	786,000	803,205	780,070	459,382	700,000	700,000
GNMA - Mortgage purchases programs:						
Special assistance functions fund	506,800	1,828,759	668,493	57,532	658,532	179,661
Emergency mortgage purchase assistance	...	...	...	270,733	489,850	-423,800
Other GNMA	2,193	...	...	-90,180	-97,600	-110,500
Mortgage assistance grants	...	...	30,000	...	...	...
Subtotal, Mortgage credit	1,685,943	2,917,914	1,741,333	890,315	1,898,876	274,861
Other subfunctions (Mobile homes, interstate land sales, S&E, participation sales)	8,710	18,746	16,655	-9,156	-5,506	15,215
Subtotal, Commerce and Housing	1,694,653	2,936,660	1,757,988	881,159	1,893,370	290,076
TRANSPORTATION (Urban transportation)	...	...	...	35	54	...
COMMUNITY AND REGIONAL DEVELOPMENT						
Community development:						
Community development grants	3,750,000	3,900,000	3,950,000	3,161,229	3,500,000	3,805,000
Urban development action grants	400,000	675,000	675,000	73,167	180,000	365,000
Comprehensive planning grants	53,000	42,500	40,000	61,613	56,000	45,000
Rehabilitation loans	231,822	135,000	188,000	100,322	170,000	190,000
Urban homesteading	20,000	...	...	...	...	9,719
New communities	15,955	37,618	37,521	31,155	39,008	40,611
Neighborhood self-help development program	5,000	10,000	15,000	...	9,000	10,000
Research and technology	57,250	49,650	54,000	63,555	54,690	53,570
State housing finance and development agencies (Rescission)	-600,000	...	...	...	...	...
Other (S&E, Urban renewal, etc.)	169,608	199,624	215,965	460,624	441,080	376,964
Subtotal, Community development	4,102,635	5,049,392	5,175,486	3,951,665	4,449,778	4,895,864

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY AND OUTLAYS BY FUNCTION
FISCAL YEARS 1979 - 1981

	BUDGET AUTHORITY			OUTLAYS		
	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)					
Other subfunctions (Disaster assistance fund).....	...	...	...	-$18,124	-$34,936	...
Subtotal, Community and Regional Development....	$4,102,635	$5,049,392	$5,175,486	3,969,789	4,414,842	$4,895,864
EDUCATION, TRAINING, EMPLOYMENT, SOCIAL SERVICES, AND HEALTH (College housing, counseling,etc.).....	4,718	9,000	10,000	209	7,760	8,071
INCOME SECURITY						
Public assistance and other income supplements:						
Annual contributions for assisted housing.....	24,434,017	26,719,666	33,229,131	...	...	...
Housing payments.....	...	...	...	3,559,120	4,372,000	5,494,000
Payments for operation of low-income housing projects.....	727,000	741,500	862,000	653,584	720,000	811,000
Proposed supplemental.....	...	52,600	...	...	52,600	...
Troubled projects (Flexible subsidies).....	74,000	79,500	41,100	-11,972	42,200	103,200
Rent Supplement:						
Rescission of recaptured authority.....	...	-80,000	-1,050,000	...	...	...
Other (Congregate Services, Nonprofit Sponsor Assistance, Rental Housing Assistance, S&E, etc.)	84,208	157,726	355,327	136,228	93,732	145,403
Subtotal, Income Security.....	25,319,225	27,670,992	33,437,558	4,336,960	5,280,532	6,553,603
VETERANS BENEFITS AND SERVICES (Participation sales)..	...	...	...	11,934	22,168	1,972
ADMINISTRATION OF JUSTICE (FHEO, etc.).....	15,340	23,117	28,915	14,898	19,447	28,513
INTEREST (Offsetting receipts).....	-2,002	-1,967	-1,967	-2,002	-1,967	-1,967
Total.....	31,134,569	35,687,194	40,407,980	9,212,982	11,636,206	11,776,132

TABLE IV (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMPARATIVE SUMMARY OF UNEXPENDED BALANCES
(Including Proposed Supplementals)
June 30, 1979 to June 30, 1981
(Dollars in Millions)

TABLE V

	UNEXPENDED BALANCES 9/30/79				ACTIVITY, FISCAL YEAR 1980				UNEXPENDED BALANCES 9/30/80				ACTIVITY, FISCAL YEAR 1981				UNEXPENDED BALANCES 9/30/81			
	UNOBLIGATED								UNOBLIGATED								UNOBLIGATED			
	RESERVED	NOT RESERVED	OBLIGATED BALANCES	TOTAL	AUTHORITY AVAILABLE	TRANSFERS	LAPSE OR RESTORATION	OUTLAYS	RESERVED	NOT RESERVED	OBLIGATED BALANCES	TOTAL	AUTHORITY AVAILABLE	TRANSFERS	LAPSE OR RESTORATION	OUTLAYS	RESERVED	NOT RESERVED	OBLIGATED BALANCES	TOTAL
LOAN PROGRAMS																				
Housing for Elderly or Handicapped	...	...	$2,426	$2,426	2803	-81	...	$700	...	...	$2,528	$2,528	$780	-$1	...	$700	...	...	$2,607	$2,607
Special Assistance Functions Fund	...	...	3,872	3,872	1,829	+13	-660	658	...	...	4,995	4,995	668	-1	-630	180	...	...	5,453	5,453
Emergency Mortgage Purchase Assistance	...	...	1,878	1,878	...	...	-724	490	...	...	664	664	...	...	-581	-424	...	...	106	106
Rehabilitation Loan Fund	$15	$49	103	167	133	...	...	170	...	$9	123	132	188	...	...	190	...	$9	121	130
Total, All Loan Programs	15	49	8,279	8,343	2,767	+13	-784	2,018	...	9	8,310	8,319	1,636	-2	-1,011	646	...	9	8,287	8,296
HOUSING SUBSIDY PROGRAMS																				
Contract Authority:																				
*Annual Contributions for Assisted Housing	...	3,332	153,232	155,784	26,719	-7,241	...	...	...	...	175,262	175,262	$3,229	-9,088	...	...	...	...	202,403	202,403
Rent Supplement Program	...	1	10,278	10,279	-80	-268	-1	...	...	...	9,930	9,930	-1,050	-232	...	...	...	...	8,648	8,648
Homeownership & Rental Housing Assistance	...	881	38,084	39,073	...	-738	...	...	...	419	37,817	38,336	...	-786	...	...	...	...	37,550	37,550
College Housing Interest Subsidy	...	...	737	737	...	-21	...	...	* ...	...	716	716	...	-21	...	...	...	...	695	695
Total, Contract Authority	...	3,324	202,331	205,875	26,639	-8,370	-1	...	...	418	223,825	224,344	32,179	-7,127	...	...	...	...	249,296	249,296
Housing Payments	...	...	3,444	3,444	...	+6,273	...	4,372	...	...	5,346	5,346	...	-47,127	...	5,494	...	...	4,979	4,979
*Payments for Operation of Housing Projects	...	...	433	433	794	...	...	772	...	...	455	455	862	...	...	811	...	...	506	506
Troubled Projects (Flexible Subsidy)	...	83	1	86	79	...	...	42	...	55	67	122	41	...	...	103	...	...	61	61
Congregate Services	...	10	...	10	10	...	...	3	...	...	16	16	...	...	...	6	...	...	20	20
Public Housing Loan Fund (Supplemental)																				
Transfer of Budget Authority to Loan Fund	...	...	...	...	...	+1,995	...	18	...	...	1,977	1,977	...	...	...	50	...	...	1,927	1,927
Combined Total, Housing Subsidy Payments	...	3,418	206,209	209,848	27,522	...	-1	5,207	...	474	231,689	232,160	33,082	...	...	6,464	...	...	238,779	238,779
GRANT PROGRAMS																				
"...tgage Assistance Grants	...	...	...	...	...	...	...	...	...	...	...	...	30	...	...	...	...	...	30	30
...nity Development Grants	...	217	6,439	6,656	3,900	...	...	3,300	...	80	6,967	7,057	3,950	...	...	3,805	...	100	7,102	7,202
...Development Action Grants	...	65	661	726	675	...	...	180	...	...	1,221	1,221	675	...	...	365	...	...	1,531	1,531
...rehensive Planning Grants	...	2	60	62	42	...	...	56	...	...	48	48	40	...	...	45	...	...	44	44
Urban Renewal Capital Grants	...	83	333	416	...	...	...	260	...	...	356	356	...	...	...	175	...	...	181	181
New Community Assistance Grants	...	3	3	6	...	...	...	1	...	...	7	7	5	...	...	2	...	...	3	3
Total, Grant Programs	...	372	7,496	8,068	4,617	...	...	3,798	...	80	8,600	8,690	4,694	...	...	4,392	...	100	8,891	8,991
BACK-UP FINANCING AUTHORITY																				
Low-Rent Public Housing Loans	...	...	1,083	1,083	78	...	...	...	...	...	1,160	1,160	262	...	...	...	...	...	1,423	1,423
Stand-by Authority for Loans to FNMA	...	2,250	...	2,250	...	...	...	...	...	2,250	...	2,250	...	...	...	...	...	2,250	...	2,250
Urban Renewal Loans	...	237	82	298	...	...	...	-18	...	69	49	118	...	...	...	-5	...	...	37	37
Total, Back-Up Financing Authority	...	2,487	1,165	3,632	78	...	...	-18	...	2,319	1,209	3,528	262	...	...	-5	...	2,250	1,460	3,710
TRUST FUNDS AND RESERVES FOR LOSSES																				
Federal Housing Administration Fund	2,295	...	-38	2,257	286	...	-88	148	$2,351	...	-44	3,307	263	...	-88	-70	$2,571	...	-23	2,552
Guarantees of Mortgage-Backed Securities	186	...	-5	181	...	...	...	-63	224	...	-11	223	...	...	...	-80	323	...	-18	304
Participation Sales Fund	1,128	...	265	1,391	...	...	...	1	1,200	...	265	1,465	...	...	...	1	1,253	...	265	1,518
New Communities Fund	...	...	9	9	38	...	...	37	...	...	9	9	39	...	...	39	...	...	10	10
Urban Homesteading	20	...	...	20	...	...	...	...	20	...	...	20	...	...	...	9	10	...	...	10
Total, Trust Funds and Reserves for Losses	3,607	...	231	3,838	324	...	-88	123	3,805	...	219	4,024	302	...	-88	-101	4,160	...	234	4,394
PROGRAMS TERMINATED AND BEING LIQUIDATED																				
Community Disposal Operation Fund	...	1	...	1	...	...	-1	-1	...	1	...	1	...	-1	...	-1	...	1	...	1
Revolving Fund (Liquidating Programs)	6	76	62	144	2	-4	...	-2	5	100	36	141	2	-57	...	-6	4	74	14	92
* Management and Liquidating Functions	...	51	-22	29	...	-17	...	-35	...	61	-19	41	...	-19	...	-20	...	66	-19	47
Total, Terminated and Liquidated	6	128	40	174	2	-23	-1	-38	5	162	16	183	2	-77	...	-27	4	141	-5	140
OTHER HUD PROGRAMS																				
Total, Other Programs	...	130	121	251	377	-150	...	366	...	9	121	134	430	...	...	417	...	3	139	144
GRAND TOTAL, HUD	3,628	6,785	223,741	234,154	35,167	-161	-874	11,456	3,810	3,063	250,165	257,038	40,468	-79	-1,099	11,776	4,164	2,505	277,785	284,454

* See proposed supplemental for FY 1980.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

ASSISTED HOUSING PROGRAMS
SUMMARY OF RESERVATIONS, STARTS, AND COMPLETIONS
FISCAL YEARS 1979, 1980 and 1981

	RESERVATIONS			STARTS			COMPLETIONS b/		
	1979 ESTIMATE	1980 ESTIMATE	1981 ESTIMATE	1979 ESTIMATE	1980 ESTIMATE	1981 ESTIMATE	1979 ESTIMATE	1980 ESTIMATE	1981 ESTIMATE
Annual Contributions for Assisted Housing									
Lower-Income Housing Assistance -									
Section 8									
New Construction	111,692	89,505	114,700	126,853	120,000	106,000	91,304	130,000	120,000
Rehabilitation	33,346	25,693	23,300	26,398	20,000	15,000	9,198	20,000	23,000
Existing/LM/PD	90,375	47,022	80,000	NA	NA	NA	107,025	66,600	55,000
Moderate Rehabilitation	34,294	40,000	40,000	NA	NA	NA	...	26,400	38,000
Total, Section 8	269,707	202,220	258,000	153,251	140,000	121,000	207,527	243,000	236,000
Public Housing									
New Construction	44,514	25,172	31,900	17,269	30,000	45,000	5,140	15,000	30,000
Rehabilitation	4,681	7,000	6,100	...	5,000	5,000	1,260	5,000	5,000
Existing	454	NA	NA	NA	NA	NA	33,609	2,000	NA
Indian Housing	5,719	6,000	4,000	4,599	5,000	5,000	4,363	5,000	4,000
Total, Public Housing	55,368	38,172	42,000	21,868	40,000	55,000	44,372	27,000	39,000
Total, Annual Contributions for Assisted Housing	325,075	240,392	300,000	175,119	180,000	176,000	251,899	270,000	275,000
Section 235									
New Construction	14,471	13,000	13,000	8,489	11,000	11,000	13,574	13,300	8,500
Existing	...	5,000	5,000	NA	NA	NA	...	3,750	4,500
Total, Section 235	14,471	18,000	18,000	8,489	11,000	11,000	13,574	17,050	13,000
Section 236	-85	1,500	...	710	2,100	...	2,190	3,700	2,100
Section 202 a/	(22,525)	(20,440)	(18,800)	(23,860)	(18,000)	(18,000)	(9,320)	(23,500)	(18,000)
Grand Total	339,461	259,892	318,000	184,318	193,100	187,000	267,663	290,750	290,100

a/ Section 202 reservations are included in total as a part of Section 8. They are shown in parenthesis on this table to avoid double counting.

b/ Includes existing units under Section 8, Public Housing and Section 235 which are made available for occupancy.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

ASSISTED HOUSING PROGRAMS
SUMMARY OF RESERVATIONS, STARTS, AND COMPLETIONS
FISCAL YEARS 1979, 1980 and 1981

	RESERVATIONS			STARTS			COMPLETIONS b/		
	1979 ESTIMATE	1980 ESTIMATE	1981 ESTIMATE	1979 ESTIMATE	1980 ESTIMATE	1981 ESTIMATE	1979 ESTIMATE	1980 ESTIMATE	1981 ESTIMATE
Annual Contributions for Assisted Housing									
Lower-Income Housing Assistance - Section 8									
New Construction	111,692	89,505	114,700	126,853	120,000	106,000	91,304	130,000	120,000
Rehabilitation	33,346	25,693	23,300	26,398	20,000	15,000	9,198	20,000	23,000
Existing/LM/PD	90,375	47,022	80,000	NA	NA	NA	107,025	66,600	55,000
Moderate Rehabilitation	34,294	40,000	40,000	NA	NA	NA	...	26,400	38,000
Total, Section 8	269,707	202,220	258,000	153,251	140,000	121,000	207,527	243,000	236,000
Public Housing									
New Construction	44,514	25,172	31,900	17,269	30,000	45,000	5,140	15,000	30,000
Rehabilitation	4,681	7,000	6,100	...	5,000	5,000	1,260	5,000	5,000
Existing	454	NA	NA	NA	NA	NA	33,609	2,000	NA
Indian Housing	5,719	6,000	4,000	4,599	5,000	5,000	4,363	5,000	4,000
Total, Public Housing	55,368	38,172	42,000	21,868	40,000	55,000	44,372	27,000	39,000
Total, Annual Contributions for Assisted Housing	325,075	240,392	300,000	175,119	180,000	176,000	251,899	270,000	275,000
Section 235									
New Construction	14,471	20,000	20,000	8,489	17,500	17,500	13,574	13,300	14,500
Existing	...	5,000	5,000	NA	NA	NA	...	3,750	4,500
Total, Section 235	14,471	25,000	25,000	8,489	17,500	17,500	13,574	17,050	19,000
Section 236	-85	1,500	...	710	2,100	...	2,190	3,700	2,100
Section 202 a/	(22,525)	(20,440)	(18,800)	(23,860)	(18,000)	(18,000)	(9,320)	(23,500)	(18,000)
Grand Total	339,461	266,892	325,000	184,318	199,600	193,500	267,663	290,750	296,100

a/ Section 202 reservations are included in total as a part of Section 8. They are shown in parenthesis on this table to avoid double counting.

b/ Includes existing units under Section 8, Public Housing and Section 235 which are made available for occupancy.

TABLE VII

MORTGAGE ASSIGNMENTS, PROPERTY ACQUISITIONS, SALES AND INVENTORY

MORTGAGE ACTIVITIES

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Mortgage transactions (units)			
Assigned mortgages:			
Homes	3,836	3,378	...
Multifamily	9,235	12,676	12,700
Total	13,071	16,054	12,700
Converted and liquidated:			
Homes	662	1,011	1,603
Multifamily	14,745	21,991	21,991
Total	15,407	23,002	23,594
Assigned mortgages on hand, end of year:			
Homes	10,683	13,050	11,447
Multifamily	219,591	210,276	200,985
Total	230,274	223,326	212,432

PROPERTY ACTIVITIES

Property transactions (units)			
Acquisitions:			
Homes	19,092	24,734	25,390
Multifamily	11,855	21,124	21,415
Total	30,947	45,858	46,805
Sales:			
Homes	26,212	26,329	25,487
Multifamily	11,999	20,000	28,000
Total	38,211	46,329	53,487
Acquired properties on hand, end of year:			
Homes	22,545	20,950	20,853
Multifamily	43,294	44,418	37,833
Total	65,839	65,368	58,686

TOTAL OF MORTGAGE AND PROPERTY INVENTORIES, END OF YEAR

Homes	33,228	34,000	32,300
Multifamily	262,885	254,694	238,818
Total	296,113	288,694	271,118

a/ Includes conversions and repossessions.

TABLE VIII

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
FISCAL YEARS 1979-1981
(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL SEPT. 30 1979	ESTIMATE SEPT. 30 1980	ESTIMATE SEPT. 30 1981
Housing Programs:			
Washington	777	766	766
Field	7,678	7,413	7,145
Total	8,455 a/	8,179 a/	7,911
Government National Mortgage Association:			
Washington	45	53	61
Community Planning and Development:			
Washington	366	376	376
Field	1,448	1,505	1,523
Total	1.814	1,881	1,899
New Communities:			
Washington	66	61	40
Neighborhoods, Voluntary Associations, and Consumer Protection:			
Washington	199	225	225
Field	155	151	151
Total	354	376	376
Policy Development and Research:			
Washington	188	200	200
Fair Housing and Equal Opportunity:			
Washington	101	127	127
Field	384	433	555
Total	485	560	682
Departmental Management:			
Washington	136	160	160
Office of General Counsel:			
Washington	221	225	225
Field Legal Services:			
Field	331	315	315
Office of Inspector General:			
Washington	97	104	120
Field	363	384	433
Total	460	488	553

TABLE VIII (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
FISCAL YEARS 1979-1981
(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL SEPT. 30 1979	ESTIMATE SEPT. 30 1980	ESTIMATE SEPT. 30 1981
Administration:			
Washington:			
Administration and staff Services (S&E)	1,231	1,257	1,257
Working Capital Fund	404	418	446
Total	1,635	1,675	1,703
Field Direction and Operational Support:			
Field	663	657	680
Field Administration:			
Field	1,214	1,126	1,181
Total full-time employment in permanent positions	16,067	15,956	15,986
Other employment under ceiling	1,189	1,000	1,000
Total employment under ceiling	17,256	16,956	16,986
Other employment, non-ceiling	161	185	225
Total employment	17,417	17,141	17,211
Recapitulation:			
Washington	3,831	3,972	4,003
Field:			
Regions	11,833	11,561	11,511
Other	403	423	472
Subtotal, field	12,236	11,984	11,983
Total permanent full-time	16,067 a/	15,956 a/	15,986

a/ Excludes College Housing Staff transferred to Department of Education (34 positions).

TABLE IX

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STAFF-YEAR SUMMARY

FISCAL YEARS 1979-1981

(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
Housing Programs:						
Washington.....	870.2	828.6	822.6	828.6	822.6	...
Field.....	7,823.3	7,863.7	7,830.7	7,600.7	7,524.7	-306.0
Total.....	8,693.5a/	8,692.3a/	8,653.3	8,429.3	8,347.3	-306.0
Government National Mortgage Association:						
Washington.....	47.0	57.6	57.6	65.6	65.6	+8.0
Community Planning and Development:						
Washington.....	399.4	388.5	385.5	388.5	385.5	...
Field.....	1,377.8	1,564.4	1,558.4	1,573.4	1,561.4	+3.0
Total.....	1,777.2	1,952.9	1,943.9	1,961.9	1,946.9	+3.0
New Communities:						
Washington.....	79.3	72.6	72.6	57.6	57.6	-15.0
Neighborhoods, Voluntary Associations, and Consumer Protection:						
Washington.....	218.9	232.4	230.4	232.4	230.4	...
Field.....	159.6	160.0	160.0	160.0	159.0	-1.0
Total.....	378.5	392.4	390.4	392.4	389.4	-1.0
Policy Development and Research:						
Washington.....	247.3	239.3	238.3	239.3	237.3	-1.0
Field.....	4.9	13.0	13.0	13.0	13.0	...
Total.....	252.2	252.3	251.3	252.3	250.3	-1.0
Fair Housing and Equal Opportunity:						
Washington.....	102.9	127.1	126.1	131.1	130.1	+4.0
Field.....	424.5	446.3	444.3	535.3	531.3	+87.0
Total.....	527.4	573.4	570.4	666.4	661.4	+91.0
Departmental Management:						
Washington.....	185.8	176.4	175.4	176.4	175.4	...
Office of General Counsel:						
Washington.....	236.7	240.5	239.5	240.5	238.5	-1.0

TABLE IX (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STAFF-YEAR SUMMARY

FISCAL YEARS 1979-1981

(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
Field Legal Services:						
Field	337.9	339.4	337.4	339.4	336.4	-1.0
Office of Inspector General:						
Washington	93.9	106.0	105.0	117.0	116.0	+11.0
Field	381.6	385.0	384.0	418.0	415.0	+31.0
Total	475.5	491.0	489.0	535.0	531.0	+42.0
Administration:						
Washington:						
Administration and Staff Services (S&E)	1,707.8	1,566.7	1,557.7	1,659.7	1,643.7	+86.0
Working Capital Fund	415.5	429.0	429.0	451.0	451.0	+22.0
Total	2,123.3	1,995.7	1,986.7	2,110.7	2,094.7	+108.0
Field Direction and Operational Support:						
Field	732.8	701.6	698.6	714.6	709.6	+11.0
Field Administration:						
Field	1,349.2	1,293.8	1,287.8	1,413.8	1,402.8	+115.0
Total Staff-Years	17,196.3a/	17,231.9a/	17,153.9a/	17,355.9	17,206.9	+53.0
Recapitulation:						
Direct Staff-Years:						
Washington	4,604.7	4,464.7	4,439.7	4,587.7	4,553.7	+114.0
Field:						
Regions	12,168.9	12,342.2	12,290.2	12,310.2	12,198.2	-92.0
Other	422.7	425.0	424.0	458.0	455.0	+31.0
Subtotal, Field	12,591.6	12,767.2	12,714.2	12,768.2	12,653.2	-61.0
Total Staff-Years	17,196.3	17,231.9	17,153.9	17,355.9	17,206.9	+53.0

a/ Excludes College Housing Staff transferred to Department of Education (35 staff-years).

TABLE IX

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STAFF-YEAR SUMMARY
FISCAL YEARS 1979-1981
(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL SEPT. 30 1979	ESTIMATE SEPT. 30 1980	ESTIMATE SEPT. 30 1981
Housing Programs:			
Washington	870 2	828.6	828.6
Field	7,823.3	7,863.7	7,600.7
Total	8,693.5 a/	8,692 3 a/	8,429.3
Government National Mortgage Association:			
Washington	47.0	57.6	65.6
Community Planning and Development:			
Washington	399.4	388 5	388.5
Field	1,377.8	1,564.4	1,573.4
Total	1,777.2	1,952.9	1 961 9
New Communities:			
Washington	79.3	72.6	57.6
Neighborhoods, Voluntary Associations, and Consumer Protection:			
Washington	218.9	232.4	232.4
Field	159.6	160.0	160.0
Total	378.5	392.4	392.4
Policy Development and Research:			
Washington	247.3	239.3	239.3
Field	4.9	13.0	13.0
Total	252.2	252.3	252.3
Fair Housing and Equal Opportunity:			
Washington	102.9	127.1	131.1
Field	424.5	446.3	535.3
Total	527.4	573.4	666.4
Departmental Management:			
Washington	185.8	176.4	176.4
Office of General Counsel:			
Washington	236.7	240.5	240.5
Field Legal Services:			
Field	337.9	339.4	339.4

TABLE IX (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STAFF-YEAR SUMMARY
FISCAL YEARS 1979-1981
(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL SEPT. 30 1979	ESTIMATE SEPT. 30 1980	ESTIMATE SEPT. 30 1981
Office of Inspector General:			
Washington	93.9	106.0	117.0
Field	381.6	385.0	418.0
Total	475.5	491.0	535.0
Administration:			
Washington:			
Administration and Staff Services (S&E)	1,707.8	1,566.7	1,659.7
Working Capital Fund	415.5	429.0	451.0
Total	2,123 3	1,995.7	2,110.7
Field Direction and Operational Support:			
Field	732.8	701.6	714.6
Field Administration:			
Field	1,349.2	1,293.8	1,413.8
Total Staff-Years	17,196.3 a/	17,231.9 a/	17,355.9
Recapitulation:			
Direct Staff-Years:			
Washington	4,604.7	4,464.7	4,588.7
Field			
Regions	12,168.9	12,342.2	12,310.2
Other	422.7	425,0	458.0
Subtotal, Field	12,591.6	12,767.2	12,768.2
Total Staff-Years	17,196.3	17,231.9	17,355.9

a/ Excludes College Housing Staff transferred to Department of Education (35 staff-years).

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Annual Contributions					
Contract Reservations (Units)					
Housing Assistance Payments (Section 8)	269,707	250,000	202,220	258,000	+55,780
Public Housing	49,649	46,000	32,172 a/	38,000	+5,828
Indian Housing	5,719	4,000	6,000	4,000	-2,000
Total	325,075	300,000	240,392	300,000	+59,608
Construction or Substantial Rehabilitation Starts (Units)					
Housing Assistance Payments (Section 8)	153,251	180,000	140,000	121,000	-19,000
Public Housing	17,269	45,000	35,000	50,000	+15,000
Indian Housing	4,599	5,000	5,000	5,000	...
Total	175,119	230,000	180,000	176,000	-4,000
Units Made Available for Occupancy (Including Existing Housing)					
Housing Assistance Payments (Section 8)	207,527	249,500	243,000	236,000	-7,000
Public Housing	40,009	20,000	22,000	35,000	+13,000
Indian Housing	4,363	5,000	5,000	4,000	-1,000
Total	251,899	274,500	270,000	275,000	+5,000
Use of Contract Authority					
Housing Assistance Payments (Section 8)	$1,168,102	$946,081	$945,608	$1,253,681	+$308,073
Public Housing:					
Development	173,639	157,080	153,095	237,880	+84,785
Modernization	49,984	37,500	50,000	50,000	...
Lease Adjustments	39,538	39,700	32,500	24,100	-8,400
Amendments	11,468	...	21,000	20,500	-500
Total	1,442,731	1,180,361	1,202,203	1,586,161	+383,958
Contract Authority					
Released or Requested					
Regular	1,322,297	1,140,661	1,140,661	1,507,661	+367,000
Add-on for taxable financing	...	...	...	46,000	+46,000
Total	1,322,297	1,140,661	1,140,661	1,553,661	+413,000

a/ The 1980 estimate for Public Housing reservations is still tentative and subject to change based on a review of accounting records pertaining to the Public Housing program.

Annual Contributions for Assisted Housing

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Budget Authority					
Current Authority:					
New authority for Assisted Housing .	$24,395,848	$26,680,128	$26,680,128	$31,909,377	a/+$5,229,249
Add-on for taxable financing	...	...	...	1,287,254	+1,287,254
Permanent Authority .	38,169	39,700	39,538	32,500	-7,038
Total authority ...	24,434,017	26,719,828	26,719,666	33,229,131	+6,509,465
Obligations	31,676,056	26,958,228	27,256,023	33,229,131	+5,973,108

a/ The budget authority request also includes $1,287.3 million in budget authority and $46 million in contract authority for a proposal to convert Public Housing long-term financing from a tax-exempt basis to a taxable basis.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget for 1981 requests the release of $1,553.7 million in contract authority and $33,196.6 million in additional current budget authority. In addition, $32.5 million in permanent budget authority also will be available for use in 1981. The combination of new current authority and permanent budget authority will permit total obligations in 1981 of $33,229.1 million.

The Budget request is estimated to support the reservation of 300,000 units. Within the total request, the Budget includes $50 million in contract authority and $1 billion in budget authority for Modernization of existing Public Housing projects. In addition, as noted below, under the explanation of the new Comprehensive Modernization initiative, local governments and Public Housing Agencies (PHAs) would be given the option of using a portion of the development contract authority and budget authority for additional modernization approvals.

The development phase of Annual Contributions for Assisted Housing, together with the requests for authority for Modernization and Adjustments to Section 23 Leased Housing contracts, is discussed in this section of the Justifications. The request for an appropriation to liquidate contracts entered into under these programs is discussed in the Housing Payments section of these Justifications.

The development phase of Annual Contributions for Assisted Housing consists of the following methods of assistance:

a. Housing Assistance Payments (Section 8). The Budget estimates reflect the use of $1,193.2 million in contract authority and $23,123 million in budget authority for Section 8 in 1981 to assist 258,000 units. These totals include $743.2 million in contract authority and $16,961 million in budget authority to assist an estimated 138,000 newly constructed or substantially rehabilitated units and $450 million of contract authority and $6,162 million in budget authority to support 120,000 units of existing housing. Included under existing housing are $168 million in contract authority and $2,520 million in budget authority for the moderate rehabilitation of 40,000 existing units.

Annual Contributions for Assisted Housing

Also included in the totals for existing housing are $42 million for the payment of PHA fees to cover the start-up costs of existing housing and moderate rehabilitation units to be reserved in 1981. Start-up and ongoing administrative fees to the agencies which administer these programs currently are paid from the funds provided by the annual subsidy, thus reducing the amount available for project reserves and increasing the likelihood of subsequent project amendments. Beginning in 1981, the cost of these fees is calculated separately and is identified separately in the Budget.

b. Public Housing. The Budget estimates include $169.1 million in contract authority and $5,073 million in budget authority to assist 38,000 units of Public Housing (other than Indian Public Housing) in 1981. The budget authority estimates for Public Housing reflect a reduction in 1981 of contract terms from the traditional 40 year maximum to 30 years. This reduction will mean an increase in the annual subsidy of an estimated $330 per unit, but is estimated to result in a budget authority savings of $31,300 per unit over the term of the contract.

c. Indian Public Housing. The Budget estimates include $22.8 million in contract authority and $637.8 million in budget authority to assist 4,000 units of housing in Indian areas during 1981. As under the regular Public Housing program, the 1981 Budget assumes a reduction of the average contract term for Indian Housing projects. The anticipated impact is less significant, however, for Indian Housing projects since these contracts typically have averaged less than the 40 year maximum. Nevertheless, almost $15,000 per unit of budget authority is estimated to be saved by reducing the average term in 1981 for Indian Housing contracts from 32 years to 28 years.

d. Amendments. The Budget includes $60.5 million in contract authority and $1,295.9 million in budget authority for amendments to previously reserved Section 8 units which require additional authority to reach construction start or to fund approved rent increases for units already under management. For Public Housing and Indian Housing, amendment requirements are estimated at $20.5 million in contract authority and $788 million in budget authority.

e. Permanent Financing of Public Housing. Under existing procedures, the notes and bonds issued to finance Public Housing development and modernization activities are sold in the private market and the investor yield from such obligations is not subject to Federal taxation. Beginning in fiscal year 1980, the Budget proposes to initiate a program of selling long-term instruments to the Federal Financing Bank (FFB). The FFB, to finance such purchases, would borrow from the Treasury at an interest rate which will reflect the yield paid by Treasury on related taxable obligations sold. The FFB will, in turn, require reimbursement from HUD for its borrowing costs. The resultant interest rate differential reflecting the difference between taxable and tax-exempt interest rates represents a substitution of "cash expenditures" for "tax expenditures" and will be payable in accordance with Section 16 of the Federal Financing Bank Act of 1973.

In order to finance the higher FFB borrowing costs, the Budget proposes the transfer during 1980 of $1,995.3 million in unobligated budget authority from the Annual Contributions for Assisted Housing account to the Low-Rent Public Housing Loan Fund. This transfer would represent the total interest differential to be paid over the full term of the bonds to be sold. It is estimated that up to $1,575 million in Public Housing bonds could be supported through this transfer. The Budget also proposes 1980 Supplemental Appropriation language to authorize this transfer which is discussed in greater detail in the "Low-Rent Public Housing Loans and Other Expenses" section of these justifications.

Annual Contributions for Assisted Housing

For 1981, the Budget includes $1,287.3 million in budget authority and $46 million in contract authority to finance the difference between the cost of tax-exempt financing and taxable financing of the Public Housing development and modernization activities proposed for 1981 and is provided in accordance with Section 16 of the Federal Financing Act of 1973. This additional authority assumes FFB taxable borrowing costs of approximately 8.5 percent compared with the estimated tax-exempt rate of 6.625 percent.

The Budget assumes that for projects approved in 1981 and subsequent years, the reservation amount will be based on a taxable interest rate and the Annual Contributions contract will include the full amount necessary to cover debt service at the higher rate. Therefore, no interest differential payments would be necessary for these projects. The use of interest differential payments will continue, however, for those projects which were reserved under the present system.

The management phase of the Public Housing program includes the following activities:

a. Modernization. The Budget estimates include $50 million in contract authority and $1 billion in budget authority to finance an estimated $545.5 million in capital improvements to PHA-owned Public Housing units in 1981 for regular Modernization activities.

b. Comprehensive Modernization. Under the proposed new Comprehensive Modernization initiative, up to 50 percent of Public Housing development contract authority could be committed in 1981 for the modernization and rehabilitation of existing Public Housing projects. Localities would continue to receive Section 8 and Public Housing contract authority and budget authority on a "Fair Share" allocation based on population, poverty, housing conditions and the degree of overcrowding. However, certain localities and PHAs would be given the option of using up to 50 percent of the contract authority and related budget authority earmarked for Public Housing development for Comprehensive Modernization activities. The actual amount to be used under this proposed initiative would depend on the decisions to be made by the locality and PHA involved. In addition to the use of contract authority currently earmarked for development, the Department also expects to use $20 million of the $50 million in contract authority provided under the regular modernization program to fund Comprehensive Modernization activities during both 1980 and 1981.

c. Lease Adjustments. The Budget estimates include the use of $24.1 million of permanent budget authority for annual adjustments to Section 23 Leased Housing contracts with PHAs. Since the budget authority committed under this program is permanent authority which is available for re-use each year, no additional current budget authority is required for these adjustments for 1981. In fact, because of an ongoing activity to convert Section 23 projects to the Section 8 program, the need for lease adjustment funding has declined and the Budget assumes that approximately $7 million and $8.4 million in recaptured lease adjustment contract authority will be used for additional development activity in 1980 and 1981, respectively.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

a. Reservations. The 1980 Budget projected the reservation of up to an additional 300,000 Section 8 and Public Housing units. The 1980 current reservation estimate is 240,392 units, a decline of 59,608 units or almost 20 percent. The principal causes of this decrease follow:

Annual Contributions for Assisted Housing

-- Revised Per Unit Cost Estimates. The cost estimates used in the 1980 Budget assumed an underlying inflation rate of 6 percent for 1979 and 1980 to be offset somewhat by significant cost savings which were to result from major cost containment initiatives introduced in 1979. Although the cost containment activities have assisted in holding down cost increases in 1979 and further savings are assumed for 1980 and 1981, the basic rate of inflation in housing construction and in operating costs has exceeded the original assumptions by a significant margin.

The revised 1980 per unit cost estimates reflect actual reservation experience in 1979 and also reflect additional cost trending generally in the range of 7.9 - 9.9 percent net increase for 1980. This net increase reflects the fact that while overall construction and operating costs may rise at higher rates, the Department intends to implement additional cost containment measures in 1980 and 1981 to offset a portion of the overall inflationary impact and keep the net increase in housing subsidy costs within the predicted range.

-- Forward Trending of Public Housing Costs. The current 1980 cost estimates for Public Housing include an additional increase for the forward-trending of Public Housing costs that was not included in the 1980 Budget estimates. The long lead-time between initial planning and design of a multifamily housing project, the start of construction and eventual occupancy make the housing construction programs particularly vulnerable to the impact of inflation. Under the Section 8 program, anticipated increases in costs between the reservation and occupancy stages are taken into account through the process of forward-trending of Fair Market Rents. Under Public Housing, the initial reservation of contract authority currently is based on untrended prototype costs. This means that virtually all Public Housing projects approved in recent years will require amendment funding in order to start construction. While the 1981 Budget specifically provides for amendment funding for Public Housing projects that now are in the development pipeline, the Department is committed to minimizing the amendment need in the long run. Therefore, beginning in 1980, Public Housing unit reservations will be based on trended development costs. This makes the initial reservation amount more realistic and comparable to the Section 8 procedure. The use of trended development costs will increase the initial reservation amount for Public Housing units, but should reflect more accurately the true costs over time. This should significantly diminish the need for pre-construction funding amendments for Public Housing projects in the future.

-- Amendment Funding in 1980. The 1980 Budget estimates did not include any estimate for amendment funding and specifically noted that the estimated 300,000 unit level would be reduced to the extent that amendments were necessary. Based on experience in 1979, it now is expected that $105 million in contract authority and $2,735 million in budget authority will be required in 1980 for amendments under Section 8 and Public Housing. The inclusion of anticipated amendment needs represents a significant change in budget calculations from those used in the 1980 Budget in order to show the most realistic estimate of costs and unit reservation levels. Since the 1981 Budget includes a projected amount for amendments, the need to subsequently revise projected unit levels downward during the course of 1981 should be reduced substantially.

-- Carryover Balances and Revised Unit Mix. While the factors set forth above account for the bulk of the anticipated decrease in 1980 unit reservations, a number of other revisions have resulted in minor changes in the overall total. For example, the number of Indian Housing unit reservations have been increased from 4,000 to 6,000 units in response to a Congressional directive. This will result in a net decrease in the total unit reservations since the Indian Housing units typically are more expensive than other types of Public Housing units. In addition, the increase in the level of Modernization funding from the budget request of $37.5 million to $50 million as enacted by Congress also will result in a net reduction of contract authority for development and thus fewer unit reservations. These and other decreases resulting from shifts in the mix of developers and sponsors have been offset for the

most part by the availability of approximately $29 million in contract authority from 1979 carryover balances and anticipated recaptures in 1980 which will be used for additional Public Housing development. As discussed in more detail below, the use of this additional authority for Public Housing will permit the Department to maximize the number of units which can be reserved in 1980 consistent with the Congressional limitation of $195.1 million in 1980 on the use of new contract authority for Public Housing development and modernization activities.

The impact of each of these changes on the level of unit reservations in 1980 is summarized below.

CHANGES IN COMPOSITION OF BUDGET ESTIMATE

FACTOR	UNIT RESERVATIONS
1980 Budget Estimate	300,000
Impact of Revised Costs:	
Section 8 costs	-26,259
Public Housing	-10,035
Due to 1979 inflation	(-3,167)
Due to forward-trending	(-6,868)
Impact of Amendments:	
Section 8	-17,559
Public Housing	-5,526
Impact of Revised Unit Mix and Increased Modernization Level	-7,872
Impact of Using Carryover Authority for Public Housing Development	+7,643
1980 Current Estimate	240,392

b. Construction Starts. While total construction starts for Section 8 and Public Housing are expected to remain relatively constant during the budget period, Section 8 starts are expected to decline from the original 1980 estimate while Public Housing starts are estimated to increase. For 1980, the original estimate assumed 180,000 Section 8 unit starts based on the reservation of 181,244 new and substantially rehabilitated units in 1979. Since actual 1979 reservation levels were 145,038 new and substantially rehabilitated units, the 1980 starts estimates have been revised downward to 140,000 units consistent with the level of 1979 reservations.

Under Public Housing, it has taken a considerable time to restore the expertise and experience within HUD and at local PHAs necessary to administer a viable Public Housing program following the 1973 moratorium on new approvals. After several years of increased reservation activity, the level of construction starts began to increase markedly in 1979. Despite this improvement in 1979 starts, the 1980 goal has been reduced from 50,000 units to 40,000 units because of some remaining constraints on processing capacity and the need to process amendment requests.

c. Made Available for Occupancy. The estimate of units to be made available for occupancy under Section 8 for 1980 has been revised to reflect an increase of 10,200 units in the number of new and substantially rehabilitated completions and a decrease of 16,700 units in the number of existing units to be made available for occupancy, or a net decrease of 6,500 units. While a number of factors affect the mix of units to be made available for occupancy over time (e.g., a gradual shift in the housing mix toward more new construction, higher than anticipated construction

starts in 1979, etc.), the net decline in the 1980 estimate is due to a decrease in the number of moderate rehabilitation units which now is expected to be available for occupancy by the end of 1980 and a decline in the level of regular existing housing unit reservations estimated for 1980. The Section 8 moderate rehabilitation program was initiated in 1979 and the units were reserved late in the year. The number of existing units to be made available for occupancy in 1980 is expected to be affected by the 1980 reservation level because of the short time frame from reservation to occupancy under the Section 8 existing housing program.

Estimated Public Housing unit completions have been increased by 2,000 units in anticipation of a slight improvement in the rate at which units under construction are anticipated to be completed during 1980 and 1981.

d. Contract Authority and Budget Authority. The total amount of new contract authority and current budget authority released in 1980 is unchanged from the amount requested in the 1980 Budget. The proposed use of contract authority, however, is different from the original estimate due to a restriction on the use of contract authority for Public Housing as required by the Housing and Community Development Amendments of 1979 and the use of unanticipated 1979 carryover balances and anticipated recaptures in 1980.

The following summary compares the 1980 Budget with the 1980 current estimates of contract authority:

COMPARISON OF AUTHORITY

AUTHORITY	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980
	(In Thousands)	
Use of New Contract Authority:		
Section 8	$946,081	$945,608
Public Housing	194,580	195,053
Total New Authority	1,140,661	1,140,661
Use of Permanent and Carryover Contract Authority:		
Public Housing:		
Permanent Authority	39,700	39,538
Carryover and Recaptures	...	22,004
Total Use of Contract Authority	1,180,361	1,202,203

The Congressional limitation which provides that not more than $195.1 million of new contract authority may be used for Public Housing development and modernization would not have presented any serious problems provided that nothing else changed from the 1980 Budget estimates. However, as noted elsewhere in this section, the 1980 Budget made no provision for amendment funding and also reflected conservative assumptions about per unit costs and inflation rates for 1979 and 1980. Using current assumptions about the level of amendment funding in 1980 and revised per unit costs which reflect the proposed forward-trending of development costs begining in 1980, the limitation would have meant a serious and disproportionate cut-back in Public Housing reservation levels in 1980. In order to minimize the potential cut-back, the Department will use anticipated carryover and recaptured contract authority to fund as many additional Public Housing units as possible in 1980. Nevertheless, while the use of contract authority for development (including

amendments) increases from $157.1 million to $174.1 million in the 1980 current budget estimates, Public and Indian Housing unit reservations are estimated to decline from 50,000 units to 38,172 units as a result of amendment funding and higher costs. At the same time, the use of contract authority for modernization has been increased by $12.5 million as provided in the 1980 HUD-Independent Agencies Appropriation Act and the use of contract authority for Leased Housing Adjustments has been decreased by $7.2 million from the original estimate due to the expected conversion of additional Section 23 projects to Section 8.

The Department currently is in the process of completely automating its cumulative obligations recorded under the Section 8 and Public Housing programs. During the process of reconciling the manual records, a number of accounting discrepancies were discovered in prior year obligations. As a result of these discrepancies, the Department is undertaking a comprehensive record search to correct any other possible accounting errors. Under the Public Housing program, a number of factors can affect the ultimate debt service costs between the start of construction and permanent financing. To the extent such factors influence debt service requirements, adjustments to the contract authority and budget authority accounting reports may be required to ensure that the amounts are adequate to support debt service payments in future years. While these changes normally are not large for any single project, given the number of projects that still are awaiting permanent financing, the total possible accounting adjustments could be significant. In addition, as noted elsewhere, the Department has proposed 1980 Supplemental Appropriation language to permit implementation of the new proposed Comprehensive Modernization initiative. Under the proposed new program, localities and PHAs would be permitted to use up to 50 percent of the contract authority intended for additional Public Housing development for the modernization of existing Public Housing projects. While it is impossible to predict how much authority will be utilized due to the need to make accounting adjustments and the implementation of the Comprehensive Modernization initiative, the number of new Public Housing units that can be reserved during 1980 also will be affected by these factors.

The amount of permanent budget authority available in 1980 is slightly lower than the original estimate because authority actually used in 1979 to fund Adjustments to Section 23 Leased Housing contracts was lower than budgeted. Total obligations in 1980 now are estimated to be higher than the original estimate because of the greater use of available contract authority and budget authority for Public Housing. Because of longer contract terms, Public Housing reservations result in a greater use of budget authority than does Section 8 for a given amount of contract authority commitments.

EXPLANATION OF INCREASES AND DECREASES

1. Reservations. The Budget proposes the reservation of 300,000 units during 1981, a net increase of 59,608 units above the level currently estimated for 1980. Under law, the distribution of Annual Contribution authority is required to be consistent with the estimates of new construction, substantial rehabilitation and existing housing units contained in local Housing Assistance Plans (HAPs). Based on the HAPs submitted in 1979, the distribution of assistance in 1980 is projected as 50.2 percent for new construction, 13.6 percent for substantial rehabilitation and 36.2 percent for existing housing units. The distribution of assistance in 1981 will be governed by HAPs submitted during 1980. Therefore, it is impossible to predict with certainty the ultimate housing type mix for 1981 at this time. However, because the Section 8 moderate rehabilitation program which was implemented in 1979 now is included in the HAP goals, the Department expects that a portion of the need previously identified under existing housing and a portion identified under substantial rehabilitation eventually will be included under the moderate rehabilitation category. The anticipated changes in HAPs between 1980 and 1981 follow:

Annual Contributions for Assisted Housing

HOUSING ASSISTANCE PLAN MIX

DEVELOPMENT MIX	LOCAL HAP PROPORTIONS ESTIMATE 1980	ESTIMATE 1981	CHANGE
New construction	50.2%	50.2%	...
Substantial rehabilitation	13.6%	9.8%	-3.8%
Subtotal, new and substantial rehabilitation ..	63.8%	60.0%	-3.8%
Existing housing	36.2%	27.0%	-9.2%
Moderate rehabilitation	NA	13.0%	+13.0%
Subtotal, existing and moderate rehabilitation	36.2%	40.0%	+3.8%
Total	100.0%	100.0%	...

The estimated reservation levels for 1981 included in the Budget reflect the projected HAP proportions shown above. The combined reservation levels under Section 8, Public Housing and Indian Housing include 150,600 units of new construction, 29,400 units of substantial rehabilitation, and 120,000 units of existing housing, including 40,000 units of moderate rehabilitation.

Under the Section 8 program, estimated reservations of 258,000 units for 1981 reflect an increase of 55,780 units compared with the 1980 current estimate. Total Section 8 reservations estimated for 1981 include 114,700 units under the new construction method and 23,300 units under substantial rehabilitation. The remaining 120,000 Section 8 unit reservations are included under existing housing and moderate rehabilitation. Within this total, 80,000 units are budgeted for the regular existing housing component and 40,000 units are included under moderate rehabilitation. Included within the 40,000 units of estimated reservations for moderate rehabilitation in both 1980 and 1981 are 10,000 units to assist in the sale of HUD-owned projects.

The Budget also includes assistance for up to 38,000 units of Public Housing new construction and rehabilitation which is 5,828 units more than anticipated for 1980. The proposed Indian Housing program level includes estimated reservations of up to 4,000 units during 1981 which are 2,000 units less than estimated for 1980.

2. Development Activity. Under Section 8, both construction starts and units to be made available for occupancy are expected to decline in 1981 compared with 1980. The anticipated decline in construction starts is directly attributable to the estimated decline in new and substantial rehabilitation unit reservations in 1980 (115,198 units versus 145,038 units in 1979). The estimated decrease also is attributable, however, to the success the Department has had in recent years in achieving a high ratio of construction starts-to-reservations. In the early years of the Section 8 program, high reservation levels did not immediately translate into equally high levels of construction activity. To counter this problem, HUD began purging the pipeline of projects that were not likely to reach construction start in the near future, speeded up processing, and set construction goals for each Field Office. As a result, the number of starts actually has exceeded the number of new reservations under the new construction and substantial rehabilitation programs in recent years. The pipeline of reserved but unstarted units has decreased from 237,290 units at the end of 1977 to 188,384 units at the end of 1979 and is expected to decline to approximately 160,000 units by the start of 1981, or approximately one year's worth of new reservations at current levels.

Annual Contributions for Assisted Housing

Section 8 units to be made available for occupancy during 1981 are expected to decline by 7,000 units compared with the 1980 estimate. The mix of units to be made available for occupancy has changed over time. For the first time in 1980, the number of new and substantially rehabilitated units is expected to exceed the number of existing housing units. The proportion of units to be reserved under the existing housing component is anticipated to decline to reflect the shift of local HAPs toward new construction. The increase in construction activity in recent years is reflected in the expected number of completed units anticipated to become available for occupancy. The estimated decline in 1981 reflects the lower number of existing housing reservations expected during 1980 as well as the estimated decline in new construction and rehabilitation starts during the same period.

Public Housing construction starts and completions are expected to increase substantially in 1981 as a result of continued improvement in the ability of HUD and local PHA staff to process Public Housing applications promptly and efficiently. This staff capacity, which had been seriously diminished by the moratorium on subsidized housing programs in the mid-1970's, now is almost fully restored as demonstrated by the 21,868 units of Public Housing and Indian Housing which were started in 1979.

3. Average Unit Cost Estimates. As discussed earlier, the 1980 Budget assumed an underlying inflation rate of 6 percent for 1979 and 1980. In addition, it assumed an extensive cost containment program which would hold the net increase in per unit costs to well below the 6 percent rate in most instances. Both the 1980 current estimates and the 1981 estimates assume continuation of the Department's cost containment program, but are based on actual 1979 cost experience and realistic inflation trending. Thus, the 1981 per unit cost estimates reflect net increases of up to 9.9 percent over the 1980 current cost estimates. The following table shows actual 1979 costs (i.e., the cost of new reservations made in the year, excluding the impact of recaptures or amendments to previously reserved units), the original and current cost estimates for 1980, and the estimated cost of units to be reserved in 1981.

	AVERAGE ANNUAL UNIT COST ESTIMATES			
PROGRAM	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
SECTION 8				
New Construction:				
Private Developer	$4,561	$4,440	$4,820	$5,300
State Agency (HFDA)	5,014	4,470	5,240	5,450
Section 202	4,599	4,470	4,960	5,450
Farmers Home (FmHA)	3,898	3,450	3,945	3,945
Substantial Rehabilitation:				
Private Developer	5,370	4,915	5,720	6,260
State Agency (HFDA)	5,417	4,915	5,660	5,900
Section 202	4,850	4,800	5,230	5,750
Existing Housing:				
Regular Rental	2,485	2,670	2,730	3,000
Moderate Rehabilitation	3,493	3,120	3,820	4,200
PUBLIC HOUSING				
New Construction and Acquisition with and without Rehabilitation:				
Public Housing	3,070	2,980	3,800	4,450
Indian Housing	4,778	5,000	5,140	5,695

Annual Contributions for Assisted Housing

While most of the increases in per unit costs relate directly to anticipated inflationary increases and the impact of cost containment activities, the changes in estimated per unit costs for Public Housing and Indian Housing costs involve a number of program changes. The table and explanations on the following page highlight the major factors which have affected the estimated per unit costs for these programs in 1980 and 1981.

MAJOR FACTORS AFFECTING UNIT COSTS

FACTOR	AVERAGE UNIT COSTS		CONSTRUCTION/DEVELOPMENT COSTS SUPPORTED	
	PUBLIC HOUSING	INDIAN HOUSING	PUBLIC HOUSING	INDIAN HOUSING
1979 actual per unit cost	$3,070	$4,778	$42,775	$62,860
Adjustment of 1979 costs to 1980 base	+150	-418	+2,095	-5,500
Two year forward trending	+580	+780	+8,080	+10,265
1980 estimated per unit reservation costs	3,800	5,140	52,950	67,625
1981 net trending	+320	+310	+4,460	+4,075
Adjustments to reflect reduced contract term	+330	+245	...	...
1981 estimated per unit reservation costs	4,450	5,695	57,410	71,700

The net trending adjustments for 1980 represent the commitment of the Department to hold the per unit development costs of Public Housing and especially Indian Housing below what they would have been if allowed to increase at the same rate as inflation. In particular, the Budget assumes that a portion of the development costs now charged to the Indian Housing program will be funded instead from the Community Development Block Grant (CDBG) program. CBDG funds will be used to fund certain infrastructure costs (e.g., water and sewer lines) now charged to the development costs of Indian Housing units although not included in the costs of other types of Public Housing. The use of CBDG funds and other cost savings methods are expected to result in a net reduction in the amount of contract authority required for Indian Housing units.

As discussed earlier, the Department plans to implement forward trending of development costs during 1980 in order to eliminate the need for future amendments and to speed up Public Housing and Indian Housing development processing. Although this adjustment is expected to result in a significant increase in the initial reservation amount under each program, it reflects costs that otherwise would have been added at a later stage in processing.

Since two-year forward trending has been incorporated in the 1980 estimates, the net trending adjustment for 1981 actually reflects anticipated inflation which currently is assumed for 1983 when starts are expected. As a result of the new method of forward trending, the reservation amount each year will reflect costs that are anticipated during the time that projects actually are being built and thus will reduce the need for delays and anticipated amendments which otherwise could be expected in 1982 and 1983.

Finally, as noted above, the 1981 Budget assumes that the average contract term for Public Housing will be reduced from 40 years to 30 years and from 32 years to 28 years for Indian Housing. These changes will result in a more rapid retirement of debt instruments issued to finance Public Housing. While the shortened amortization period will require a higher annual payment to retire the development costs financed, the higher annual payment will be offset by a per unit budget authority savings of $31,300 and $14,940 for Public Housing and Indian Housing, respectively.

4. Contract Authority, Budget Authority and Obligations. The use of contract authority and budget authority increases significantly for 1981 consistent with the estimated increase in per unit costs and unit reservations levels for 1981 and the proposal to finance Public Housing projects with taxable instruments. The use of contract authority for Section 8 is estimated to increase by $308.1 million in 1981 while the use of contract authority for Public Housing development also is estimated to increase by $84.8 million, including $46 million directly attributable to the use of taxable rather than tax-exempt financing for Public Housing development and modernization activities as proposed for 1981. The use of authority for Section 23 Leased Housing contract adjustments is estimated to decline by $8.4 million due to the continued conversion of Section 23 projects to the Section 8 program. While the use of contract authority for amendments to Public Housing reservations is estimated to decline by only $500 thousand in 1981, a much larger decline is expected in 1982 and future years as a result of the implementation in 1980 of the policy to base new reservations on trended prototype costs. The 1980 program level also includes the use of $61.5 million in carryover balances, recaptures and permanent authority in addition to new contract authority while the 1981 level assumes the use of only $32.5 million in permanent authority. Therefore, while the total use of contract authority is expected to increase by $308.1 million in 1981, the need for new authority is estimated to be $413 million higher. The $29 million difference between the two increases results from the higher use of carryover balances and recaptures in 1980.

The estimated increases in the amount of budget authority used and requested between 1980 and 1981 are based on the same factors that have been used to determine the changes in contract authority discussed above, i.e., increases in per unit costs and unit reservation levels, the added amount for taxable bond financing for Public Housing projects, reductions in the use of carryover and recaptured authorities and a reduction in the level of permanent authority recovered from accounting revisions to Section 23 Leased Housing Adjustment obligations. The table on the next page reconciles these changes in budget authority and obligations.

Annual Contributions for Assisted Housing

RECONCILIATION OF BUDGET AUTHORITY AND OBLIGATIONS

FACTOR	BUDGET AUTHORITY (In Millions)
Budget authority needed to meet higher costs and higher unit reservation levels	+$4,685.9
Budget authority needed for taxable financing for Public Housing development and modernization activities	+1,287.2
Total increase in obligations	5,973.1
Additional authority to offset net decrease in the use of carryover balances and recoveries	+543.4
Total increase in new budget authority required	6,516.5
Net decrease in budget authority recaptured from adjustments to Section 23 contracts	-7.0
Total increase in budget authority	6,509.5

PROGRAM DESCRIPTION

Section 8 Housing Assistance Payments Program. This program, authorized by the United States Housing Act of 1937, as amended, is the major HUD program for providing Federally assisted rental housing. A principal feature of the Section 8 program is its capacity to make use of a variety of financing mechanisms in assisting the development of newly constructed or rehabilitated projects. Available mechanisms include conventional financing, HUD-insured mortgages, Section 202 Housing for the Elderly or Handicapped direct loans, tax-exempt financing through instrumentalities of PHAs (Section 811 financing), State Housing Finance and Development Agencies (HFDAs) and financing under various programs administered by the Farmers Home Administration of the Department of Agriculture (USDA). The 1981 Budget also proposes the use of $1.5 billion in mortgage commitments under the Government National Mortgage Association (GNMA) Tandem program for mortgages on Section 8 projects. This additional support reduces the effective interest costs, debt service requirements and, therefore, rent levels of assisted projects.

The various methods of providing housing assistance under the Section 8 program are combined in a number of special purpose categories which are designed to meet certain identified social or economic needs in various communities throughout the nation. Examples of these special programs include the Neighborhood Strategies Areas (NSAs) and Areawide Housing Opportunity Plans (AHOPs). The NSA program involves a comprehensive approach to neighborhood revitalization on a concentrated basis. Section 8 substantial rehabilitation assistance is used in conjuction with CDBG and other Federal subsidies, State and local grants and private investments in specially designated revitalization areas. Under the AHOP program, "bonus" Section 8 units are awarded as incentives to suburban and central city jurisdictions that work together to develop plans for the distribution of housing assistance on a fair and equitable basis. The flexibility of Section 8 permits the Department to develop or assist comprehensive and innovative approaches to meeting the Nation's rental housing needs with a minimum of delay. Other examples of the type of purposes for which special discretionary set-asides have been used in the past include rural housing demonstration projects, low-income housing for new communities, and housing for disaster victims.

Annual Contributions for Assisted Housing

Under the Section 8 program, the subsidy provided is designed to cover the full cost of housing, both debt service and operating expenses. Depending on community housing needs, the program can make use of the existing housing, stimulate rehabilitation of deteriorated and substandard housing units, or provide subsidies to tenants in newly constructed projects. Although recent amendments have authorized tenant payments up to 30 percent of income, current regulations still limit tenant contributions to between 15 and 25 percent of adjusted income depending upon their income level. It should be noted, in this respect, that under the financial structure of the Section 8 program, the budget authority calculation is not affected by the amount of the tenant contribution.

1. Section 8 Eligibility. Families with incomes that do not exceed 80 percent of the median income for the area in which they live are eligible for Section 8 assistance. However, the Secretary has the authority to adjust this ceiling where unusually high construction costs prevail or because of unusually high or low incomes. By law, at least 30 percent of the families to be assisted annually are required to have incomes below 50 percent of the median area income.

2. Fair Market Rents. The annual assistance contracts normally are controlled by the Fair Market Rent (FMR) limitations established for each major housing market in the nation. These limits which are updated at least annually are based on rentals for various sizes and types of housing units of a modest nature in the chosen market area. Separate schedules are developed for newly constructed housing and for existing housing. Within these two major divisions, separate FMRs are set by bedroom size. For new construction, FMRs are established for four structure types: detached, semi-detached row, walkup and elevator. The actual maximum monthly rent for an assisted unit cannot exceed the fair market rent established for a given area by more than 10 percent (20 percent under certain special conditions). While the actual method of calculating FMRs for each market area is quite complex, the basic intent is to establish a level which will be adequate to assure the availability of a sufficient supply of decent, modest and non-luxury accommodations. Rents for a specific project also are judged on the basis of a "reasonableness test" which is designed to determine the rents which unassisted families would be willing and able to pay for similar units. Thus, a proposed rent level for a specific project with a given design and location may be rejected as being too high even though it is within the areawide FMR limit.

The Housing and Community Development Act of 1974, which authorized the Section 8 program, also authorized automatic annual adjustments to the maximum rents. In addition, special adjustments may be sought where the automatic annual adjustments are inadequate to cover the actual and necessary expenses of owning and maintaining the units resulting from substantial general increases in real estate taxes, utility rates or similar costs.

3. New Construction and Substantial Rehabilitation. Under the new construction and substantial rehabilitation development procedures, HUD issues a notification of fund availability (NOFA) inviting submission of proposals for an estimated number of units from a particular area. Profit or nonprofit organizations and/or PHAs may respond by a specified deadline with proposals to develop all or part of the units requested. Proposals are reviewed by HUD and are ranked with the best proposals selected if acceptable and not in conflict with any approved local HAP.

Proposals from State HFDAs are processed under separate regulations which are designed to take advantage of the financing capacities of these agencies and to permit more rapid processing of Section 8 projects. Proposed projects in rural areas which are developed in conjunction with the FmHA also are processed under separate regulations pursuant to a HUD-USDA set-aside.

Successful developers submit a final proposal and an architect's certification in lieu of HUD review of working drawings, except for projects for which HUD mortgage insurance also is being sought. These projects are subject to the same processing requirements as all insured projects. If the final proposal is acceptable, HUD agrees to enter into a Housing Assistance Payments contract and construction or rehabilitation begins. Upon acceptable completion of the project, the Housing Assistance Payments contract is executed between HUD and the owner. Owners are responsible for selection of tenants and maintenance and operation of the units.

4. Existing Housing. Under the existing housing development method, families determined eligible by the local PHA are given a Certificate of Family Participation and then they may seek a suitable dwelling unit in the market, or they may choose to remain in their present dwelling units providing that it is eligible for a Section 8 subsidy. Upon meeting program regulation requirements pertaining to housing quality and rental schedules, the owner and family may sign a lease agreement subject to the approval of the PHA. A Housing Assistance Payments contract is then executed between the PHA and the owner which provides that the owner receive a monthly payment equal to the difference between the rent payable to the owner by the family and the approved rent for the unit.

Existing housing units that do not meet the established housing quality standards may be eligible for moderate rehabilitation. The Department proposes reservations of 40,000 units of such assistance in 1981. Moderate rehabilitation activities cover such items as the repair of leaking roofs, the reconditioning or replacement of obsolete heating plants and the repair of electrical, plumbing or other housing systems. Project owners are able to obtain financing to cover the costs of such repairs from any public or private source, excluding the Section 312 Rehabilitation Loan program. The maximum Section 8 subsidy paid to these projects takes into account the amount of rehabilitation required and the cost of financing the rehabilitation work. Costs for these units are expected to be higher than those authorized for regular existing housing units which do not require similar upgrading.

Public Housing. The U.S. Housing Act of 1937, as amended, provides for a locally operated Low-Income Public Housing program. Participants in this program, generally called PHAs, can be any State, county, municipality, Indian Tribe, or other public body which is authorized to engage in or assist in the development and operation of Public Housing projects that are determined by HUD to be eligible to undertake project development and administration.

PHAs obtain financing through the sale of notes and bonds. As noted earlier, starting in 1980 HUD plans to begin the sale of long term instruments to the Federal Financing Bank as a means of obtaining permanent financing for Public Housing projects still in the development pipeline. Supplemental Appropriation language is being proposed which would permit the transfer of approximately $2 billion in unused Annual Contributions for Assisted Housing budget authority to the Public Housing Loan Fund for use in making interest differential grants to cover the higher debt service costs on taxable rather than tax-exempt bonds. Beginning in 1981, the reservation of contract authority and budget authority for newly approved projects is proposed to be based on amounts sufficient to support taxable financing.

If requested, HUD also may approve a preliminary loan contract which provides initial funding to the PHA for planning the development of proposed PHA-owned projects. In addition, HUD provides the PHAs with technical and professional assistance in planning, developing and managing the projects as well as annual contributions under an Annual Contributions Contract (ACC) to (1) cover debt service on the bonds and notes issued for PHA-owned housing, (2) cover basic annual contributions for PHA-leased housing, (3) assure the low-income character of the projects, and (4) achieve and maintain adequate operating and maintenance services and reserve funds. Funding for this latter category of assistance to PHA-owned projects is provided separately and the request for operating subsidies is discussed in the "Payments for Operation of Low-Income Housing Projects" section of these Justifications.

Annual Contributions for Assisted Housing

Current regulations require that HUD notify the PHA of the availability of contract authority and budget authority for the PHA's area. If the PHA's application is acceptable, the Department issues a program reservation for a stated number of units which reserves the necessary contract, budget and loan authorities. A summary of the development methods which are utilized for Public Housing follows:

1. Conventional. Under the conventional construction bid method, the PHA engages an architect, selects a site, and prepares its Development Program which is reviewed by the Department. If the Development Program is approved, the ACC is executed. The PHA then acquires the site and authorizes its architect to prepare the detailed project working drawings and specifications in conformity with HUD requirements and local codes and ordinances. The PHA with HUD approval then advertises for competitive bids from private contractors and awards a construction contract to the lowest responsible bidder.

2. Turnkey. The "turnkey" method of development was initiated in 1965 to stimulate increased participation by residential builders and developers in the Public Housing program. Under the "turnkey" procedure, the PHA invites builders, contractors or realtors to submit proposals for a project of a stated number and type of units. Any private developer or builder may submit a proposal to the PHA to develop a project. After a PHA selects a "turnkey" developer with HUD approval, the developer prepares schematic drawings. HUD prepares appraisals and cost estimates on the basis of these drawings and site information. A firm price is then negotiated between the "turnkey" developer and the PHA. HUD then enters into an ACC with the PHA and the developer. With Federal financial assistance guaranteeing the purchase of the project if completed in accordance with the contract, the developer can secure private construction financing in the usual manner.

3. Acquisition. In some situations, the use of existing housing or the acquisition and rehabilitation of existing units is more efficient than constructing new units. This method facilitates the use of scattered sites and enables residential neighborhood improvement while maintaining the neighborhood's heterogeneous social and economic character. Under the acquisition method, the PHA identifies available acceptable units and prepares a Development Program and budget. If acceptable to HUD, an ACC is executed, the PHA acquires the existing structure and any required rehabilitation is completed.

Leased Housing. In addition to PHA-owned housing, Section 23 of the Housing Act of 1937 authorized PHAs to lease dwellings from private owners and to make them available to low-income families at affordable rents. After the suspension of subsidized housing program development in January 1973, the Section 23 leasing method was reinstated in September 1973 under revised regulations. It was used as an interim method to provide housing assistance prior to the enactment of the Housing and Community Development Act of 1974. These leasing methods have been replaced or are being converted to the Section 8 program.

Indian Housing. While Indian Housing is technically a component of the Public Housing program, it is administered separately because of the unique needs and problems associated with housing of this type. The remote location of many projects in Indian areas and the need to coordinate assistance measures with other agencies involved in Indian programs make development more intricate, time consuming and costly. In addition, the legal problems associated with Tribal land ownership make it more difficult to obtain construction financing for Indian projects developed under the "turnkey" method.

Indian Housing Authorities (IHAs) are established by exercise of a tribe's powers of self-government independent of State law, or by operation of State law providing specifically for housing agencies for Indians. Annual contributions are made to cover the debt service on IHA bonds or notes sold to pay the development costs of projects and to maintain the low-income character of the projects. Federal or federally guaranteed loans are made available to IHAs for the planning and construction of the dwelling units and are repaid from the proceeds of notes or bonds sold to finance the projects.

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Generally, the IHA hires a contractor to proceed with a construction program approved by HUD (the so-called conventional bid method), or a private builder constructs dwelling units on agreed terms and then sells the project to an IHA (the "turnkey" method). While some Indian housing projects are rental, most involve mutual-help homeownership. Under this procedure, the low-income Indian families provide some form of contribution (e.g., manual labor and materials), as well as perform their own maintenance in order to build equity and ultimately assume full homeownership of the unit.

Adjustments to Leased Housing Contracts (Section 23). The Budget also provides for the continuation of annual lease adjustments to contracts approved under the Section 23 program. While these lease adjustments traditionally represent additional subsidies to offset increases in the cost of project operations, the authority also is used to provide interim transition assistance for projects which are being converted to Section 8. Because of lease terms and contract provisions, conversions frequently do not involve all of the units in a project simultaneously and authority is used to subsidize the units which remain under Section 23 contracts during the "phase-out" period. Authority that is committed for lease adjustments during one fiscal year is recaptured and available for re-use in the following year. As the remaining Section 23 projects are converted to Section 8, the annual use of authority for this purpose and the subsequent annual requirement for reuse of permanent authority will decline. Over time, authority no longer needed to make adjustments to Section 23 leasing contracts is restored for use in developing other Public Housing projects.

Modernization of Public Housing. The 1981 estimates of Annual Contributions for Assisted Housing include $50 million of contract authority and $1 billion of budget authority for amending ACCs to include financing for Public Housing modernization activities. The authority proposed for release in 1981 would finance approximately $545.5 million of capital improvements at currently anticipated interest rates.

Modernization budget authority enables PHAs to obtain capital funds for the purpose of upgrading living conditions to present-day standards in older PHA-owned Public Housing projects, correcting serious physical deficiencies and achieving operating efficiency and economy. This may involve alterations, additions, or rehabilitation of existing structures and the replacement of nonexpendable equipment. Modernization provides for the conservation, preservation and rehabilitation of the physical components of existing Public Housing projects currently in the inventory. Modernization is an important component in the restoration and/or maintenance of Public Housing social viability and financial strength which is essential if the PHAs are to achieve their goal of providing decent, safe, and sanitary dwelling units. Some PHA facilities, particularly those of the large inner-city agencies, are outmoded and in serious disrepair. These older projects need to be rehabilitated to acceptable standards if they are to continue to serve as viable housing.

During 1978 and 1979, modernization funding was provided under the Public Housing Urban Initiatives program in a concentrated Federal effort to upgrade living conditions in Public Housing troubled projects and improve the management efficiency of PHAs. In 1979, the Urban Initiatives Anti-Crime program also received modernization funds. A total of $267.9 million of capital cost improvements were funded under these programs. In addition, $15 million of Public Housing Operating Subsidies funded from the 1978 appropriation for "Payments for Opertion of Low-Income Housing Projects" was provided for management assistance and to install project-based budgeting systems.

1. Use of Authority. During past years, modernization funding has been used for such purposes as (1) kitchen and bathroom modernization; (2) heating, plumbing and electrical distribution systems; (3) improvements to exteriors of buildings, including roofs; (4) community space, day care centers, ground improvement and outside recreation areas; (5) floor tiling and closet doors; (6) security; and (7) pollution control.

Currently, modernization funds are being used for similar types of improvements, including structural alterations to meet the changing needs for particular sizes and types of dwelling units by larger families, the elderly and to make projects accessible to physically handicapped persons. Emphasis is being placed on the following priority items:

-- work which will result in energy conservation such as installation of storm doors and windows, piping insulation and individual electrical check meters;

-- work required to comply with Federal, State and local laws related to health and safety such as gas pipeline safety, lead-base paint removal, air pollution control, and fire protection;

-- work needed to preserve the basic integrity of structures and systems; and

-- work which will result in an immediate and demonstrable cost-benefit to PHAs.

In addition, modernization funds are used for other improvements which are cost effective and result in reduced operating expenses. Under the Public Housing Performance Funding System (PFS) formula for determining operating subsidies, capital improvements directed to energy conservation that result in lower utility costs will result in savings to both HUD and PHAs since these savings are shared.

2. Program Status. Since the start of modernization activities in 1968 through September 30, 1981, the total contract authority to be used is estimated at $372 million which is expected to finance nearly $4.1 billion of modernization capital costs. Modernization activity by fiscal year, including costs of capital improvement, is as follows:

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Contract Authority:					
Annual.....	$49,984	$37,500	$50,000	$50,000	...
Cumulative.....	272,025	314,615	322,025	372,025	+$50,000
Capital Costs Financed:					
Annual.....	544,089	409,200	545,500	545,500	...
Cumulative.....	3,022,321	3,432,932	3,567,821	4,113,321	+545,500
Budget Authority/ Obligations.....	997,040	750,000	1,000,000	1,000,000	...

3. Management Requirements. Under the current regulations, PHAs are required to submit schedules for the expenditure of funds and the completion of work and to provide for supervision and inspection to ensure both work quality and progress. PHAs are required to provide quarterly reports to HUD Field Offices comparing their actual performance with their planned performance. PHAs also are required to submit a statement from their localities reaffirming the commitment under the local Cooperation Agreement to furnish the PHAs and their residents with the same type and level of public services and facilities as provided to the community-at-large.

4. Comprehensive Modernization. The Budget proposes the implementation of a "Comprehensive Modernization" initiative. Under this initiative, certain localities and PHAs would be given the option of diverting up to 50 percent of the contract authority and related budget authority made available to them for Public Housing development for use in the modernization and rehabilitation of existing Public Housing projects. The Budget includes proposed 1980 Supplemental Appropriation language to allow for the implementation of this proposed initiative on a limited basis during 1980.

Authorization for the new program would permit the restoration of Public Housing units that currently are not inhabitable and also would permit the maintenance and continued availability of units that otherwise might deteriorate if funding under the new initative were not available. While it is not possible to predict how many communities may take advantage of the new initiative, up to $96 million in contact authority could be used for increased modernization activity in 1981 if every locality participated in the proposed new program to the maximum extent that is proposed to be authorized. In addition to the use of contract authority currently earmarked for development, the Department also expects to use $20 million of the $50 million in contract authority provided under the regular modernization program to fund Comprehensive Modernization activities during both 1980 and 1981.

SUMMARY OF PROGRAM ACTIVITY

In summary, the 1981 Budget reflects the following during 1980: (1) the reservation of 202,220 units under the Section 8 program, (2) the reservation of 32,172 Public Housing units, (3) the reservation of 6,000 units of Indian Housing, (4) the use of $50 million of contract authority for Public Housing Modernization, and (5) the use of $32.5 million of permanent authority for Adjustments to Leased Housing contracts.

For 1981, the Budget proposes 258,000 unit reservations under the Section 8 program, 38,000 units of Public Housing and 4,000 units of Indian Housing for a combined reservation total of 300,000 units. The 1981 Budget also proposes an additional $50 million of contract authority for Public Housing Modernization and the reuse of $24.1 million of permanent authority for Adjustments to Leased Housing contracts.

Annual Contributions for Assisted Housing

1. Reservations. Reservations by year for the period 1979-1981 are as follows:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
		(In Units)	
SECTION 8			
New Construction:			
Private Developer	56,899	33,363	63,800
Section 202	21,627	22,142	16,900
Farmers Home (FmHA)	7,900	10,000	10,000
State Agency (HFDA)	25,266	24,000	24,000
Subtotal	111,692	89,505	114,700
Substantial Rehabilitation:			
Private Developer	24,268	15,593	15,400
Farmers Home (FmHA)	63	...	...
Section 202	1,082	4,100	1,900
State Agency (HFDA)	7,933	6,000	6,000
Subtotal	33,346	25,693	23,300
Existing Housing:			
Regular Rental	90,375	47,022	80,000
Moderate Rehabilitation	34,294	40,000	40,000
Subtotal	124,669	87,022	120,000
Total, Section 8	269,707	202,220	258,000
PUBLIC HOUSING			
New Construction	44,408	25,172	31,900
Substantial Rehabilitation	4,681	7,000	6,100
Existing Housing	560	...	...
Indian Housing	5,719	6,000	4,000
Subtotal	55,368	38,172	42,000
Total Reservations, Annual Contributions	325,075	240,392	300,000

The balance between new construction, substantial rehabilitation and existing housing units that are reserved during a year must be consistent with locally approved HAPs. As indicated earlier, the Budget assumes a shift in unit mix in 1981 to reflect the impact of the Section 8 moderate rehabilitation program. Although the Budget attempts to forecast the expected housing type mix as accurately as possible, actual reservation activity may vary based upon adjustments to plans at the local level and also may vary depending on the nature of the applications to be submitted.

2. Units Not Under Construction. The status of outstanding reservations in terms of units reserved but not yet under construction at the beginning of the year, new construction and substantial rehabilitation units added during the year, construction starts during the year, and outstanding new construction and substantial rehabilitation reservations not under construction at the end of the year follows:

	ACTUAL 1979	ESTIMATE 1980 (In Units)	ESTIMATE 1981
SECTION 8			
Outstanding reservations not under construction, start of year	196,597	188,384	163,582
Reservations added in year	145,038	115,198	138,000
Construction starts in year	-153,251	-140,000	-121,000
Outstanding reservations not under construction, end of year	188,384	163,582	180,582
PUBLIC HOUSING (Including Indian Housing)			
Outstanding reservations not under construction, start of year	107,402	129,942	128,114
Reservations added in year	44,408	38,172	42,000
Construction starts in year	-21,868	-40,000	-55,000
Outstanding reservations not under construction, end of year	129,942	128,114	115,114

3. Construction Starts. During 1979, construction was started on 175,119 units. An additional 180,000 unit starts are estimated for 1980 and 176,000 unit starts are estimated for 1981. Starts by program follow:

	ACTUAL 1979	ESTIMATE 1980 (In Units)	ESTIMATE 1981
SECTION 8			
New Construction	126,853	120,000	106,000
Substantial Rehabilitation	26,398	20,000	15,000
Subtotal, Section 8	153,251	140,000	121,000
PUBLIC HOUSING			
New Construction	17,269	30,000	45,000
Substantial Rehabilitation	...	5,000	5,000
Indian Housing	4,599	5,000	5,000
Subtotal, Public Housing	21,868	40,000	55,000
Total Starts, Annual Contributions	175,119	180,000	176,000

4. Under Construction. The status of the Section 8 and Public Housing units under construction follows:

	ACTUAL 1979	ESTIMATE 1980 (In Units)	ESTIMATE 1981
SECTION 8			
Under construction, start of year	211,554	264,303	254,303
Started during year	153,251	140,000	121,000
Construction completions in year	-100,502	-150,000	-143,000
Under construction, end of year	264,303	254,303	232,303
PUBLIC HOUSING			
Under construction, start of year	20,502	31,607	46,607
Started during year	21,868	40,000	55,000
Construction completions in year	-10,763	-25,000	-39,000
Under construction, end of year	31,607	46,607	62,607

5. Made Available for Occupancy. The units made available for occupancy during the year by program and development method follow. It should be noted that existing housing units are excluded from both the construction starts and under construction categories. However, they are included in the total number of units made available for occupancy during a given year. As a result, the level of units made available for occupancy during a year normally will be well in excess of construction completions. The status of units made available for occupancy is as follows:

	ACTUAL 1979	ESTIMATE 1980 (In Units)	ESTIMATE 1981
SECTION 8			
New Construction	91,304	130,000	120,000
Substantial Rehabilitation	9,198	20,000	23,000
Existing Housing	107,025	66,600	55,000
Moderate Rehabilitation	...	26,400	38,000
Subtotal, Section 8	207,527	243,000	236,000
PUBLIC HOUSING			
New Construction	5,140	15,000	30,000
Substantial Rehabilitation	1,260	5,000	5,000
Existing Housing	33,609	2,000	...
Indian Housing	4,363	5,000	4,000
Subtotal, Public Housing	44,372	27,000	39,000
Total Made Available for Occupancy, Annual Contributions	251,899	270,000	275,000

6. Cumulative Reservations, Completions and Outstanding Reservations. As of September 30, 1979, a net total of 2,809,137 units had been reserved under the Section 8, Public Housing and Indian Housing programs. This cumulative reservation total included 2,098,441 units which were completed or under management leaving a balance of 710,696 units in various stages of post reservation processing. The following table highlights the status of cumulative activity under the programs:

	ACTUAL 1979	ESTIMATE 1980 (In Units)	ESTIMATE 1981
RESERVATIONS (NET-CUM)			
Section 8	1,440,901	1,643,121	1,901,121
Public Housing/Indian Housing:			
PHA-Owned	1,298,236	1,336,408	1,378,408
PHA-Leased (Section 23)	70,000	50,000	43,000
Total, Net Reservations	2,809,137	3,029,529	3,322,529
COMPLETED/UNDER MANAGEMENT (CUM)			
Section 8	898,441	1,141,441	1,377,441
Public Housing/Indian Housing:			
PHA-Owned	1,130,000	1,157,000	1,196,000
PHA-Leased (Section 23)	70,000	50,000	43,000
Total, Completed/Under Management	2,098,441	2,348,441	2,616,441
OUTSTANDING RESERVATIONS			
Section 8	542,460	501,680	523,680
Public Housing/Indian Housing:			
PHA-Owned	168,236	179,408	182,408
PHA-Leased (Section 23)	...	...	...
Total, Outstanding Reservations	710,696	681,088	706,088

Annual Contributions for Assisted Housing

7. Occupancy. Of the 2,098,441 Section 8 and Public Housing units either completed or under management as of September 30, 1979, an estimated 1,919,234 units were occupied by eligible tenants. The difference between the number of completed units and the number of occupied units is attributable to the time between completion and rent-up, normal project vacancies, units undergoing rehabilitation or modernization, or units utilized for non-dwelling purposes. The following is the occupancy status for the Section 8 and Public Housing programs at year-end:

	ACTUAL 1979	ESTIMATE 1980 (In Units)	ESTIMATE 1981
Section 8	752,834	970,000	1,198,000
Public Housing/Indian Housing	1,166,400	1,173,200	1,204,000
Total Occupancy	1,919,234	2,143,200	2,402,000

Annual Contributions for Assisted Housing

CONTRACT AUTHORITY AND BUDGET AUTHORITY REQUESTED

The request for additional contract authority of $1,553.7 million and for $33,196.6 million in additional budget authority for 1981 is derived as follows:

	UNITS	AVG. COST PER UNIT	CONTRACT AUTHORITY ($000)	YEARS OF CONTRACT	BUDGET AUTHORITY ($000)
SECTION 8					
New Construction:					
Section 202	16,900	$5,450	$92,105	20	$1,842,100
State HFDA	24,000	5,450	130,800	30	3,924,000
Farmers Home	10,000	3,945	39,450	20	789,000
Other-Insured	57,420	5,300	304,326	20	6,086,520
Other Non-Insured	6,380	5,300	33,814	30	1,014,420
Subtotal	114,700	NA	600,495	NA	13,656,040
Substantial Rehabilitation:					
Section 202	1,900	5,750	10,925	20	218,500
State HFDA	6,000	5,900	35,400	30	1,062,000
Other-Insured	13,860	6,260	86,764	20	1,735,272
Other Non-Insured	1,540	6,260	9,640	30	289,212
Subtotal	23,300	NA	142,729	NA	3,304,984
Existing Housing:					
Regular	80,000	3,000	240,000	15	3,600,000
Moderate Rehabilitation	30,000	4,200	126,000	15	1,890,000
Moderate Rehabilitation/ HUD-owned	10,000	4,200	42,000	15	630,000
PHA Fees	NA	NA	42,000	1	42,000
Subtotal	120,000	NA	450,000	NA	6,162,000
Amendments:					
New/Rehabilitation	NA	NA	53,700	23	1,235,100
Existing Housing	NA	NA	6,757	9.6	60,813
Subtotal	NA	NA	60,457	NA	1,295,913
Total, Section 8	258,000	NA	1,253,681	NA	24,418,937
PUBLIC HOUSING					
New Construction	31,900	4,450	141,955	30	4,258,650
Rehabilitation	6,100	4,450	27,145	30	814,350
Indian Housing	4,000	5,695	22,780	28	637,840
Amendments	NA	NA	20,500	NA	788,000
Increment for Taxable Financing	NA	NA	46,000	NA	1,287,254
Lease Adjustments	NA	NA	24,100	1	24,100
Modernization	NA	NA	50,000	20	1,000,000
Total, Public Housing	42,000	NA	332,480	NA	8,810,194
Total, Section 8 and Public Housing	300,000	NA	1,586,161	NA	33,229,131
Less Permanent Authority	NA	NA	-32,500	NA	-32,500
Authority Requested for Release in 1981	NA	NA	1,553,661	NA	33,196,631

Annual Contributions for Assisted Housing

The following table shows the full availability and use of Annual Contributions for Assisted Housing contract authority from 1979 through 1981:

STATUS OF CONTRACT AUTHORITY

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Contract Authority Available			
Authority available, start of year	$84,764	$2,500	...
New authority enacted or proposed	1,322,297	1,140,661	$1,553,661
Prior year authority available for re-use	38,169	39,538	32,500
Recovery of prior year obligations	...	19,504 a/	...
Total authority available	1,445,230	1,202,203	1,586,161
Contract Authority Use			
Development			
Section 8:			
Private-new construction	262,242	160,809	338,140
Section 202-new	98,878	109,824	92,105
Farmers Home (FmHA)-new	31,429	39,450	39,450
State HFDA-new	138,649	125,760	130,800
Private-substantial rehabilitation	134,906	89,192	96,404
Section 202-substantial rehabilitation	5,229	21,443	10,925
State HFDA-substantial rehabilitation	45,197	33,960	35,400
FmHA-substantial rehabilitation	251	...	...
Regular existing housing	227,344	128,370	240,000
Moderate rehabilitation	119,800	114,600	126,000
Moderate rehabilitation/HUD-owned	...	38,200	42,000
PHA/HFDA Fees	...	...	42,000
Amendments	55,977	84,000	60,457
Subtotal, Section 8	1,119,901	945,608	1,253,681
Public Housing:			
Public Housing-new construction and substantial rehabilitation	145,167	122,255	169,100
Existing Housing	446	...	...
Indian Housing	28,025	30,840	22,780
Amendments	11,468	21,000	20,500
Increment for Taxable Financing	...	...	46,000
Subtotal, Public Housing	185,106	174,095	258,380
Subtotal, Development	1,305,007	1,119,703	1,512,061
Management			
Public Housing:			
Modernization	49,984	50,000	50,000
Lease adjustments	39,538	32,500	24,100
Subtotal, Management	89,522	82,500	74,100
Total use of authority	1,394,529	1,202,203	1,586,161
Adjustments to prior year obligations	48,201	...	...
Authority available, end of year	2,500	...	...

a/ The amount of prior year recovery is tentative and may change based on an accounting review underway as of February 29, 1980.

Annual Contributions for Assisted Housing

The following table shows the full availability and use of Annual Contributions for Assisted Housing budget authority from 1979 through 1981:

STATUS OF BUDGET AUTHORITY

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Budget Authority Available			
Authority available, start of year	$9,773,721	$2,531,682	...
Current authority enacted or proposed	24,395,848	26,680,128	$33,196,631
Permanent authority available for re-use	38,169	39,538	32,500
Total authority available	34,207,738	29,251,348	33,229,131
Budget Authority Use			
Development			
Section 8:			
Private-new construction	5,340,513	3,376,968	7,100,940
Section 202-new	1,943,534	2,196,486	1,842,100
Farmers Home (FmHA)-new	628,265	789,000	789,000
State HFDA-new	4,230,848	3,772,800	3,924,000
Private-substantial rehabilitation	2,801,105	1,873,014	2,024,484
Section 202-substantial rehabilitation	104,576	428,860	218,500
State HFDA-substantial rehabilitation	1,336,830	1,018,800	1,062,000
FmHA-substantial rehabilitation	5,013	...	...
Regular existing housing	3,288,070	1,925,551	3,600,000
Moderate rehabilitation	1,797,719	1,719,000	1,890,000
Moderate rehabilitation/HUD-owned	...	573,000	630,000
PHA/HFDA Fees	...	...	42,000
Amendments	1,433,659	1,894,624	1,295,913
Subtotal, Section 8	22,910,131	19,568,103	24,418,937
Public Housing:			
Public Housing	5,826,723	4,890,220	5,073,000
Indian Housing	874,333	925,200	637,840
Amendments	437,424	840,000	788,000
Increment for Taxable Financing	...	...	1,287,254
Subtotal, Public Housing	7,138,479	6,655,420	7,786,094
Subtotal, Development	30,048,610	26,223,523	32,205,031
Management			
Public Housing:			
Modernization	997,040	1,000,000	1,000,000
Lease adjustments	39,538	32,500	24,100
Subtotal, Management	1,036,578	1,032,500	1,024,100
Total use of authority	31,085,188	27,256,023	33,229,131
Adjustments to prior year obligations	590,868	...	...
Proposed Transfer of balances to "Public Housing Loan Fund"	...	1,995,325	...
Authority available, end of year	2,531,682	...	...

ASSUMPTIONS ON LONG-TERM COSTS AND NEED FOR AMENDMENTS

1. General. Beginning with the 1976 Budget, the expected direct subsidy costs for the Section 8 and Public Housing programs have been obligated using both contract authority and budget authority. Contract authority represents the maximum annual subsidy payment which can be committed during any given year of a housing contract. Budget authority represents the maximum projected long-term cost of the subsidy contract and is calculated by multiplying the amount of the contract authority reserved by the number of years in the contract.

As utilized under the Public Housing program, the contract authority and budget authority relationship represents the financial commitment of the Federal government to make the annual payments needed to amortize the cost of constructing or acquiring a particular project. The contract authority represents the annual debt service payment which is used to retire project financing instruments while the budget authority represents the full payment of debt service (principal and interest) over the life of the financing instrument. Since the contract is limited to the debt service payment and excludes any operating cost for the project, the actual requirement for contract authority and budget authority can be absolutely set once the project has been constructed and has obtained permanent financing. To the extent that tenant rent payments do not cover operating expenses, the operating deficits of Public Housing projects are funded through an entirely separate mechanism as explained in the "Payments for Operation of Low-Income Housing Projects" section of these Justifications.

Under the Section 8 program, on the other hand, the full rental costs of the unit, including both debt service and all operating expenses, are budgeted under a single subsidy contract. In this program, the contract authority reserved is based upon the full expected annual rent during the initial year of project occupancy. For example, if the first year's rent is estimated at $5,500 per unit, this amount would be reserved as a commitment of contract authority. At the end of the second year, the maximum Federal subsidy over the two year period would be $11,000 per unit and by the third year the cumulative annual limitation would be $16,500, and so forth.

Budget authority for the Section 8 unit would be the annual limitation times the term of the contract. Thus, if this same unit had a 20 year subsidy contract, the budget authority would be $110,000. Since the program also requires a tenant contribution toward rent of not less than 15 percent nor more than 30 percent of income, the tenant rent share offsets the requirement for full rent payments by the Federal government. As a result, during the early years of a project, the payment of tenant rent results in a build-up of undisbursed subsidy (budget authority) which is termed the "project reserve" and which is available for use in future years as the actual rent of the unit increases.

In order to illustrate the gradual accumulation of undisbursed subsidies or project reserves, the following is an example of a hypothetical new construction unit to be reserved during 1981 and scheduled for completion and initial occupancy during 1983:

HYPOTHETICAL SECTION 8 UNIT: GROWTH OF PROJECT RESERVE

YEAR	ANNUAL RENT			CUMULATIVE FEDERAL COST AND PROJECT RESERVE		
	GROSS RENT	TENANT PAYMENT	HUD PAYMENT	HUD PAYMENT	HUD COMMITMENT	PROJECT RESERVE
1983	$5,506	$2,127	$3,379	$3,379	$5,506	$2,127
1984	5,707	2,287	3,420	6,799	11,012	4,213
1985	5,925	2,458	3,467	10,266	16,518	6,252
1986	6,161	2,643	3,518	13,784	22,024	8,240
1987	6,417	2,841	3,576	17,360	27,530	10,170

In the example above, the reservation of contract authority, which is also the maximum HUD commitment, equals the initial gross rent for the unit. At the end of the 5th year, as a result of tenant rent payments, a project reserve of $10,170 would be accumulated which would be equal to the difference between the maximum Federal commitment and actual subsidy payments. In the example, the gross rent of the unit is assumed to increase each year to reflect the higher operating costs of the unit. The assumptions underlying the projected rate of increase are explained below in the section on current assumptions. Despite these assumed increases, the annual HUD payment would continue to be lower than the maximum commitment of $5,506 due to tenant rent contributions. The difference between the cumulative HUD commitment and the cumulative HUD payment at any point in time represents the project reserve. (The contract terms of Section 8 new construction contracts range from 20 to 40 years and the long-term outlook of how long the project reserve is expected to last is discussed below.)

The system of building and maintaining project reserves is one of the major innovations of the Section 8 program and is designed to attract potential sponsors by assuring that, unlike prior programs, subsidy funds automatically will be available to cover legitimate future cost increases. However, the actual availability and rate of growth of this reserve is contingent upon a number of variables, including the rate of growth in gross rents, the initial level and rate of growth in tenant income, and the proportion of tenant income which is contributed towards rent.

Because of the variables involved, the results of a projection of long-term costs will vary depending on the assumptions chosen. Thus, one analysis of the existing definition of budget authority indicates that the cost of housing subsidies may be overstated by ignoring the discounted value of future expenditures. This potential overstatement of costs is made even more pronounced by the fact that actual disbursements in the early years of the contract tend to be far lower than the maximum because of tenant contributions, whereas the disbursements are greater in future years when the subsidy requirements tend to be higher but the value of a dollar is lower.

On the other hand, another analysis indicates that as a result of inflation, the project reserves being accumulated will prove inadequate and that amendments of contract authority and budget authority will be necessary at some time in the future to keep these projects solvent. If this assumption proves to be correct, the present calculation of budget authority actually would understate long-term costs. (Amendments in this context are due to the eventual depletion of project reserves at some relatively distant point in a project's managment. This type of amendment is quite distinct from the need to increase the initial fund reservation for projects that are still in the pre-construction pipeline which is discussed elsewhere throughout this Justification).

2. Current Assumptions. While it is impossible to predict what the rate of inflation will be over the next 20 or 30 years, the Department considers that a reasonable range on a conservative basis would be from 7.5 to 9 percent. While this range is below the current rate, it would be well above the historic average for the post-World War II period.

During the 1960's and 1970's, incomes of lower- and moderate-income households generally increased at about the same rate as the increase in median income. Actually, the incomes of lower- and moderate-income households exceeded the inflation rate significantly for part of this time period. Nevertheless, using conservative assumptions for the purpose of this analysis, it is anticipated that tenant incomes will increase at the lower end of the inflation range or 7.5 percent, while utility and other operating costs will increase at the higher end of the scale, or a 9 percent annual rate.

Recent revisions in HUD program requirements now direct the managers of Section 8 new construction projects to use their best efforts to maintain the mix of tenants at an income level equal to 40 percent of the local median income. Previously, the average household income for Section 8 tenants was approximately 30 percent of local median income. The base example of local median income assumes that initial tenant income will be 35 percent of the projected national median (for a Section 8 new construction project that will be occupied in 1983), or halfway between what currently exists and the new standard.

The base example also assumes the following: (1) total development costs are projected at $37,000 per unit of which $33,300 per unit is to be financed by HUD-insured 40 year mortgages. Typically in HUD-insured Section 8 projects, assistance under the GNMA Tandem program is assumed to reduce the interest rate on permanent financing to 7.5 percent plus mortgage insurance premium; (2) the first year of occupancy is 1983 and tenant income at initial occupancy is projected at $8,864, or an estimated 35 percent of the 1983 median; (3) tenant contributions (rent share) are based upon 24 percent of annual tenant income which reflects current experience; (4) tenant income is expected to increase at 7.5 percent per year while utility and maintenance expenses are projected to increase by 9 percent each year; (5) property taxes are expected to increase at 6 percent per annum; and (6) the return on equity is calculated at 10 percent.

The status of the gross rent, tenant contribution, HUD subsidy and project reserve during the first 5 years of operation for the base example is shown in the table on the previous page. The following table highlights the status of the same project over the first 30 years of its life. Note, however, that since the base example is HUD-insured, the maximum subsidy contract actually would be for only 20 years. Because the 1981 Budget assumes the funding of some non-insured Section 8 projects with 30 year contract terms, the example is extended through 30 years in order to demonstrate the adequacy of budget authority over the longer period.

HYPOTHETICAL EXAMPLE OF SECTION 8 LONG-TERM COSTS

	1st Year (1983)	10th Year (1992)	20th Year (2002)	23rd Year (2005)	30th Year (2012)
Rent costs:					
Debt service	$2,796	$2,787	$2,767	$2,758	$2,725
Operating costs	2,710	5,264	11,389	14,427	25,220
Total	5,506	8,052	14,156	17,185	27,945
Tenant income	8,864	16,994	35,026	43,513	72,190
Tenant rent share	2,127	4,079	8,406	10,443	17,326
Federal cost:					
Annual rent share	3,379	3,973	5,750	6,742	10,619
Budget authority at term	5,506	55,060	110,120	126,638	165,180
Cumulative Federal subsidy paid	3,379	36,348	84,378	103,545	164,719
Project reserve	2,127	18,712	25,742	23,093	461
Discounted value of subsidy at 8%	3,129	24,113	38,685	42,209	49,794

As shown above, the budget authority amount provided would be sufficient to cover the expected costs in the base example even under a 30 year contract. The total annual Federal payment (net of the tenant contribution) eventually would increase above the initial reservation amount of $5,506 per unit. This would occur in the 20th year. Because of the project reserve, sufficient funds would be available to continue making the required Federal payments. The project reserve would reach its peak in the 19th year at almost $26,000. At the end of the 20th year, when the contract for a HUD-insured project would expire, the budget authority obligation still would exceed actual costs by approximately the same amount ($110,120 in budget authority versus $84,378 in "actual" Federal cost, or an excess/reserve of $25,742). The overall average term for all Section 8 new construction and substantial rehabilitation units in the 1981 Budget is slightly under 23 years. At this stage, budget authority still would exceed costs by an estimated $23,093. Finally, even at 30 years, the highest term included in the 1981 Budget, the budget authority obligation still would exceed expected disbursements by $461.

The rent contribution keeps the initial Section 8 budget authority obligation sufficient even though operating costs may increase faster than tenant income. The principal reason that this occurs is that debt service on the mortgage, which is one of the major components of rent, remains fixed over the life of the contract. In the inital year of occupancy, debt service accounts for 51 percent of the total rent which is a fairly typical ratio for a newly constructed Tandem-assisted unit.

As a result of the relationship of debt service to gross rent, the 9 percent increase in the major components of operating costs results in only a 3.6 percent increase in gross rent between the 1st and 2nd years. Over time, the relative importance of fixed debt service as a component of gross rent is expected to decline, and the constant increase in operating costs will play a greater role in determining total rent. The increase in rent would be 5.1 percent between the 10th and 11th years and 6.6 percent between the 20th and 21st years. The impact of constant debt service costs, combined with the inflow from tenant rent payments, means that the project reserve would continue to grow through the first 19 years even though operating costs increased more rapidly than tenant income over the entire period. While the constantly growing gap between operating costs and tenant income would

cause the project reserve to decline steadily after the 20th year, the reserve would not be exhausted until the year 2013 which would be the 31st year. Even if this hypothetical unit had a maximum 40 year term, the need to amend the subsidy contract in the 31st year would not necessarily lead to the need for contract authority and budget authority on a program-wide basis. Since the average term of all units to be reserved in 1981 is estimated at 23 years, most projects would be expected to have surplus budget authority when their contracts expire if the assumptions in this example hold true. To the extent that these surpluses materialize, they potentially could be used to offset the need to amend the small number of projects having terms longer than 30 years.

3. Alternate Assumptions. The following table illustrates the second method of examining the Section 8 long-term costs. The table displays how long project reserves would last under varying assumptions covering changes in income and rent over the life of a contract. The primary difference between the projections made below and the hypothetical case presented above is that the rate of annual rent increases remains constant over time and does not reflect changes in rent components. The relationship between income and rent in the table reflects two possibilities: increases in incomes either (1) exceed increases in rents based on the finding that because of constant debt service the changes in rent lag behind the changes in income; or (2) are equal to increases in rent which is a more conservative assumption. For purposes of comparison, initial tenant incomes are estimated both at 40 percent and 30 percent of the projected median income in 1983. As noted above, 40 percent of median income represents the Department's current target for average tenant incomes in future Section 8 projects. Tenant incomes of 30 percent of median income represent a close approximation to the Department's actual experience in recent years. Finally, the initial contract rent is estimated at $5,500 per unit.

Annual Contributions for Assisted Housing

ALTERNATE EXAMPLES OF SECTION 8 LONG-TERM COSTS

INITIAL INCOME ASSUMPTIONS	PROJECTED GROWTH IN INCOME/RENTS	NEED FOR AMENDMENT IN YEARS	SURPLUS/DEFICIT 20 yrs.	30 yrs.	40 yrs.
40% of Median ($10,130)					
-- Increases in incomes exceed increases in rents	4.0%/3.0%	...	+$34,609	+$39,689	+$36,319
	6.5%/5.0%	34	+22,529	+9,581	-17,402
	9.0%/7.0%	24	+8,905	-23,143	-56,533
-- Increases in incomes and rents are equal	3.0%/3.0%	38	+27,540	+19,001	-11,391
	5.0%/5.0%	23	+8,527	-38,888	-150,710
	7.0%/7.0%	17	-15,807	-124,881	-392,640
30% of Median ($7,597)					
-- Increases in incomes exceed increases in rents	4.0%/3.0%	33	+$16,507	+$5,594	-$21,449
	6.5%/5.0%	20	-1,073	-42,928	-124,173
	9.0%/7.0%	15	-22,197	-51,008	-261,939
-- Increases in incomes and rents are equal	3.0%/3.0%	27	+11,205	-9,911	-57,229
	5.0%/5.0%	17	-11,574	-79,277	-224,147
	7.0%/7.0%	13	-40,729	-182,306	-514,002

The major results of the alternatives shown above are as follows:

-- The need for amendments is highly correlated to rates of increase in rents;

-- If tenant incomes at 40 percent of median income are achieved in 1983, the likely need for amendments would be small. This is especially true if increases in rents are below increases in tenant incomes as the Department anticipates. A surplus would exist in all three examples at the end of 20 years, in 2 of 3 examples at the end of 30 years, and in 1 of 3 examples at the end of 40 years. Under the less likely instance of tenant incomes and rents increasing at the same rates, a surplus would exist in 2 of the 3 examples for a typical 20 year Section 8 subsidy contract.

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-- Even under the "worst case" assumptions presented in the table (tenant incomes at only 30 percent of median income with incomes and rents each increasing at 7 percent), the projected budget authority deficit would be only $40,729 at the end of 20 years. Because of constant debt service, a 7 percent increase in the total rent would represent an extremely high rate of inflation of approximately 14 percent in the initial year. Even in this instance, however, project reserves would be expected to last through the first 13 years. On the basis of discounted present value, the added amendment costs at the end of 20 years would be only $11,000 using an 8 percent discount factor.

Based on the range of alternatives examined, the current practice of calculating budget authority approximates the likely costs for the majority of projects approved under the Section 8 program under most reasonable sets of assumptions. The actual project reserves of any specific Section 8 project would be affected by inflation, by differences in tenant incomes and gross rents, and the rates of growth between these variables, and by the term of the subsidy contracts. Therefore, it is impossible to predict that reserves will be adequate in all cases. On average, however, the reserves of a typical Section 8 project are expected to prove to be sufficient to cover rent subsidy costs over the contract term and any project deficits should be more than offset by other project surpluses.

PROJECTION OF 5 YEAR AMENDMENT NEEDS

The anticipated amendment needs during the next 5 years covers expected amendments of all types, including both amendments related to pre-construction cost increases as well as to the type of amendments discussed previously (i.e., those which would result from the need to compensate for increasing operating costs over the life of a Section 8 contract).

1. Pre-construction cost amendments. Under the Section 8 new construction and substantial rehabilitation programs, the initial reservation amount is based on very preliminary cost data submitted by the applicant. Since a number of applicants compete for approval and there is no guarantee that the application will be successful, the Department does not require prospective sponsors to incur the expenditures necessary for detailed plans and specifications. While a number of safeguards are built into the processing procedures to assure that successful applicants do not gain competitive advantage by under-bidding in the preliminary estimate, it is not uncommon for justified cost increases to be allowed once final plans are developed. For example, increases in expected financing costs (particularly construction financing), unanticipated increases in the cost of construction material and labor, and design modifications required to meet local codes are among the many legitimate factors which can necessitate a pre-construction amendment.

The budget estimates for amendments for Section 8 new and substantially rehabilitated units during the 5 year period are totally the result of pre-construction cost amendments. These projects did not begin to reach occupancy in any volume until 1978, and at the end of the 5 year period even these units would be under management for only 7 years. Most new or substantially rehabilitated units would be under management for an even shorter time and it is not expected that any of these units will need amendments resulting from insufficient reserves at that stage. The projection of pre-construction cost amendments reflects a slight decline in Section 8 construction activity from 1980 to 1982 and then a stable level of construction together with amendments in subsequent years.

2. Post-occupancy cost amendments. The causes and likelihood of post-occupancy cost amendments are discussed in considerable detail on pages C-27 to C-33 of this Justification. As explained therein, the current Budget does not anticipate the need for post-occupancy or management amendments for Section 8 new construction or substantial rehabilitation projects through 1985. For existing housing units, post-occupancy amendments are anticipated during the period, but the need for such amendments is expected to diminish in future years.

A number of studies, including one by the General Accounting Office, have indicated that the initial FMRs for existing housing were set low during the early years of the program and may have produced underfunded contracts. This problem has been remedied mainly with respect to current FMRs, but it is likely that some of the units approved in 1975-1977 that were underfunded may need amendments during the budget period. One additional factor that has been identified as contributing to the need for amendments is the practice of using the project reserve to fund the administrative fees and start-up costs of PHAs administering the existing housing and moderate rehabilitation programs. While the 1981 Budget proposes separate funding for these costs for units reserved in 1981 and subsequent years, the administrative fees and start-up costs for units reserved prior to 1981 still will be charged to existing project reserves. This will result in an ongoing depletion of reserves available for rental cost increases for these units and will be an additional factor in the need for amendments during the period of 1980-1985.

On the other hand, the term for existing and moderate rehabilitation housing units is only 15 years and while some of the prior existing housing unit approvals may have been underfunded, the entire structure of FMRs has been revised. In addition, the cost of administering the existing and moderate rehabilitation units to be reserved in 1981 and future years is being budgeted separately which is expected to eliminate this drain on project reserves. Consequently, while the 1981 Budget estimates a need for post-occupancy cost amendments during the 5 year period, it is anticipated that steps already taken will minimize the long-term need for amendments to the existing housing units in the future. For units approved in 1981, the Budget assumes that the current reservation amount will be sufficient to cover projected cost increases over the entire 15 year contract term. This assumption is based on the Department's analysis of the long-term costs explained above which show sufficient budget authority for existing housing reservations to be made in 1981 under all the cases tested. Actual results will vary, of course, depending on the circumstances that actually occur during the next 15 years.

The Department has undertaken a study of the existing housing units now under contract to determine the extent of underfunding in prior years. The amendment requirements included in the 1981 Budget are based on the preliminary findings of this study.

Finally, during the early years of the Section 8 program, the Department approved a large number of existing housing units under the so-called "Loan Management" program for projects with HUD-insured or HUD-held mortgages. These units were occupied by low-income families in HUD-insured projects that were facing the risk of default and potential foreclosure. In line with an overall analysis of the entire Loan Management program, the Department also is examining the potential need for amendments for these units as their initial 5 year contracts begin to expire.

The following table shows the preliminary estimate of total projected budget authority required for all types of Section 8 amendments through 1985, except possible amendments for the Loan Management units.

	BUDGET AUTHORITY REQUIREMENTS						
	1979 ACTUAL	1980 ESTIMATE	1981 ESTIMATE	1982 ESTIMATE	1983 ESTIMATE	1984 ESTIMATE	1985' ESTIMATE
	(Dollars in Thousands)						
Budget Authority							
New Construction/ Substantial Rehabilitation:							
Pre-Construction cost amendments	$1,432,026	$1,841,724	$1,235,100	$1,200,000	$1,000,000	$1,000,000	$1,000,000
Post-occupancy cost amendments	...	...	...	...	...	...	...
Existing Housing: Post-occupancy cost amendments	1,633	52,900	60,813	65,860	70,865	75,756	80,453

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

LOW-RENT PUBLIC HOUSING--LOANS AND OTHER EXPENSES

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Public Housing Loans					
Limitation on Outstanding Treasury Borrowings	$1,500,000	$1,500,000	$1,500,000	$1,500,000	...
Maximum Temporary Loans (7.5% Exposure Basis)	20,000,000	20,000,000	20,000,000	20,000,000	...
New Temporary Loan Approvals in Year	3,630,077	2,582,400	2,941,061	3,821,862	+$880,801
Outstanding Temporary Loan Approvals, End of Year	15,147,658	16,315,867	16,263,719	19,835,581	+3,571,862
Permanent Financing: Sales to Federal Financing Bank	...	...	1,575,000	...	-1,575,000
Budget Authority					
Permanent-Indefinite	NA	NA	77,935	262,121	+184,186
Proposed Supplemental Appropriation to Liquidate Contract Authority					
Transfer of Budget Authority from "Annual Contributions"	NA	NA	1,995,325	...	-1,995,325
Budget Outlays					
Public Housing Loans	-2,960	...	...	...	...
Proposed Supplemental	...	...	18,296	49,883	+31,587
Total, Outlays	-2,960	...	18,296	49,883	+31,587

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for 1981 for this Fund, but Supplemental Appropriation Language is proposed for 1980 to authorize the transfer of $1,995.3 million in unobligated budget authority from "Annual Contributions for Assisted Housing" to the "Low-Rent Public Housing Loan Fund" as well as to provide the necessary funds to make payments. This transfer in 1980 would be utilized to fund the difference between the total debt service cost under existing Annual Contributions Contracts (ACCs) and the requirements of the Federal Financing Bank (FFB) based upon the respective borrowing costs at the taxable rate from the Treasury. The proposed transfer is expected to support the total incremental costs required over a 40-year period on the sale of up to $1,575 million in Public Housing permanent financing instruments to the FFB in 1980.

In addition, beginning in 1981, because the Public Housing Loan Fund supports direct and guaranteed loans, it will be included under the Federal Credit Control System. However, no definite amount is proposed and the Budget proposes appropriation language that would authorize both direct loan approvals and loan guarantees in such amounts as may be necessary.

Low-Rent Public Housing--Loans and Other Expenses

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The requested 1980 Supplemental Appropriation to liquidate contract authority and the related outlays are the result of the requested transfer of $1,995.3 million in unobligated budget authority from the "Annual Contributions for Assisted Housing" account to fund the interest differential for the financing instruments being sold to the FFB.

The budget authority in the 1980 current estimate reflects the revised method of calculating budget authority which is reflected in the 1981 Budget and represents the estimated net change in obligations against the Treasury borrowing limitation for this fund.

The changes in the estimates for new temporary loan approvals in year, outstanding temporary loan approvals at the end of year and sale of permanent bonds to the FFB are based on actual loan approvals in 1979, the revised estimate of loan approval levels for 1980 and the proposed sale of Public Housing obligations to the FFB in 1980 in lieu of selling bonds in the private market.

EXPLANATION OF INCREASES AND DECREASES

No appropriation is requested for 1981 since no additional sales are planned during 1981. Sales of additional Public Housing obligations will be required in future years to convert temporary financing for development and modernization of Public Housing to permanent financing through the FFB.

Outlays will increase in 1981 by $31.6 million to $49.9 million. This reflects the full annual outlay level required to liquidate the interest differential for the $1,575 million in obligations to be sold to the FFB in 1980.

New loan approvals are estimated to increase in 1981 by $880.8 million due to the higher capital costs for the Public Housing units to be approved with authority provided from the "Annual Contributions for Assisted Housing" account. The increase in outstanding temporary loan approvals reflects these new approvals in 1981 less anticipated cancellations of existing loan approvals from prior year activity.

The budget authority increase for 1981 to $262.1 million reflects the increase in outstanding loan approvals in 1981.

PROGRAM DESCRIPTION

The Low-Rent Public Housing Loan Fund provides Federal financing for the construction, acquisition, or modernization of Public Housing projects owned by Public Housing Agencies (PHAs) until the projects can be financed in the private market and through the FFB beginning in 1980. Starting in 1980, HUD proposes to initiate a program of reducing the balance of outstanding Public Housing loans financed through the sale of short-term notes in the private market by returning to the sale of permanent financing instruments. These instruments will be sold to the FFB as authorized under the Federal Financing Bank Act of 1973 (P.L. 93-224).

Low-Rent Public Housing--Loans and Other Expenses

Public Housing projects are financed from direct loans provided by the Low-Rent Public Housing Loan Fund and the issuance of short-term tax-exempt notes in the private market during the construction or rehabilitation phases of development or while under-going modernization. Until 1974, long-term tax-exempt bonds were sold in the private market to permanently finance these projects and these bonds are secured by the payment of Annual Contributions from the Housing Payments appropriation in amounts sufficient to meet principal and interest requirements. No bonds have been sold in the private market since that time. The 1980 Supplemental Budget request is necessary in order to obtain permanent financing through sales to the FFB in 1980 in lieu of selling additional bonds in the private market at tax-exempt rates.

Section 4(b) of the U.S. Housing Act of 1937, as amended, authorizes the Department to provide direct loans to PHAs up to the total amount of the approved development cost. This provision assures that temporary financing will be available through a direct Federal loan if alternative construction financing is unavailable in the private market. The Act limits outstanding Treasury borrowings by the Department for such direct loans to not more than $1.5 billion. Since direct loans are made on a limited basis, most of the construction, rehabilitation and modernization currently is financed by the issuance of temporary notes in the private market. While these do not represent direct loans, the Department may be required to replace the private market funding obtained from these notes (resulting in a direct loan) if market conditions are such that notes could not be sold or refinanced.

This commitment to provide direct loans, if required, is treated as a contingent liability and the Secretary is authorized to establish an "exposure" for this contingency. This exposure currently has been set at 7.5 percent of the total amount of loan approvals outstanding which assumes that not more than 7.5 percent of those approvals could be expected to result in direct loans at any one time. Financing of direct loans is made from the $1.5 billion borrowing authorization. By applying the 7.5 percent factor, outstanding loan approvals currently cannot exceed $20 billion at any one time without exceeding the $1.5 billion borrowing authority.

Because bonds have not been sold in the private market since 1974 and the Public Housing development and modernization activities continue to expand, the level of loan approvals outstanding has continued to increase. At the end of 1979, outstanding loan approvals totaled $15.1 billion. By the end of 1981, outstanding loan approvals will exceed the $20 billion limitation if no action is taken to reduce some portion of temporary notes through permanent financing. This could, in turn, require cessation of all Public Housing approval activity. The sale of $1,575 million of loans to the FFB as proposed would result in outstanding loan approvals of $19.8 billion at the end of 1981 which is within the ceiling.

Since the FFB will utilize Treasury borrowings to purchase the Public Housing instruments, the yields on such instruments will reflect Federally taxable rates rather than the traditional Federal tax-exempt rates for bonds issued previously. The resultant interest rate differential reflecting the difference between taxable and tax-exempt interest rates represents a substitution of "cash expenditures" for "tax expenditures" and will be payable in accordance with Section 16 of the Federal Financing Bank Act of 1973. The funding to be provided under the 1980 Supplemental Appropriation request will finance this interest rate differential. The remainder of the debt service on the bonds is payable pursuant to the Annual Contributions Contract that the Department has entered into with the respective PHAs that own the projects.

Low-Rent Public Housing--Loans and Other Expenses

The use of FFB funding is intended to assure the coordination of Federal and Federally assisted borrowing through a single agency and to assure that such borrowings are financed in a manner which is least disruptive to the private market. The FFB has become the agency that most Federal agencies now use to finance programs involving the sale or placement of credit market instruments. The FFB makes funds available in accordance with program requirements at a rate equal to the Treasury's borrowing cost for comparable maturities plus an administrative fee of one-eighth of one percent.

Starting in 1981, the "Annual Contributions for Assisted Housing" account includes budget authority and contract authority to finance new Public Housing development and modernization activities assuming permanent financing through the FFB. The requested authority is comprised of (1) an amount which has been calculated at a tax-exempt interest rate to cover the capital cost of new Public Housing projects and (2) an amount to finance the interest rate differential between the tax-exempt rate and the taxable rate of interest that will be payable to the FFB. The capital cost portion is being requested pursuant to the authority provided under Section 5 of the U.S. Housing Act of 1937, as amended. The interest rate differential portion represents a substitution of "cash expenditures" for "tax expenditures" and is being requested pursuant to Section 5 of the U.S. Housing Act of 1973, as amended, in accordance with Section 16 of the Federal Financing Bank Act of 1973.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOMEOWNERSHIP ASSISTANCE (SECTION 235)

REVISED BUDGET REQUEST

PROGRAM HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
		(Dollars in Thousands)				
Contract Authority						
Balance available pursuant to court order a/	$224,004	$194,381	$194,381	$128,674	$149,597	-$44,784
Less: Commitments	-29,623	-65,707	-44,784	-91,775	-62,550	+17,766
Uncommitted balance	194,381	128,674	149,597	36,899	87,047	-62,550
Budget Authority						
Balance available pursuant to court order a/	6,720,120	5,831,430	5,831,430	3,860,220	4,487,910	-1,343,520
Less: Commitments	-888,690	-1,971,210	-1,343,520	-2,753,250	-1,876,500	+532,980
Uncommitted balance	5,831,430	3,860,220	4,487,910	1,106,970	2,611,410	-1,876,500
Unit Reservations						
New Construction and Rehabilitation	14,471	20,000	13,000	20,000	13,000	...
Existing Housing: Condominium conversions	...	5,000	5,000	5,000	5,000	...
Total reservations	14,471	25,000	18,000	25,000	18,000	...
Unit Starts	8,489	17,500	11,000	17,500	11,000	...
Units Eligible for Payment, End of Year	24,662	38,000	38,000	57,000	51,000	+13,000
Outlays	$17,720	$43,000	$43,000	$93,000	$84,000	+$41,000

SUMMARY OF REVISED BUDGET ESTIMATES

The Budget submitted in January assumed the reservation of 25,000 units in both 1980 and 1981 utilizing unused balances of the 1975 court-ordered obligations.

The Budget assumed that both the 1980 and 1981 reservation programs would include 7,000 new construction and substantially rehabilitated units in each year which would be in neighborhoods undergoing substantial revitalization. These

specially earmarked displacement units would be eligible, also, for the higher mortgage limits (20 percent increase) authorized under the Housing and Community Development Amendments of 1979.

The FY 1980 and 1981 programs are being revised to eliminate this special setaside of new construction and substantial rehabilitation units for displacements. As a result, total unit reservations will be reduced in each year to 18,000 units. While no specific earmarking is anticipated, it is assumed that displacement assistance will be provided in some degree using a share of remaining Section 235 units which are to represent existing housing--5,000 units in each year. These units will assist low income households who face displacement from their rental unit as a result of condominium conversions.

The Budget estimate for 1980 and 1981 as well as the revised estimates highlighted above include the original Budget assumption of an FHA interest rate ceiling of 11.5 percent. This assumption has been held constant in the revised estimates highlighted above in order to display the relative impact of the revised estimates compared to the Budget.

Since the Budget submission in January, the FHA interest ceiling has been increased to 14 percent as a result of changes in the financial market conditions and cost of capital in general. As a result of the higher interest rates, the level of contract authority and obligations required to subsidze the units is also increasing. The following Table highlights the comparison between 1980 and 1981 programs for 18,000 units assuming the Budget interest rate of 11.5 percent and the current rate of 14 percent.

	1980 PROGRAM		1981 PROGRAM	
	11.5 PERCENT	14 PERCENT	11.5 PERCENT	14 PERCENT
	(Dollars in Thousands)			
Units Reserved.....	18,000	18,000	18,000	18,000
Average Mortgage.....	$36	$36	$51	$51
Use of Contract Authority	44,784	60,012	62,550	83,808
Use of Budget Authority..	1,343,520	1,800,360	1,876,500	2,514,240
Outlays.....	43,000	43,000	84,000	92,000

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOMEOWNERSHIP ASSISTANCE PROGRAM
(Section 235--Revised Program)

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Contract Authority					
Balance available pursuant to court order a/	$224,004	$195,077	$194,381	$128,674	-$65,707
Less: Commitments ...	-29,623	-45,550	-65,707	-91,775	+26,068
Uncommitted balance ...	194,381	149,527	128,674	36,899	-91,775
Budget Authority					
Balance available pursuant to court order a/	6,720,120	5,852,340	5,831,430	3,860,220	-1,971,210
Less: Commitments	-888,690	-1,366,500	-1,971,210	-2,753,250	+782,040
Uncommitted balance ...	5,831,430	4,485,840	3,860,220	1,106,970	-2,753,250
Unit Reservations					
New Construction and Rehabilitation	14,471	25,000	20,000	20,000	...
Existing Housing: Condominium conversions	...	...	5,000	5,000	...
Total reservations	14,471	25,000	25,000	25,000	...
Unit Starts	8,489	21,000	17,500	17,500	...
Units Eligible for Payment, End of Year	24,662	36,000	38,000	57,000	+19,000

a/ Represents unused authority from the original Section 235 program which was obligated on August 20, 1975 pursuant to court order and is available for the revised program.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No new authority is requested for 1981. The 1981 Budget estimates the use of previously obligated Section 235 authority to reserve 25,000 units, including 20,000 newly constructed or substantially rehabilitated units and up to 5,000 existing units for low- and moderate-income families during 1980 and 1981 under the revised Section 235 program. Of the total units, 7,000 units will be earmarked for families displaced from areas experiencing significant revitalization. Legislation has been enacted to increase the mortgage amounts by 20 percent for these earmarked units. Legislation also will be proposed to increase the mortgage amounts by 25 percent for all units in 1981. The 1981 program will be funded from the remaining contract authority of $128.7 million estimated to be available in 1981 which was obligated pursuant to the court order of August 20, 1975.

Homeownership Assistance Program

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The use of contract authority and budget authority is expected to increase as a result of the 20 percent increase in mortgage amounts as authorized in the Housing and Community Development Amendments of 1979 as well as the increases in the FHA insurance rate which went into effect in 1979.

Construction starts in 1980 now are estimated to be lower than in the 1980 Budget because of longer processing times required for new construction and the inclusion of existing housing units which are not counted as starts.

EXPLANATION OF INCREASES AND DECREASES

Within the estimated reservation of 25,000 units for both 1980 and 1981 are 5,000 units of existing housing. In addition, the total includes 7,000 units which will be earmarked for families displaced from areas experiencing significant revitalization. The estimated increase in contract and budget authority to be utilized reflects the legislation proposed to increase the mortgage amounts by 25 percent. The construction starts estimates do not change and reflect an increase in the development pipeline backlog.

PROGRAM DESCRIPTION

The original Homeownership Assistance program, authorized by Section 235 of the National Housing Act, as amended, provided for a homeownership subsidy for lower-income families. Eligible families pay 20 percent of their adjusted monthly income toward the monthly mortgage payment. The balance is made up by Federal assistance payments which cannot exceed the difference between the required mortgage payment and the amount that would be required on a mortgage bearing an interest rate of one percent.

New contract approvals under the original program were discontinued on January 5, 1973, except for bona fide commitments outstanding on that date. Subsequently, following litigation, a court order on August 20, 1975 directed that the unused balance of contract authority under the original program be obligated and that future commitments be charged against the obligated authority. The program then was resumed during that fiscal year under a revised form. The major features of the program as modified through January, 1980 are as follows:

1. Any family with an adjusted gross income of up to 95 percent of the area median income is eligible for participation.

2. The subsidy up to an interest rate of 4 percent is available to the purchaser of a newly constructed, substantially rehabilitated or existing home. The Housing and Community Development Act of 1977 increased maximum mortgage amounts to $32,000 ($38,000 for a family of five or more or in designated high-cost areas) or $44,000 in certain high cost areas for a family of five or more. Pursuant to the Housing and Community Development Amendments of 1979, these mortgage limits can be increased by 20 percent on homes in areas experiencing significant revitalization. The unit can be a single family home, townhouse, or condominium.

3. A minimum downpayment of three percent of the acquisition cost of the property is required.

4. Not more than 40 percent of the homes in any subdivision are eligible for subsidy payments.

Homeownership Assistance Program

5. Direct cash subsidy payments are made by HUD to a mortgagee on behalf of a participating family to reduce mortgage interest costs to as low as four percent. The homeowner must, however, contribute at least 20 percent of adjusted gross income toward monthly mortgage, insurance and tax payments on the home.

6. Subsidy payments can continue throughout the term of the mortgage until the homeowner can pay the monthly mortgage payment, including the full interest, insurance and taxes from 20 percent of adjusted gross income.

PROGRAM ACTIVITY

The status of unit reservations, starts, and completions for the revised Section 235 program follow:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
		(In Units)	
Gross reservations	14,471	25,000	25,000
In process	-671	-3,000	-3,000
Firm commitments	13,800	22,000 a/	22,000 a/
Under construction, start of year	15,385	10,300	14,500
Potential starts b/	8,489	17,500	17,500
Insurance endorsements during year	-13,574	-13,300	-14,500
Under construction, end of year	10,300	14,500	17,500

a/ Includes 4,500 units in 1980 and 1981 for existing homes of which 3,750 units are expected to be insured in 1980 and 4,500 units are expected to be insured in 1981.

b/ The estimates are considered to be highly tentative since construction is started under the Section 203 basic home mortgage insurance program or the Section 234 condominium program.

ORIGINAL PROGRAM

Units eligible for payment under the original program are as follows: 1979, 210,525; 1980, 166,000; and 1981, 139,000.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING PAYMENTS

REVISED BUDGET REQUEST

PROGRAM HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
			(Dollars in Thousands)			
Units Eligible for Payment, end of year.....	3,031,979	3,253,000	3,253,000	3,477,000	3,471,000	+218,000
Financing						
Appropriation to liquidate Contract Authority.....	$4,460,000	$5,529,000	$5,529,000	$7,127,000	$7,127,000	+$1,598,000
Proposed Supplemental....	...	745,037	745,037	...	...	-745,037
Total.....	4,460,000	6,274,037	6,274,037	7,127,000	7,127,000	+852,963
Budget Outlays						
Outlays from Liquidation of contract authority.....	3,558,018	4,372,000	4,372,000	5,494,000	5,485,000	+1,113,000

SUMMARY OF REVISED BUDGET ESTIMATES

The Budget submitted in January assumed the reservation of 25,000 units in both 1980 and 1981 under the Section 235 Homeownership Assistance Program. The Budget also assumed that units eligible for payment under the Housing Payments account as well as the appropriations to liquidate contract commitments and program outlays would reflect this assumption.

The revised estimates assume the reduction of 7,000 Section 235 new construction and substantial rehabilitation units in both 1980 and 1981. This reduction will result in a reduction of 6,000 units eligible for payment in 1981 and a reduction of $9 million in outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING PAYMENTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Units Eligible for Payment, End of Year					
Subsidized Housing Programs	3,031,979	3,237,000	3,253,000	3,477,000	+224,000
Financing					
Appropriation to Liquidate Contract Authority	$4,460,000	$5,529,000	$5,529,000	$7,127,000	+$1,598,000
Proposed Supplemental Appropriation	...	...	745,037	...	-745,037
Total	4,460,000	5,529,000	6,274,037	7,127,000	852,963
Budget Outlays					
Outlays from liquidation of contract authority	3,559,120	4,404,000	4,372,000	5,494,000	+1,122,000
Outlays applicable to Operating Subsidies for PHA-owned units a/	-1,102	...	...	...	...
Outlays, adjusted	3,558,018	4,404,000	4,372,000	5,494,000	+1,122,000

a/ Transferred for comparability purposes to "Payments for Operation of Low-Income Housing Projects."

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

An appropriation of $7,127 million for the liquidation of contract authority is requested for 1981 to be utilized to make contractual payments for the subsidized housing programs. This Budget also reflects a proposed $745 million supplemental appropriation for 1980 to meet unfunded liquidation requirements in 1979 of $345 million and an additional $400 million in 1980.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The total number of units eligible for payment is expected to increase from the estimates in the 1980 Budget by approximately 16,000 units and liquidation requirements are estimated to increase by $745 million, of which $400 million relates to 1980 requirements and $345 million relates to 1979 requirements. Outlays are estimated to decrease by $32 million.

a. Units Eligible for Payment. The increase of 16,000 units eligible for payment consists of a number of components as follows:

(1) Section 8. The decrease of 7,000 units for 1980 is due to a slightly lower estimate of completions during 1980. The lower estimate is the direct result of the decrease in the number of existing housing units reserved during 1979 which normally would have been available for occupancy in 1980.

Housing Payments

(2) Public Housing. The number of completions estimated for 1980 has been increased by 39,000 units based on actual 1979 completions which were higher than estimated. In addition, the increased estimate reflects fewer conversions of Section 23 units to the Section 8 program during 1979 and estimated for 1980.

(3) Section 235. An increase of 2,000 units is reflected for the revised program and a reduction of 27,000 units for the original program. Actual completions for the revised program in 1979 were higher than estimated. That increase will result in additional units being eligible for payment in 1980.

The reduction of eligible units for the original program reflects an increase in the number of mortgages being prepaid which results in payments being terminated. In addition, the number of homeowners eligible for continued subsidy payments is estimated to decrease because of higher incomes.

(4) Rent Supplement. The revised estimate of units eligible for payment reflects an increase of 9,000 units for the Rent Supplement program since actual units eligible for assistance in 1979 for that program were substantially above the level estimated for that year. As a result, the current 1980 estimates have been increased accordingly.

b. Liquidating Requirements and Outlays. The increased estimate of liquidating requirements reflects the proposed $745 million Supplemental Appropriation for 1980 to meet unfunded liability requirements in 1979 of $345 million and an estimated $400 million in 1980. The proposed Supplemental Appropriation applicable to 1979 payment requirements is due, primarily, to higher than anticipated requirements for the Section 8 Lower Income Housing Assistance Payments program. Of the $345,037 thousand applicable to 1979 requirements, $340,078 thousand is due to Section 8 requirements. The remaining $4,959 thousand is applicable to the Rent Supplement and Rental Housing Assistance programs. The portion of the proposed Supplemental Appropriation attributable to 1980 requirements, $400 million, is applicable to the Section 8 Lower Income Housing Assistance Payments program. The estimated increase for the Section 8 program is $420 million over the estimate in the 1980 Budget, but is offset by a $20 million reduction in the estimated liquidation requirements for the Public Housing program.

The higher 1980 liquidation requirements for the Section 8 program are directly related to the higher level of Section 8 program liquidations which actually occurred in 1979. The higher liquidation requirements per unit experienced in 1979 have been projected into 1980 and are expected to result in increased requirements for 1980.

Outlays are estimated to decrease slightly reflecting a lower Section 8 disbursement pattern as a result of the reduced estimate of units eligible for payment.

EXPLANATION OF INCREASES AND DECREASES

Total estimated contractual payments for 1981 are estimated to increase by $1,598 million compared with 1980. This estimated increase reflects the additional 224,000 units estimated to become eligible for payment during 1981 and the full year payment for 221,021 units estimated to become eligible for payment during 1980. Outlays are estimated to increase by $1,122 million compared with 1980 as a result of the net increase in contractual obligations, particularly for the Section 8 program.

Housing Payments

The following table shows units eligible for payment by subsidized housing program:

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Units Eligible for Payment, End of Year					
Lower Income Housing Assistance (Section 8)	898,441	1,148,000	1,141,000	1,377,000	+236,000
Homeownership Assistance:					
Revised program	24,662	36,000	38,000	57,000	+19,000
Original program	210,525	193,000	166,000	139,000	-27,000
Rent Supplement	178,891	169,000	178,000	154,000	-24,000
Rental Housing Assistance	541,460	538,000	538,000	533,000	-5,000
Public Housing	1,178,000	1,153,000	1,192,000	1,217,000	+25,000
Total	3,031,979	3,237,000	3,253,000	3,477,000	+224,000
College Housing facilities eligible for payment	433	435	435	435	...

A distribution by program of the Housing Payments liquidation requirements follows:

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Use of Appropriation to Liquidate Contract Authority					
Lower Income Housing Assistance (Section 8)	$2,560,078	$3,160,000	$3,580,000	$4,632,000	+$1,052,000
Homeownership Assistance:					
Revised program	18,735	39,000	40,000	97,000	+57,000
Original program	81,977	73,000	56,000	51,000	-5,000
Rent Supplement	265,399	257,000	268,000	232,000	-36,000
Rental Housing Assistance	640,953	638,000	643,000	638,000	-5,000
Public Housing	1,217,703	1,341,000	1,321,000	1,456,000	+135,000
College Housing grants	20,192	21,000	21,000	21,000	...
Subtotal, funds applied to liquidate contract authority	4,805,037	5,529,000	5,929,000	7,127,000	+1,198,000
Use of proposed 1980 Supplemental	-345,037	...	-400,000	...	+400,000
Total requirements	4,460,000	5,529,000	5,529,000	7,127,000	+1,598,000

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Housing Payments

A distribution by program of Housing Payments outlays follows:

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Outlays					
Lower Income Housing Assistance (Section 8) ..	$1,371,411	$2,080,000	$2,055,000	$3,028,000	+$973,000
Homeownership Assistance:					
Revised program	17,720	38,000	43,000	93,000	+50,000
Original program	81,459	73,000	62,000	51,000	-11,000
Rent Supplement	265,147	258,000	268,000	231,000	-37,000
Rental Housing Assistance .	638,107	638,000	646,000	643,000	-3,000
Public Housing	1,163,821	1,296,000	1,277,000	1,427,000	+150,000
College Housing Grants	20,353	21,000	21,000	21,000	...
Total	3,558,018	4,404,000	4,372,000	5,494,000	+1,122,000

BASIS OF CALCULATION OF PAYMENT REQUIREMENTS AND OUTLAY ESTIMATES

The Housing Payments appropriation request is calculated on the basis of contractual commitments to make payments. This is intended to assure that adequate funds will be available to meet the annual contractual obligations for the various subsidized housing programs. The payment requirements are based on the number of units which are estimated to be available for occupancy and the number of months the units will be available during the course of the year. Since units become eligible for payment at different intervals during the year and some payment requirements are based upon at least a full year's contractual payment, outlays associated with the particular yearly payment requirements will carryover into the subsequent year. A description of individual program differences follows:

1. Lower Income Housing Assistance Program (Section 8). For all Public Housing Agency (PHA)-owned units and non-PHA-owned existing rental units, including moderate rehabilitation units, the amount of the cash payment requirements is computed based upon the HUD review and approval of the annual budgets of the administering PHAs. In the case of existing housing, where payments begin almost immediately after the execution of the Annual Contributions Contract, the full amount of liquidating cash is needed to provide for contractual payments through the end of an agency's first full fiscal year following the signing of the contract. Thus, a contract signed in January with a PHA fiscal year starting in July would call for payments for the six months remaining in the first year and the twelve months of the ensuing fiscal year or a total of eighteen months for the first payment requirement. This initial procedure is only applicable on a one-time basis for each PHA. For subsequent projects within a PHA, the initial approval may cover from one to twelve months. After that, the operating budgets are approved annually and twelve months of payments approved. The purpose of this procedure is to assure the housing owner that sufficient liquidating cash will be available to meet the full contractual obligation on a timely basis. This procedure is also applicable to PHA-owned new and substantially rehabilitated housing and non-PHA-owned moderate rehabilitation housing.

For non-PHA-owned new and substantially rehabilitated housing, the liquidating requirement is based on the amount of cash needed to liquidate a contractual obligation over a 12-month period.

Housing Payments

2. Homeownership (Section 235), Rent Supplement and the Rental Housing Assistance (Section 236) Programs. The full amount of the appropriation is not disbursed in the year as a result of the monthly billing procedure. At the end of the year, the final billings may not be submitted on a timely basis so that the actual cash payment is not made until the next fiscal year.

3. Public Housing Program. The debt service on bonds for the Public Housing program becomes due on the anniversary date of the bonds and is included in the Housing Payments appropriation for that year. Since the actual payments are made in two installments, the second installment may fall in a subsequent fiscal year. For PHA-owned units funded with temporary notes, the full debt service is obligated at the time the notes are issued, but the disbursements do not occur until the notes mature which may be in the next fiscal year depending on the dates of issue and maturity dates.

PROGRAM DESCRIPTION AND ACTIVITY

1. Lower Income Housing Assistance Program (Section 8). The Section 8 Housing Assistance Payments program was authorized by the Housing and Community Development Act of 1974. This legislation authorized the Department to provide assistance to eligible families through assistance payment contracts with PHAs/owners of housing units who agree to lease to eligible lower income families. These housing units may be new, substantially or moderately rehabilitated or existing rental units.

a. Payment Requirements. Total liquidation requirements of $4,632 million are estimated for 1981 with approximately 1,377,000 units estimated to be eligible for payment at year end. Estimates for Section 8 units reflect commitments for funded project accounts and assume that commitments for PHA-owned or administered units will be incurred initially for a period of 12 to 23 months for the first project within a PHA to receive payment based on a point of obligation in relation to PHA fiscal year cycles and, thereafter, on an annual basis consistent with PHA fiscal years. For all other units, the obligation is made for a 12-month period. Estimates also include payment of fees for PHA start-up costs for both the Section 8 existing housing and moderate rehabilitation programs. The annual HUD commitment for Section 8 payments is expected to range between an average of $2,730 to $6,260 per unit in 1980 and 1981 depending on the type of unit.

The following table presents for 1979 through 1981 the units eligible for payment at the beginning of the year, the net increase in eligible units during the year and the total units eligible for payment at the end of the year resulting from program commitments:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Units eligible for payment, start of year	690,914	898,441	1,141,000
Net increase in units eligible for payment	207,527	242,559	236,000
Units eligible for payment, end of year	898,441	1,141,000	1,377,000

b. Characteristics of Program Beneficiaries. The following table provides data on selected characteristics of families certified and recertified for Section 8 Housing Assistance. The data are based on surveys made during the period January 1978 to June 1978 covering 27,556 families and surveys made during the period January 1979 to June 1979 covering 185,508 families.

	SURVEY PERIOD	
	JANUARY 1978--JUNE 1978	JANUARY 1979--JUNE 1979
Demographic Characteristics		
Proportion of Families by type (%):		
Elderly	43	44
Non-Elderly	57	56
Male Head of Household	30	26
Female Head of Household	70	74
Size of family (number of persons)	2.4	2.4
Financial Characteristics		
Average Annual Income:		
All Households	$4,321	$4,700
Elderly	3,660	3,967
Non-Elderly	4,816	5,279
Male Head of Household	5,080	5,576
Female Head of Household	3,974	4,397
Source of Income (%):		
Wages and salaries only	23.0	19.6
Welfare only	24.6	25.1
Social Security and other benefits only	23.7	22.9
Other income	28.7	32.4
Total	100.0	100.0
Monthly Rent		
Average monthly rent payment by tenant	$81	$88
Tenant rent payment as a percent of annual average income	22.5%	22.5%

A comparison of the data from the two surveys indicates that the percent of households with female heads increased from 70 to 74 percent.

Average annual income and average rent payment by tenants increased by approximately 9 percent. The average rent payment continued at 22.5 percent of annual average income. There were several minor shifts between the sources of income categories.

Housing Payments

2. Homeownership Assistance Program (Section 235)

a. Payment Requirements

(1) Revised Program. Total liquidation requirements of $97 million are estimated for 1981 for the revised Section 235 Homeownership Assistance program. An estimated 57,000 units are expected to be eligible for payment at the end of 1981 under this revised program. The payment estimate also includes mortgage handling fees of $3.00 per mortgage per month totaling $1.4 million in 1981. The average subsidy payment under the revised program, including the mortgage servicing fees, is estimated at $1,436 per year in 1980 and $2,042 per year in 1981.

(2) Original Program. Continuing contractual commitments under the original Section 235 program are estimated to result in total liquidation requirements of $51 million for 1981 with 139,000 units eligible for payment at year end. Payment estimates also include mortgage handling fees of $3.00 per mortgage per month totaling $2.3 million in 1981. Homeownership subsidy payments for the original program, including the mortgage servicing fees, are expected to average $327 per unit on a full year basis in both 1980 and 1981, respectively.

The following table presents for 1979 through 1981 the units eligible for payment at the beginning of the year, the net change in eligible units during the year (with the net decreases due primarily to units acquired by the Department, mortgages that have been prepaid in full or increases in income that make homeowners ineligible for continued payments), and the total units eligible for payment at the end of the year for both the revised and original programs.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Units eligible for payment, start of year:			
Revised program	12,344	24,662	38,000
Original program	249,522	210,525	166,000
Total	261,866	235,187	204,000
Net change in units eligible for payment:			
Revised program	12,318	13,338	19,000
Original program	-38,997	-44,525	-27,000
Total, net change	-26,679	-31,187	-8,000
Units eligible for payment, end of year:			
Revised program	24,662	38,000	57,000
Original program	210,525	166,000	139,000
Total	235,187	204,000	196,000

(3) Mortgage Servicing Fees. Payments for the Section 235 program include fees paid to mortgagees for servicing the mortgages. A fee of $3.00 per month for each mortgage currently is paid to the mortgagee to compensate for the additional workload related to servicing the mortgages. The following table shows the amount of fees to be paid through 1981.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Section 235 mortgage servicing fees:			
Revised program	$544	$1,100	$1,400
Original program	3,667	2,800	2,300
Total	4,211	3,900	3,700

b. Characteristics of Program Beneficiaries. The following table provides data on the selected characteristics of persons recertified for the original Section 235 Homeownership Assistance program. The data is based on surveys made during the period October 1977 to September 1978 covering 32,155 recertification cases and surveys made during the period October 1978 to September 1979 covering 39,275 recertification cases.

	SURVEY PERIOD	
	OCTOBER 1977--SEPTEMBER 1978	OCTOBER 1978--SEPTEMBER 1979
Demographic Characteristics		
Age of family head	42	41
Size of family (number of persons)	4	4
Financial Characteristics		
Gross annual average income	$8,110	$8,926
Source of income (%):		
Wages and salaries only	69.1	67.1
Welfare payments only	14.1	16.1
Social Security only	.9	.8
Other retirement income	1.8	1.8
Disability	2.6	2.0
Unemployment	6.6	7.2
Other	4.9	5.0
Total	100.0	100.0
Monthly Mortgage Requirement		
Monthly Section 235 subsidy (sample average)	$50	$51
Monthly average payment by mortgagor	126	139
Total	176	190
Mortgagor average payment as a percent of annual income	19%	19%

A comparison of the data from the two surveys indicates that the average age of the family head decreased by one year. Gross annual income increased by 10 percent and there were only minor shifts in the the sources of income categories.

Total monthly mortgage requirements increased by $14, representing a increase of $1 in the subsidy payment and an increase of $13 in the mortgagor's payment.

Housing Payments

3. Rent Supplement Program

a. Payment Requirements. Total liquidation requirements of $232 million are estimated for 1981 with 154,000 units estimated to be eligible for payment at year end. Rent Supplement subsidies are expected to average $1,530 per unit on a full year basis in 1980 and $1,390 in 1981.

The following table presents for 1979 through 1981 the units eligible for payment at the beginning of the year, the net change in eligible units during the year and the total units eligible for payment at the end of the year resulting from program commitments. Eligibility for payment occurs subsequent to the completion of the unit. The net reduction in Rent Supplement units eligible for payment at the end of 1981 is attributable to the planned conversion of Rent Supplement units to Section 8. This conversion program is discussed in greater detail in the Annual Contributions for Assisted Housing section of these Justifications.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Units eligible for payment, start of year	171,598	178,891	178,000
Net change in units eligible for payment	7,293	-891	-24,000
Units eligible for payment, end of year	178,891	178,000	154,000

b. Characteristics of Program Beneficiaries. The following table provides data on selected characteristics of families certified and recertified for projects with Rent Supplement units. The data are based on surveys made during the period October 1977 to September 1978 covering 71,540 families and surveys made during the period October 1978 to March 1979 covering 13,664 families and occupying about 8 percent of the eligible units.

	SURVEY PERIOD	
	OCTOBER 1977-- SEPTEMBER 1978	OCTOBER 1978-- MARCH 1979
Demographic Characteristics		
Age of family head	39	38
Size of family (number of persons)	4	4
Percent elderly	30%	29%
Financial Characteristics		
Gross annual average income	$3,871	$4,010
Source of income (%):		
Wages and salaries only	8	7
Welfare payments only	57	59
Social Security only	15	14
Social Security and other benefits	6	6
Welfare and benefits other than Social Security	9	8
Other income	5	6
Total	100	100
Monthly Rent Requirement		
Average monthly Rent Supplement subsidy	$114	$127
Average monthly rent payment by tenant	83	86
Total	197	213
Tenant payment as a percent of gross annual average income	26%	26%

A comparison of the two surveys indicates that few changes occurred in the demographic characteristics of tenants certified or recertified for occupancy in Rent Supplement units.

Gross annual average income increased by approximately 4 percent. There were several minor shifts between the sources of income categories. The monthly average subsidy increased by $13 and the monthly average gross rent paid by families increased by $3 for a total average increase of $16.

4. Rental Housing Assistance Program (Section 236)

a. Payment Requirements. Total liquidation requirements of $638 million are estimated for 1981 with 533,000 units estimated to be eligible for payment at year end. The payment requirements include additional Rental Housing Assistance payments ("deep subsidies") as determined by the Secretary pursuant to the Housing and Community Development Act of 1974 for eligible units in projects approved for mortgage insurance after August 22, 1974 under Section 236 of the National Housing Act, as amended. The additional assistance is provided on behalf of tenants whose incomes are so low that payment of the basic rental charges would require them to pay more than 25 percent of their incomes for rent. Rental Housing Assistance subsidies are expected to average $1,140 and $1,190 per unit on a full basis in 1980 and 1981, respectively.

The following table presents for 1979 through 1981 the units eligible for payment at the beginning of the year, the net change in eligible units during the year and the total units eligible for payment at the end of the year resulting from program commitments. Eligibility for payment occurs subsequent to the completion of the unit.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Units eligible for payment, start of year	544,515	541,460	538,000
Net change in units eligible for payment	-3,055	-3,460	-5,000
Units eligible for payment, end of year	541,460	538,000	533,000

b. Characteristics of Program Beneficiaries. The following table provides data on selected characteristics of families certified and recertified for occupancy in Section 236 projects. The data is based on surveys made from October 1977 through September 1978 covering 201,026 families and surveys made from October 1978 through March 1979 covering 34,894 families and occupying about 6 percent of the eligible units.

	SURVEY PERIOD	
	OCTOBER 1977--SEPTEMBER 1978	OCTOBER 1978--MARCH 1979
Demographic Characteristics		
Age of family head	38	37
Size of family (number of persons)	2	3
Percent elderly	27%	26%
Financial Characteristics		
Gross annual average income	$6,327	$6,499
Source of income (%):		
Wages and salaries only	6	6
Welfare payments only	63	60
Social Security only	7	9
Social Security and other benefits	12	12
Welfare and benefits other than Social Security	10	10
Other income	2	3
Total	100	100
Monthly Rent Requirement		
Average monthly Section 236 subsidy	$95	$99
Average monthly rent payment by tenant	163	168
Total	258	267
Tenant payment as a percent of gross annual average income	31%	31%

A comparison of the data from the two surveys indicates that the average age of the family head decreased by one year and the household size increased to an average of 3 persons. The percentage of elderly tenants certified or recertified for occupancy in Section 236 projects decreased by one percent. The percentage of gross annual average income increased approximately 3 percent from the earlier period.

Sources of income of Section 236 tenants remained approximately the same. The monthly average subsidy increased by $4 and the monthly average gross rent paid by families increased by $5 for a total average increase of $9.

5. Public Housing Program

a. Payment Requirements. Total liquidation requirements of $1,456 million are estimated for 1981 with 1,217,000 units estimated to be eligible for payment at year end. Subsidy payments consist of two specific types: debt service annual contributions for PHA-owned housing and basic annual contributions for Section 23 PHA-leased housing. Public Housing debt service payments, excluding Operating Subsidies, are expected to average $1,044 per unit in 1980 and $1,149 per unit in 1981 on a full year basis.

PHAs are eligible to receive annual contribution payments for PHA-owned dwellings following the Date of Full Availability (DOFA) of the project or following permanent financing, whichever occurs first, or at execution of a lease contract with the PHA for PHA-leased dwellings under the Section 23 leasing method.

Housing Payments

The following table presents for 1979 through 1981 the estimated units eligible for annual contribution payments at the beginning of the year, the estimated net change in eligible units during the year and the total estimated units eligible for payment at the end of the year resulting from program commitments:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Units eligible for payment, start of year	1,173,000	1,178,000	1,192,000
Net change in units eligible for payment	+5,000	+14,000	+25,000
Units eligible for payment, end of year	1,178,000	1,192,000	1,217,000

The composition of the estimates for Public Housing requirements for 1979, 1980 and 1981 follows:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
		(Dollars in Thousands)	
Units eligible for annual contribution payments, end of year:			
PHA-owned dwellings	1,108,000	1,142,000	1,174,000
PHA-leased dwellings	70,000	50,000	43,000
Total, units	1,178,000	1,192,000	1,217,000
Debt service annual contributions for PHA-owned dwelling units, net	$1,043,455	$1,192,000	$1,349,000
Basic annual contributions for PHA-leased dwelling units:			
Contract requirements	134,710	96,500	82,900
Annual adjustments for operating requirements	39,538	32,500	24,100
Subtotal, annual contributions for leased housing	174,248	129,000	107,000
Total, annual contribution contract requirements	1,217,703	1,321,000	1,456,000

As highlighted above, the number of PHA-leased (Section 23) units eligible for payment and the amount of annual contributions required are expected to decline between 1979 and 1981. This reduction reflects the ongoing conversion of Section 23 units to the Section 8 program.

Housing Payments

b. Characteristics of Program Beneficiaries

(1) Size. As of September 30, 1979, approximately 3,000 PHAs were participating in the program and approximately 10,750 projects consisting of 1.2 million dwelling units were under management. These dwellings housed approximately 3.4 million people, including approximately 1.7 million minors. Since its inception, the program has provided housing for approximately 14.8 million people.

(2) Income and Rent. The following table provides mean adjusted income and rent data for families housed as of September 30, 1978:

	MEAN ADJUSTED INCOME	MEAN MONTHLY RENT	TENANT RENT PAYMENT AS A PERCENT OF MEAN ADJUSTED INCOME
All families	$3,915	$76	23.3%
Non-elderly families	4,535	85	22.5%
Elderly families	3,215	65	24.3%

(3) Occupancy. The following table shows the trend of occupancy in all projects beyond the stage of initial occupancy for the period 1972-1978.

FISCAL YEAR END	TOTAL UNITS OCCUPIED BY TENANTS	UNITS OCCUPIED BY NON-ELDERLY OR NON-HANDICAPPED	PERCENT OCCUPIED BY NON-ELDERLY OR NON-HANDICAPPED	UNITS OCCUPIED BY ELDERLY OR HANDICAPPED	PERCENT OCCUPIED BY ELDERLY OR HANDICAPPED
1972 ...	935,772	550,059	59%	385,713	41%
1973 ...	999,992	578,816	58%	421,176	42%
1974 ...	1,039,447	593,061	57%	446,386	43%
1975 ...	1,058,633	601,828	57%	456,805	43%
1976 ...	1,038,388	581,940	56%	456,448	44%
1977 ...	1,111,186	609,517	55%	501,669	45%
1978 ...	1,100,614	599,729	54%	500,885	46%

(4) Vacancy Rates. The nationwide fiscal year end vacancy rate for the projects in management after the End of the Initial Operating Period (EIOP) in the seven years 1972-1978 ranged from 2.0 percent to 3.0 percent for all units available for occupancy. The June 30, 1978 nationwide vacancy rate of 2.8 percent was below the 5.1 percent vacancy rate for all housing in the Nation as reported by the Bureau of Census for the second quarter of 1978.

Housing Payments

6. College Housing Grants

a. Payment Requirements. Total liquidation requirements are estimated at $21 million in 1981 for 435 facilities estimated to be eligible for payment at year end based on existing program commitments. The following table shows grant contract authority used, cumulative net grant agreements and payments through 1981 resulting from program commitments:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Grant contract authority used (cum.)	$20,906	$21,000	$21,000
Net grant agreements (cum.)	20,781	21,000	21,000
Grant obligations in year	20,192	21,000	21,000

b. Grant Management. HUD continues to have responsibility for the management of the College Housing Debt Service Grant program. This program is not being transferred to the new Department of Education since it was not included with the programs that are required to be transferred by the Department of Education Act (Public Law 96-88). Management activities, therefore, continue to ensure that valid grant payments on subsidized private loans are made. Individual grants are required to be evaluated periodically with respect to the mandatory call provisions of the private market loan since HUD requires that grantees refinance their private market loans when call conditions permit and market conditions indicate that refinancing will result in reduced interest costs and, consequently, in reduced grant payments. Financial reports on the College Housing projects are reviewed periodically to assure that the institutions are meeting the terms of the grant agreements. The Department does not guarantee the private loans. Therefore, liability is limited to the debt service grant payments.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS
(Public Housing Operating Subsidies)

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
PHA-Owned Units under Management, End of Year.	1,130,000	1,128,000	1,154,000	1,193,000	+39,000
Appropriation	$727,000	$741,500	$741,500	$862,000	+$120,500
Proposed Supplemental	...	...	52,600	...	-52,600
Total Appropriations ...	727,000	741,500	794,100	862,000	+67,900
Obligations	726,228	741,500	794,100	862,000	+67,900
Budget Outlays					
Housing Payments a/ ..	1,102	...	...	...	...
Payments for Operation of Low-Income Housing Projects	653,584	720,000	720,000	811,000	+91,000
Proposed Supplemental	...	...	52,600	...	-52,600
Total, Outlays	654,686	720,000	772,600	811,000	+38,400

a/ Operating Subsidies previously funded from the "Housing Payments" Appropriation through 1975 are shown for comparability.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

An appropriation of $862 million is requested for 1981 for the payment of operating subsidies to Public Housing Agencies (PHAs) for the operation of PHA-owned dwellings based primarily on the Performance Funding System (PFS) formula for calculating operating subsidy requirements. In addition, a $52.6 million supplemental appropriation is proposed for 1980 to provide additional payments to a limited number of PHAs for which tenant income combined with the level of funding provided under the PFS and available operating reserves has been inadequate to meet current operating expenses. This funding of PHAs with deficiencies in operating reserves will be a one-time adjustment in 1980.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The increase in the estimated obligations and outlays are the result of the proposed 1980 supplemental appropriation.

The estimated units under management at the end of 1980 have been revised upward to 1,154,000 from 1,128,000 to reflect the larger than anticipated completions that occurred in 1979.

Payments for Operation of Low-Income Housing Projects

EXPLANATION OF INCREASES AND DECREASES

The $67.9 million total appropriation increase in 1981 is the result of the following:

— A $74.5 million increase in the basic PFS computation, including funds for utility consumption costs based on a 30-year temperature average.

— A $43 million increase in the appropriation requirement for 1981 because $43 million had been placed in the PHA reserves during 1978 and is available for use in 1980. This amount would be used for 1980 requirements and not be available in 1981.

— A $52.6 million decrease for funding of PHA deficits. Funding will be provided from the requested 1980 supplemental appropriation for deficits of PHAs that cannot meet current operating expenses because insufficient revenue from tenant rent and operating subsidies was received in prior years.

— A $3 million increase in operating subsidies for the four PHAs not funded under the PFS formula due to higher operating expenses.

Total outlays during 1981 are estimated to increase by $38.4 million to $811 million. This reflects the increase in the level of obligations estimated for 1980 and 1981.

PHA-owned units under management are estimated to increase by approximately 39,000 dwelling units during 1981 thereby raising the number of units eligible for operating subsidies.

PROGRAM DESCRIPTION

Operating subsidies for Public Housing are provided to PHAs to assist in financing the operation of PHA-owned projects in accordance with Section 9 of the United States Housing Act of 1937, as amended. Operating subsidies are required to augment PHA income to help maintain adequate operating and maintenance services and provide for minimum operating reserves.

A summary of the operating subsidy requirements for 1980 and 1981 follows:

	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Millions)	
Performance Funding System (PFS) formula	$758.5	$833.0
Non-PFS PHA requirements	26.0	29.0
PHA Deficits	52.6	...
Total requirements	837.1	862.0
Less: Application of 1978 Reserves	-43.0	...
Total Appropriation	794.1	862.0

Payments for Operation of Low-Income Housing Projects

1. Performance Funding System Formula. The PFS formula is used to calculate the operating subsidies to be provided to each PHA to operate its owned units based on a rate comparable to what it would cost a well-managed PHA to operate its owned units. Each PHA receives no more operating subsidies than would be required to effectively operate a well-managed PHA of comparable size, location and characteristics.

The PFS formula was developed in 1974 based on data which showed that well-managed PHAs, on the average, cost less to manage than poorly managed PHAs. This conclusion was determined based upon samples of large PHAs with over 1,250 dwelling units, medium size PHAs with 500 to 1,249 dwelling units and small PHAs with 100 to 499 dwelling units. The distribution between well-managed and poorly managed PHAs was very carefully determined on the basis of extensive interviews with PHA staffs, tenants and HUD personnel to discern levels of satisfaction with PHA operations. At the same time, PHA and HUD records were examined to obtain tangible factors such as vacancy rates and rent delinquencies.

The Performance Funding System (PFS) formula has been in use since April 1975 and operating subsidy needs have been determined utilizing the PFS formula since then. In January 1976 a final rule for the PFS formula was issued by the Department. Subsequently, based on a review of the initial experience with the formula, several revisions were made. The revised PFS formula equation uses the following variables in the formula computation:

a. Relative regional operating cost;
b. Population of area served by PHA, or population of the Standard Metropolitan Statistical Area (SMSA), if located within a SMSA;
c. Average number of bedrooms per unit;
d. Average age of project buildings;
e. Fair Market Rent of a non-elevator two bedroom existing unit in the area; and
f. Average height of project buildings.

The PFS regulations were revised again, effective September 6, 1977, to exclude the utility consumption experienced during the extremely cold winter of 1976-77. The utility expenses associated with this period of time were funded from a supplemental appropriation in 1977. Since it was not expected that such extremely cold weather would become a normal occurrence, this period has been excluded from the utility expense computation. The computation was based on the average utility consumption of a particular PHA for the three years prior to the cold winter of 1976-77. In order to further lessen the effects of unusual weather on subsidy computation projections, the Department has developed a history of temperatures for the past 30 years and revised regulations will apply this consumption history to determine requirements starting in 1980. Regulations previously allowed for the reimbursement of 75 percent of utility costs as a result of consumption in excess of the PHAs base utility consumption level. Starting in 1980, the reimbursement will be limited to 50 percent of excess utility costs due to higher consumption.

Payments for Operation of Low-Income Housing Projects

In order to determine the accuracy and effectiveness of the current formula in meeting PHA needs, an evaluation of the PFS formula was initiated in 1978 and will be completed in 1980. The evaluation of the PFS has two major aspects: (1) an evaluation of the technical aspects of the PFS formula, the HUD decision rules, and the administration of the PFS; and (2) an assessment of PHA financial conditions over the 1969 - 1978 decade and changes in financial condition and PHA operations since the inception of the PFS.

This evaluation will provide the basis for recommendations for improving the PFS, including suggested short-term and long-term actions which should be taken. The research findings also will contain recommendations pertaining to additional research required for the further development of an equitable operating subsidy allocation system, including the development of a new system if deemed necessary.

2. Subsidy Computation. The data relating to the formula factors for an individual PHA are tabulated and applied to the weighted mathematical formula. The product is what a well-managed project would require in operating subsidies given the characteristics of the particular project. Next, the estimated cost of utilities and audits by Independent Public Accountants are added to these calculations. The final step is to deduct the estimated tenant income to be collected for the project to determine the amount of the operating subsidy for which the PHA is eligible.

The budget estimates based on the formula consider the most recent updated data for the formula variables in a sample of PHA projects. This total is adjusted further by estimated national inflation factors for general operating costs of the type associated with multifamily housing projects as well as for estimated increases in utility costs. The 1981 budget estimates are based on a national inflation rate of 7.1 percent for non-utility costs and an 8.8 percent increase for utility costs. National tenant incomes are estimated and used to offset the operating costs to arrive at national estimates of required subsidy. The 1981 budget estimates assume tenant incomes will increase by 6 percent. An estimated average subsidy of approximately $745 per unit is projected for 1981.

3. Deficit Funding. In addition to the PFS formula computed requirements for operating subsidies, a proposed 1980 supplemental appropriation of $52.6 million would provide additional payments to certain PHAs to restore deficiencies in their operating reserves. These applicable PHAs have inadequate operating capital because their prior year expenses exceeded available income from tenant rent and from operating subsidies provided under the PFS formula and/or from prior operating subsidy funding criteria. However, these PHAs must agree to make every effort to meet future operating expenses from funds to be derived from future operating subsidy payments and rental income from tenants before receiving the supplemental funding. This proposed funding in 1980 would restore the accrued deficits in operating reserves which existed as of December 1979.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

CONGREGATE SERVICES PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Budget Authority	$10,000	...	$10,000	...	-$10,000
Obligations	...	...	20,000	...	-20,000
Budget Outlays	...	$2,000	3,500	$6,400	+2,900

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is being requested for the Congregate Services program for 1981 pending the results of the evaluation of a demonstration program beginning in 1980.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

There was no appropriation request for the Congregate Services program in the original 1980 Budget pending the results of the evaluation of the program by the Department. The program was authorized by the Housing and Community Development Amendments of 1978 and funds were appropriated for obligation in 1979. Due to a delay in starting the demonstration, the 1979 funds have been carried forward and will be obligated in 1980. Also, an additional appropriation of $10 million for 1980 was enacted by the Congress. This amount also will be obligated in 1980 for a total of $20 million to be used in 1980. Budget outlays have been increased by $1.5 million based on the 1980 current estimate of obligations.

EXPLANATION OF INCREASES AND DECREASES

No appropriation is being requested for 1981 pending an evaluation of the program by the Department. All funds appropriated to date will be obligated in 1980. The increase of $2.9 million in outlays assumes that the full level of contracts approved in 1980 will begin to be utilized in 1981.

PROGRAM DESCRIPTION

The Congregate Services program was authorized by the Housing and Community Development Amendments of 1978 to provide three- to five-year contracts to fund services for eligible residents of Public Housing and Section 202 Housing for the Elderly or Handicapped projects. The program is designed to promote and encourage handicapped elderly, non-elderly handicapped, or temporarily disabled individuals to maintain maximum independence within a home environment when they are capable of semi-assisted independent living given appropriate supportive services. In turn, this is anticipated to aid in avoiding costly, premature or unnecessary institutionalization and an anticipated reduction eventually in government outlays for institutional care.

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Congregate Services Program

A demonstration program beginning in 1980 is being conducted to test the provision of supportive services for congregate facilities through the Department of Housing and Urban Development. The demonstration includes two full meals seven days a week and those additional supportive services such as housekeeping aid, personal assistance or other services deemed essential for eligible individuals to maintain semi-assisted independent living standards. Services provided are limited to those areas not duplicative of services provided by other programs, except to the extent that the needs of the demonstration may require. A description of the program evaluation to be conducted by the Department is discussed in the Policy Development and Research section of Part 2 of these Justifications.

PROGRAM ELIGIBILITY

The Congregate Services program is limited to eligible residents of Public Housing and Housing for the Elderly or Handicapped projects. Eligible project residents are handicapped elderly individuals, non-elderly handicapped individuals or temporarily disabled individuals. Eligibility within a project is determined by a three person committee, including medical professionals and other persons professionally competent to judge the functional abilities of elderly or permanently disabled adults in relation to their ability to perform daily living tasks. Proposals are rated on factors such as demonstrated need, evidence of innovative programming and the use of Congregate Services funds in tandem with the funding of other services.

PROGRAM ACTIVITY

During 1980, the total of $20 million made available under the 1979 and 1980 Appropriation Acts will be utilized in two separate phases. In the first phase, $10 million will be used to support 38 projects, including 8 new construction projects, with contracts having maximum terms of three years. This phase is expected to provide assistance to approximately 1,600 individuals at an initial annual cost of $1,875 per year per individual. The contracts will include provision for cost increases in the second and third years as needed.

The remaining $10 million will be utilized for five year contracts. Grants for as many as 25 projects are anticipated of which approximately one-third will be for new construction projects. This additional grant assistance is expected to aid between 800 and 1,000 individuals.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

TROUBLED PROJECTS (FLEXIBLE SUBSIDY)

REVISED BUDGET REQUEST

PROGRAM HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
		(Dollars in Thousands)				
Projects Assisted						
Rent Supplement	NA	3,076	2,336	2,080	2,080	-256
Other	6	782	782	717	717	-65
Total	6	3,858	3,118	2,797	2,797	-321
Units Assisted						
Rent Supplement	NA	156,879	119,138	106,073	106,073	-13,065
Other	684	89,100	89,100	82,200	82,200	-6,900
Total	684	245,979	208,238	188,273	188,273	-19,965
Obligations	$846	$127,599	$117,599	$109,000	$109,000	-$8,599
Financing						
Budget Authority (Appropriations)	74,000	79,500	79,500	41,100	31,100	-48,400
Prior year unused funds	...	85,154	85,154	55,900	65,900	-19,254
Funds transferred from Rental Housing Assistance Fund	12,000	18,845	18,845	12,000	12,000	-6,845
Total	86,000	183,499	183,499	109,000	109,000	-74,499
Budget Outlays	-11,972	42,200	39,200	103,200	96,200	+57,000

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

The principal programmatic impact of the budget amendment will be reflected in 1980 activity. The amount to be obligated during the year would be reduced by $10 million, from $127.6 million to $117.6 million.

The number of projects to be assisted during the year will be decreased from 3,858 to 3,118. It is not contemplated that this reduction will result in a volume of mortgage insurance claims that would have an adverse impact on the FHA Fund.

Because actual disbursements will occur over a 12-month contract period, the full outlay impact of a reduction in 1980 obligations will be realized in 1980 and in 1981. It is currently estimated that 1980 outlays will be reduced from $42.2 million to $39.2 million, a decrease of $3 million, and from $103.2 million to $96.2 million in 1981, a decrease of $7 million.

The Troubled Projects (Flexible Subsidy) request submitted to Congress in January reflected obligations of $109 million in 1981 in order to assist 2,797 troubled projects. The $109 million program level was to be funded out of carryover balances of unobligated authority amounting to $55.9 million not expected to be required in 1980, a transfer of $12 million of excess rental receipts from the Rental Housing Assistance Fund during 1981 and an appropriation of $41.1 million in 1981. This Budget Amendment proposes to maintain the $109 million program level for 1981 but reflects a change in the manner in which it is to be financed.

Troubled Projects (Flexible Subsidy)

The 1980 program level will be reduced from $127.6 million to $117.6 million and an additional $10 million of unobligated authority would be carried forward and be made available for use in 1981. The availability of an additional $10 million in unobligated authority will result in the need for $31.1 million of appropriations in 1981 -- $10 million less than the $41.1 million requested in January.

A deferral message is being submitted to the Congress to report the action of placing $10 million in reserve during 1980.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

TROUBLED PROJECTS (FLEXIBLE SUBSIDY)

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Projects Assisted					
Rent Supplement	NA	a/	3,076	2,080	-996
Other	6	2,440	782	717	-65
Total	6	2,440	3,858	2,797	-1,061
Units Assisted					
Rent Supplement	NA	a/	156,879	106,073	-50,806
Other	684	278,000	89,100	82,200	-6,900
Total	684	278,000	245,979	188,273	-57,706
Obligations	$846	$91,000	$127,599	$109,000	-$18,599
Financing					
Budget Authority (Appropriation)	74,000	82,000	79,500	41,100	-38,400
Prior Year Unused Funds	...	...	85,154	55,900	-29,254
Funds transferred from Rental Housing Assistance Fund	12,000	9,000	18,845	12,000	-6,845
Total	86,000	91,000	183,499	109,000	-74,499
Budget Outlays	-11,972	78,000	42,200	103,200	+61,000

a/ Assistance would be provided on a per project basis and not to individual Rent Supplement units.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 Budget proposes an appropriation of $41.1 million for the Troubled Projects (Flexible Subsidy) program. This, along with an estimated carry-over balance of $55.9 million from 1980 and an estimated $12 million to be transferred from the Rental Housing Assistance Fund will be used to provide $109 million in Flexible Subsidy assistance to 2,797 projects with 188,273 units. Authorizing legislation for $41.1 million also is being proposed for 1981 to support the appropriation request.

Troubled Projects (Flexible Subsidy)

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The changes in the number of projects and units to be assisted are the net result of:

-- A $9.8 million increase in the funds estimated to be transferred from the Rental Housing Assistance Fund in 1980;

-- An increase in the number of Rent Supplement projects estimated to be assisted.

The change in the funds available for 1980 and the total obligations reflect the large carryover of funds from 1979. Because program implementation in 1979 was delayed, the program did not achieve the level of activity assumed in the 1980 Budget. As a result, there was a substantial carryover of funds into 1980.

The decrease in outlays reflects the delay in program implementation and the budget assumption that obligations resulting from the use of 1980 funds will not be disbursed until 1981.

EXPLANATION OF INCREASES AND DECREASES

Because the program was not implemented until late in 1979, a substantial number of the projects which were to be assisted in that year now will be assisted in 1980. This accounts for the substantial increase in projects/units assisted between 1979 and 1980, followed by a decrease in 1981.

The requested appropriation for 1981 is substantially less than the 1980 appropriation because of the carryover of funds from 1979 into 1980 which will result in a substantial carryover into 1981 also. In addition, some Rent Supplement contracts will be converted to and assisted under Section 8 that otherwise might have been assisted under the Flexible Subsidy program.

PROGRAM DESCRIPTION

The Troubled Projects (Flexible Subsidy) program was authorized by the Housing and Community Development Amendments of 1978 and is the major comprehensive program available to the Department for assisting HUD-insured or HUD-held financially troubled multifamily subsidized projects. This program provides immediate cash assistance on a short-term basis to eligible projects while long-term solutions are being developed and implemented. The assistance is designed to fund deferred maintenance and replacements, replacement reserves, and operating deficits where owners can demonstrate to HUD that projects are well managed or that improvements in management will be made. Both the initial award and the continued provision of Flexible Subsidy assistance are conditioned upon a project owner's ability to manage projects in a manner which is satisfactory to HUD. However, the Flexible Subsidy program is not intended to meet the full need for a deep, long-term, tenant-based subsidy in these projects.

Projects eligible for assistance under this program include those which are subsidized under Section 236 or Section 221(d)(3) Below Market Interest Rate (BMIR) of the National Housing Act or the Rent Supplement program and have mortgages insured or held by HUD. The Housing Amendments of 1978 also provide that non-HUD-insured projects developed by State Agencies and receiving financial assistance from HUD under one of these aforementioned programs would become eligible after October 1, 1979 for Flexible Subsidy assistance.

Troubled Projects (Flexible Subsidy)

Assistance payments may be used to correct physical deficiencies resulting from deferral of regularly scheduled maintenance or repair, to reduce deficiencies in a project's replacement reserve funds, or to fund the operating deficits (the amount by which estimated project operating expenses for the year will exceed estimated revenues) which the Department estimates the project will incur during the year in which assistance is provided.

The objectives of the Troubled Projects (Flexible Subsidy) program are to: (1) ensure the financial stability of existing rental housing projects and thus protect tenants from higher rents caused by escalating operating costs; (2) reduce mortgage insurance claims against the FHA Fund by aiding projects in financial distress where existing sources of financial relief are inadequate to cure project problems; and (3) preserve, protect and improve the existing supply of low- and moderate-income housing by upgrading the quality of management services and effect short-term improvements which will enable the project to become self-sustaining and remain affordable by low- and moderate-income tenants and at the same time give consideration to the impact on neighborhoods where such projects are located.

Flexible Subsidy assistance is awarded to a project only after the project owner has provided for on-site management which is satisfactory to HUD and has submitted an acceptable Management Improvment and Operating (MIO) Plan to HUD designed to restore the financial viability of the project. The MIO Plan must include: (1) a budget system and procedures which efficiently and effectively provide for day-to-day project operations; and (2) a program to improve the financial and management control systems, increase the energy efficiency of the project, and correct deferred maintenance, repairs, and replacements. The MIO Plan normally requires that additional financial or other resources be committed by the project owner as well as specific improvements in on-site management procedures. The HUD Field Office responsible for the project is required to obtain changes in management agents or the on-site management procedures where necessary to secure the long-term viability of the project.

The program requires extensive analysis and monitoring of the operations of participating projects by Department field staff. Field staff are required to: (1) conduct in-depth, on-site management reviews of the project; (2) assist the owner/agent in preparing the annual operating budget and MIO Plan; and (3) perform quarterly reviews and evaluate the owner/agent's compliance with the MIO Plan. The Department executes one-year contracts with project owners and assistance payments are disbursed monthly to the project account only if owners/agents comply with the MIO Plans.

While the financial needs of some troubled projects can be met wholly or partially through other forms of financial relief (e.g., contributions from project owners, mortgage modifications, etc.), many of these projects can become financially sound only if they are assisted under this program. The amount of assistance per project varies according to a project's physical and financial condition, the income of the project residents and the amount of other subsidies and other financial relief available to a project.

Troubled Projects (Flexible Subsidy)

PROGRAM ACTIVITY

1. Universe of Eligible Projects. As of September 30, 1979, there were 7,070 projects with 808,276 units with mortgages insured or held by HUD and subsidized under the Section 236, Section 221(d)(3) BMIR, or Rent Supplement programs potentially eligible for Flexible Subsidy assistance. The distribution of these projects by program was as follows:

PROGRAM	PROJECTS	UNITS
Section 236	3,910	433,452
Section 221(d)(3) Market Rate	1,268	98,696
Section 221(d)(3) BMIR	1,186	148,182
Other	706	127,946
Total	7,070	808,276

Included in this potentially eligible project universe were 4,353 projects with Rent Supplement contracts. Approximately 47 percent of the nearly 420,000 units in these projects (196,477 units) presently are covered by and receiving payments under these Rent Supplement contracts. It is estimated that 500 projects in this potentially eligible universe of 7,070 projects will default on their mortgages during 1980 while another 465 projects are anticipated to be in "formal" financial difficulty, i.e., HUD-held and in default under their mortgage terms. In 1981, it is estimated that 300 projects will be insured and go into default while 350 projects are expected to be in "formal" financial difficulty. Further, a number of projects which are insured and current under their mortgage terms also are expected to suffer financial distress which will require that maintenance be deferred in order to meet mortgage payments.

2. Program Levels. The Department plans to assist as many of these troubled projects as possible. However, because of the need to make certain that proper management techniques are followed as a major requirement for receipt of the subsidy, not all of the projects identified above as potentially eligible for assistance in 1980 and 1981 will receive subsidies in those years.

The program assumptions, including an estimate of the maximum number of projects and units together with contract authority requirements, for each category of Flexible Subsidy assistance for 1980 and 1981 follows:

USE OF FLEXIBLE SUBSIDY FUNDS

PURPOSE	1980 ESTIMATE Proj.	Units	Avg. Per Project	Total	1981 ESTIMATE Proj.	Units	Avg. Per Project	Total
	(Dollars in Thousands)							
Rent Supplement project assistance a/	3,076	156,879	$14	$41,600	2,080	106,073	$19	$40,000
Comprehensive Assistance: b/								
First year funding	782		110	85,999	467		120	56,000
Second year funding	...		NA	...	250		52	13,000
Subtotal	782	89,100	110	85,999	717	82,200	96	69,000
Total program	3,858	245,979	33	127,599c/	2,797	188,273	39	109,000c/

a/ Assistance is only for deficits due to Rent Supplement contract shortfalls.
b/ Includes some projects with Rent Supplement units.
c/ Includes funds for State Agency projects in each category of use.

Troubled Projects (Flexible Subsidy)

As shown above, the Department plans to utilize the Flexible Subsidy program to meet two categories of need in eligible projects in 1980 and 1981 covering "Rent Supplement" and "Comprehensive Assistance".

a. Rent Supplement Assistance. The first category consists of projects currently assisted under the Rent Supplement program. Generally, these projects now are financially stable, but will need an increase in income to cover inflationary increases in project expenses beginning in 1980. In lieu of amending Rent Supplement contracts to cover HUD's portion of approved rent increases, Flexible Subsidy funds will be required to be used to fund the anticipated operating deficits of projects in order to avoid financial difficulty in approximately 3,076 projects in 1980 and 2,080 projects in 1981 with Rent Supplement units. The amount of Flexible Subsidy assistance required for this purpose will be relatively small ($300 to $350 per year per unit) compared with the amount needed in other troubled projects. Regulatory changes will be required to utilize Flexible Subsidy funds for this purpose.

The Department plans to meet the long-term need for rent increases in the Rent Supplement program out of Section 8 contract authority. This will be accomplished by replacing Rent Supplement contracts with Section 8 existing housing contracts over a period of several years. However, pending completion of this conversion process, some projects with Rent Supplement units will receive Flexible Subsidy assistance on a temporary basis to cure operating deficits that result from approving needed rent increases without amending the basic Rent Supplement contract between HUD and the project owners. The number of projects requiring this type of assistance in 1981 and future years is expected to decline as future assistance for this purpose is provided through the Section 8 program. Also, some of these projects will be assisted by utilizing recaptured Rent Supplement contract authority. Although the number of projects assisted in this fashion is expected to decline, the cost of assistance is expected to remain at about the same level in 1980 and 1981 because of inflation and because some of the projects assisted in 1980 will require second year funding in 1981.

b. Comprehensive Needs. The second category consists of troubled projects currently in danger of being assigned or foreclosed because of serious financial, management, and/or physical problems in the projects. For this project category, substantial analysis of each project's problems will be required to be performed by HUD field staff before Flexible Subsidy funds are made available. Generally, projects which need Flexible Subsidy assistance will be identified by HUD field staff during normal loan servicing and management reviews. Assistance will be provided to an estimated 782 projects in this category during 1980 and 717 projects in 1981.

The number of projects receiving first year funding for comprehensive needs (i.e., a balanced approach addressing repairs for deferred maintenance and replacement and curing of operating deficits) is expected to decline from 737 projects in 1980 to 425 projects in 1981. Since the 737 projects in 1980 include approximately 400 project applications which were in process at the end of 1979 and which are expected to be approved for assistance early in 1980, it is estimated that there will be more projects receiving initial funding in 1980 than in 1981. The need for Troubled Projects (Flexible Subsidy) assistance is expected to decline in future years as projects produced under the "shallow" Section 236 and Section 221(d)(3) subsidy programs are assisted through Flexible Subsidy or other forms of assistance. Therefore, it is anticipated that only a relatively small Flexible Subsidy program will be needed in future years because the Section 8 projects now being produced have deeper subsidies and, hence, are more resistant to the rapid increases in operating costs which caused distress in projects produced under earlier subsidized programs. Those projects which may require second year funding for comprehensive needs are expected to require a lower subsidy in the second and subsequent years.

Troubled Projects (Flexible Subsidy)

PROGRAM FINANCING

During 1981, an appropriation of $41.1 million together with an estimated carry-over balance of $55.9 million from 1980 and an estimated $12 million to be transferred from the Rental Housing Assistance Fund will be used to provide $109 million in Flexible Subsidy assistance to 2,797 projects containing 188,273 units. Approximately $40 million of the $109 million for 1981 will be used to fund a portion of the anticipated operating deficits in an estimated 2,080 projects with 106,073 Rent Supplement units. These represent projects that will not be converted to Section 8 or will not have the Rent Supplement contract amended in 1981 with recaptured authority to cover HUD approved rent increases. The remaining $69 million will be used to fund the comprehensive needs of an estimated 717 other troubled projects with 82,200 units. A part of the $109 million to be obligated in 1981 will be targeted in State Agency developed projects for the two purposes as described above.

Because there was a delay in implementing the program in 1979, a substantial portion of the funds which were to be obligated during 1979 now will be obligated in 1980. This accounts for the sizable increase in obligations between 1979 and 1980 followed by a decrease in 1981. The status of available funds in the Troubled Projects (Flexible Subsidy) program follows:

FUND STATUS

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Funds available, start of year....	...	$85,154	$55,900
Appropriation.....	$74,000	79,500	41,100
Funds transferred from Rental Housing Assistance Fund.	12,000	18,845	12,000
Total available for use	86,000	183,499	109,000
Obligations.....	-846	-127,599	-109,000
Funds available, end of year.....	85,154	55,900	...

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENT SUPPLEMENT PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Contract Authority					
Recapture from prior years	...	$5,000	$2,000	$45,000	$43,000
Use of contract authority	$20,219	...	...	-15,000	-15,000
Proposed rescission	...	5,000	2,000	30,000	28,000
Budget Authority					
Recapture from prior years	...	200,000	80,000	1,575,000	1,495,000
Obligations	20,699	...	...	-525,000	-525,000
Authority lapsing	82	...	983	...	...
Proposed rescission	...	200,000	80,000	1,050,000	970,000
Unit Reservations	-534	...	-1,000	-23,000	-22,000
Units Eligible for Payment, End of Year	178,891	169,000	178,000	154,000	-24,000

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget proposes to rescind an estimated $30 million of contract authority and $1,050 million of budget authority in 1981 out of an estimated $45 million in contract authority and $1,575 million in budget authority to be recaptured because of conversions to the Section 8 program. The remaining $15 million in contract authority and $525 million in budget authority will be used to increase existing rent supplement contracts where necessary to fund rent increases.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The 1980 Budget assumed that $5 million in contract authority and $200 million in budget authority would be recaptured and rescinded. Based on more recent data, it now is estimated that $2 million in contract authority and $80 million in budget authority will be recaptured and rescinded.

EXPLANATION OF INCREASES AND DECREASES

The 1981 program includes the anticipated recapture of an estimated $45 million in contract authority as a result of the proposed conversion of up to 23,000 Rent Supplement units to Section 8. Of the total to be recaptured, $30 million is being proposed for rescission. The remaining $15 million will be utilized to provide necessary rent increases for Rent Supplement units remaining under contract.

Rent Supplement Program

Beginning in 1981, the Department proposes to phase in the conversion of units to the Section 8 program that previously were assisted under the Rent Supplement program. The conversion of Rent Supplement assisted units to Section 8 will provide a long-term solution to the existing problem of inadequate funding to amend contracts for projects with Rent Supplement units. The Budget assumes that the conversion of approximately 23,000 Rent Supplement units to the Section 8 program during 1981 will result in the recapture of approximately $45 million in Rent Supplement contract authority. From this recaptured authority, the Budget proposes that $15 million will be used in 1981 for amendments to some units remaining under Rent Supplement contract and $30 million of the remaining recaptured contract authority will be rescinded. Troubled Projects (Flexible Subsidy) funds will be used in the short term until all units are provided additional Rent Supplement assistance or are converted to Section 8 assistance.

PROGRAM DESCRIPTION

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, privately operated and privately financed housing. Eligible tenants must pay 25 percent of their income toward the rent and the difference between the tenant payment and the economic rent is made up by a rent supplement payment made directly to the project owner.

This program also has been used in the past to provide additional "piggyback" assistance to a portion of the units in Section 236 projects. However, the Housing and Community Development Act of 1974 authorized a "deep subsidy" program of assistance payments for certain Section 236 projects to replace the Rent Supplement "piggyback" program. All Section 236 projects approved subsequent to August 22, 1974 are eligible for this assistance.

Beginning in 1979, projects assisted under the Rent Supplement program have been eligible for assistance under the Troubled Projects (Flexible Subsidy) program which is discussed in that section of this volume. In addition, the Housing and Community Development Amendments of 1979 redefined the standards for tenant eligibility under the Rent Supplement program to require that such tenants also meet the eligibility standards for the Section 8 program. The 1979 Amendments also authorize the use of available Section 8 authority to amend Rent Supplement contracts beginning in 1980.

PROGRAM ACTIVITY

Available Rent Supplement contract authority and budget authority, including recaptured authority, were obligated during 1979 by amending existing Rent Supplement contracts to provide for the payment of rent increases made necessary by higher project operating costs. During 1980, it is anticipated that $2.0 million of recaptured contract authority (representing $80 million of budget authority) will be rescinded pursuant to the 1979 Appropriation Act.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

FHA FUND

REVISED BUDGET REQUEST

Program Highlights

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
		(Dollars in Thousands)			
Program Level:					
Mortgagee Fee Income...	...	...	...	$6,000	+$6,000
Administrative Expenses	$250,255	$266,963 a/	$252,222	249,513	-17,450
Budget Authority.....	390,059	285,950	262,770	262,770	-23,180
Budget Outlays.....	192,848	148,094	-70,500	-80,245	-228,339
Limitations on Federal Credit: Guaranteed Loans (commitments to insure).....	NA	NA	NA	34,154,732	+34,154,732

a/ Reflects a $1.036 million reduction from the 1980 column included in the 1981 Budget.

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

The revised Budget estimate proposes levying a registration fee on mortgagee main offices and branch offices for the first time beginning in 1981. Although the administrative details of the proposed fee plan have yet to be worked out, a preliminary estimate indicates that $4 million of additional revenue will be raised in 1981 as a result of implementing registration fees on about 41,000 main offices and branch offices of approved FHA mortgagees. These fees will be used to help offset the cost of mortgagee monitoring and thereby aid in reducing the annual operating costs in the FHA Fund. Imposition of such a fee recognizes that approved mortgagees -- as well as insured homeowners and other participants in FHA Fund activities -- enjoy economic benefits from this Federal program and should shoulder a share of the cost of operations.

In addition to the mortgagee registration fee, a new single family subdivision processing fee will be imposed beginning in 1981. The FHA Fund single family insurance programs presently "subsidize" the appraisal and inspection of approximately 1,500 to 2,000 single family subdivisions each year. These subdivisions usually include 100 to 200 lots each. In many cases, units included within the subdivision never result in applications for HUD insurance. The result is that the FHA Fund must bear the burden of inspections and appraisals for units which may never participate in HUD mortgage insurance programs. Beginning in 1981, a fee of $8 per lot will be charged for subdivision processing. Assuming a conservative estimate of 1,750 subdivisions processed with an average of 140 lots each, approximately $2 million in additional revenue to the FHA Fund would be generated. As in the mortgagee fee proposal, those who benefit as a result of FHA Fund activities will be required to share a portion of the cost involved.

FHA Fund

The revised outlay estimate also reflects a decrease of $3.745 million from the original 1981 Budget submission. This is part of a $6.740 million reduction in outlays for 1981 administrative expenses and reflects the portion of that reduction applicable to FHA Fund activities.

The budget submitted in January also proposed credit controls for a number of Federal programs dealing with loan guarantees or direct loans. Specific limitations were imposed for certain programs but not for the FHA Fund. However, economic conditions have reached the point where specific limitations must be considered even for those programs presently exempted from annual limitations. Language proposed in the Budget for the FHA Fund beginning in 1981 would be amended to specify a limitation on commitments for mortgage insurance, amounting to $34.2 billion in 1981.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

MORTGAGE AND LOAN INSURANCE PROGRAMS
(FHA FUND)

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Millions)			
Mortgage Insurance					
Applications (units):					
Home mortgages	792,966	677,000	712,180	697,270	-14,910
Multifamily mortgages	127,259	164,810	127,520	130,150	+2,630
Non-housing	18,419	15,000	18,480	18,850	+370
Coinsurance	3,160	6,000	2,820	2,730	-90
Total	941,804	862,810	861,000	849,000	-12,000
Insurance written (Units)	558,726	508,271	539,967	566,448	+26,481
Insurance-in-force, end of year	$105,132	$106,360	$114,933	$125,362	+$10,429
Property Improvement and Mobile Home Loans (Title I)					
Loans Insured:					
Number	368,552	420,200	435,000	445,000	+10,000
Amount	$1,878	$2,280	$2,405	$2,893	+$488
Insurance-in-force, end of year	4,919	4,640	6,033	7,158	+1,125
Assigned Mortgage and HUD-Owned Property Inventories, End of Year					
Assigned Mortgages: a/					
Mortgages	12,055	10,029	14,322	12,655	-1,667
Units	230,274	213,730	223,326	212,432	-10,894
Cost b/	$2,705	$2,369	$2,482	$2,206	-$276
HUD-Owned Properties:					
Properties/Projects	22,480	24,362	20,941	20,807	-134
Units	65,839	57,179	65,368	58,686	-6,682
Cost b/	$1,172	$968	$1,177	$1,088	-$89
Assigned Mortgages and HUD-Owned Properties:					
Number	34,535	34,391	35,263	33,462	-1,801
Units	296,113	270,909	288,694	271,118	-17,576
Cost b/	$3,877	$3,337	$3,659	$3,294	-$365

a/ Excludes Purchase-Money Mortgages.
b/ Indicates total acquisition costs and net capitalized expenses.

Mortgage and Loan Insurance Programs

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Millions)		
Assigned Mortgage and HUD-Owned Property Inventories, End of Year (cont.)					
Payment of insurance claims and net capitalized costs	$645	$608	$741	$676	-$65
Proceeds from sale of properties	367	441	430	464	+34
Net loss to FHA Fund ...	-244	-151	-273	-145	+128
Retained Income or Deficit From Operations					
Mutual mortgage insurance	$2,388	$2,546	$2,551	$2,796	+$245
Cooperative management housing insurance	21	25	21	21	...
Special risk insurance .	-2,311	-2,537	-2,563	-2,803	-240
General insurance	-2,612	-2,781	-2,870	-3,099	-229
Total deficit	-2,514	-2,747	-2,861	-3,085	-224
Budget Authority					
Borrowings:					
From the Treasury (net)	...	...	40	-60	-100
Agency debentures	39	52	51	54	+3
Appropriations:					
Restoration of losses .	352	195	195	269	+74
Total Budget Authority ..	391	247	286	263	-23
Budget Outlays	193	34	148	-71	-219

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF THE BUDGET REQUEST

An appropriation of $268.6 million is requested for 1981 to fund actual unrestored losses to the Federal Housing Administration (FHA) Fund during 1979 resulting from the liquidation of assigned mortgages and the sale of HUD-owned properties. The proposed appropriation includes $128.6 million for the Special Risk Insurance Fund and $140.0 million for the General Insurance Fund. Additional authorizing legislation will be proposed to increase by $140.0 million the amounts that may be appropriated for the General Insurance Fund.

The FHA Fund is included under the Federal Credit Control System as it involves direct loans (claim payments) and guaranteed loans (mortgage insurance written). However, the Budget proposes that obligations for direct loans and commitments for loan guarantees be authorized in such amounts as may be necessary for 1981.

The estimates for the FHA Fund are based on the 11.5 percent maximum mortgage interest rate in effect at the time the Budget was prepared. Subsequent changes in the interest rate are not reflected in the calculation of program levels and certain mortgage insurance activities described in this Justification will be affected to the extent that interest rates have changed from 11.5 percent.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

a. Applications. The level of home mortgage application receipts currently anticipated for 1980 is somewhat higher than the estimate included in the 1980 Budget. The estimate has been revised upward based on actual 1979 activity. Whereas a total of 641,000 single-family units had been projected for 1979, over 796,000 unit applications actually were received during the year. Despite this strong showing in 1979, many market forecasts predict a substantial decline in single family activity during calendar year 1980. The Budget reflects this anticipated decrease from 1979 levels and estimates that applications will be received for 715,000 units during the year which is 32,000 units more than had been projected in the 1980 Budget, but 81,126 units fewer than the 1979 actual. Because interest rates continue to remain high, this will act to keep activity below the 1979 level.

Multifamily activity, however, fell short of 1979 projections and the 1980 estimates have been revised accordingly. High interest rates and increasing operating costs are expected to continue to dampen the multifamily market through much of 1980.

b. Title I Property Improvement and Mobile Home Loans. Several legislative and programmatic changes have been implemented which should enhance program marketability. Therefore, demand for loan insurance during 1980 is projected to increase over both the levels attained in 1979 and the estimate included in the 1980 Budget. The specific changes are outlined in a subsequent section of this Justification.

c. Assigned Mortgage and HUD-Owned Property Inventories. The amount of insurance written in prior years is one of the factors upon which insurance claim estimates are based. Since the actual amount of insurance written during 1979 was substantially higher than projections, both the number of assignments estimated for 1980 and the year-end inventory of assigned mortgages have been adjusted upward accordingly. In addition, the TMAP program which was proposed for implementation by the Department during 1980 was not adopted. This is expected to result in an estimated 3,000 additional mortgages to be assigned to the Department during 1980 under current assignment procedures that otherwise would have been assisted and the claims prevented had TMAP been enacted.

The HUD-owned home and multifamily property inventories estimates for 1980 have been increased by 8,189 units over the 1980 Budget estimate primarily to reflect the fact that actual 1979 year-end inventories were approximately 3,300 units higher than expected and the number of multifamily sales from inventory has been adjusted downward to reflect current market conditions.

The net loss to the Fund which is the difference between operating income and expenses has been revised upward mainly to reflect an increase in allowances for future losses based on higher year-end home and multifamily mortgage inventories levels reflected in the current 1980 estimates.

d. Retained Income or Deficit. In addition to cumulative expenses and income derived from operations, the FHA Fund deficit includes provision for an allowance for future losses which may accrue as a result of the disposition of the inventory of notes and properties on hand. Since the acquired inventory estimate has been increased for 1980, the allowance for losses based on this inventory also has been increased. The combined result of higher estimated 1980 losses and an increase in the allowance for future losses is a $114 million increment over the net deficit estimated in the 1980 Budget.

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e. Budget Authority. The 1980 Budget assumed that there would be no need to borrow to pay claims. It now is expected that $40 million will be needed because of the increase in estimated insurance claims to be paid from the FHA Fund and a decrease in estimated sales receipts in 1980.

f. Outlays. Outlays now are expected to increase by $114 million to $148 million compared with the 1980 Budget estimate of $34 million due primarily to the increase in claim payments and decrease in sales receipts currently estimated for 1980.

EXPLANATION OF INCREASES AND DECREASES

1. Applications. Home mortgage insurance applications are projected to decrease by 15,000 units in 1981 compared with the 1980 current estimate. The decrease is the net result of several factors: (1) increased activity on the part of private mortgage insurers, (2) growth in the areas of private alternative financing instruments (e.g., private mortgage-backed securities), and (3) an expected leveling-off of the Graduated Payment Mortgage (GPM) program and projected Section 235 Homeownership Assistance program activity during 1981.

Multifamily application receipts are expected to increase slightly during 1981 as a result of the continued use of Section 223(f) as a means of refinancing existing multifamily projects and an increase in the number of Section 8 assisted projects which are estimated to be insured under HUD programs.

2. Title I Property Improvement and Mobile Home Loans. Recent programmatic changes aimed at increasing the effectiveness of the programs are expected to continue having an impact through 1981 and the demand for Title I insured loans is estimated to reach 445,000 units during 1981, or 10,000 units over the current 1980 estimate.

3. Assigned Mortgage and HUD-Owned Property Inventories. Mortgage assignments in 1981 are estimated to decrease by 3,354 units over the 1980 current estimate reflecting primarily the positive impact that the Flexible Subsidy program and the proposed TMAP program are expected to have on preventing mortgage assignments. These proposals are discussed in greater detail on pages K-16 and K-17 of this Justification. Because new assignments are estimated to be less than the estimate of conversions to HUD-owned status, a decrease of 10,894 units in the assigned mortgage inventory is projected.

The HUD-owned property inventory is estimated to decrease by 6,682 units as a result primarily of a decrease in the multifamily segment. The projected reduction assumes an improved economic climate and the continued use of Section 8 subsidies to assist in disposing of formerly subsidized and insured HUD-owned projects and especially projects to be assisted under the Section 8 Moderate Rehabilitation program.

4. Net Loss to the Fund. The net loss to the fund is expected to decrease in 1981 mainly due to an anticipated increase in income from mortgage insurance premiums and a decrease in the allowance for losses on the 1981 year-end mortgage and property inventories.

5. Retained Income or Deficit. Income from operations is expected to continue to be less than operating expenses resulting in an estimated increase in the net deficit of $224 million during 1981 and in a cumulative net deficit of $3.1 billion by September 30, 1981. Operating losses which already have been incurred will not be eliminated or reduced by appropriations provided to reimburse the Fund inasmuch as appropriations are applied to meet cash requirements which decreases the need for Treasury borrowings and resulting interest expenses.

6. Budget Authority. The estimated net decrease in budget authority requirements in 1981 is expected to result from the anticipated decrease in claims due to continuation of the Flexible Subsidy program and the proposed implementation of the TMAP program in 1981. In addition, the economic climate is expected to improve enough to permit an increase in multifamily property sales during the year. An increase in the appropriation requested for 1981 for losses on the sale of acquired notes and properties in 1979 and the amount of debentures to be issued in 1981 will be offset by a decrease in the amount of borrowings required during 1981. The improved claim and sale activities anticipated for 1981 is expected to not only preclude the need for borrowing during 1981, but to also result in the repayment of $60 million of Treasury borrowings during 1981.

7. Outlays. The estimated net decrease in outlays in 1981 reflects the projected decrease in claims resulting from the use of Section 8 and Flexible Subsidy assistance for projects, the proposed use of TMAP for HUD-insured home mortgages and the estimated increase in multifamily sale receipts.

PROGRAM DESCRIPTION

For budget and financial purposes, the FHA Fund covers the mortgage and loan insurance activities of about 40 active mortgage/loan insurance programs, including coinsurance, which are grouped into four separate insurance funds. These separate funds are titled: the Mutual Mortgage Insurance Fund, the Cooperative Management Housing Insurance Fund, the General Insurance Fund and the Special Risk Insurance Fund.

1. Home Mortgage Insurance Programs

a. Home Mortgage Insurance (Section 203(b)). The Basic Home Mortgage Insurance program, Section 203(b), constitutes the bulk of all HUD mortgage insurance applications. This section was enacted in the National Housing Act of 1934 to facilitate homeownership and the construction and financing of housing, to generally upgrade the stock of housing in the country and to improve mortgage lending practices.

Under the terms of the basic home mortgage insurance program, an individual can obtain a HUD-insured loan at a private financial institution to purchase a one-to-four-family property. As a result of the Housing and Community Development Amendments of 1979 (P.L. 95-128), the loan-to-value ratio now is 97 percent of the first $25,000 and 95 percent of the value in excess of $25,000. The maximum mortgage amount on single-family units is $67,500. Many mortgages which are processed under Section 203 of the Act are endorsed as Graduated Payments Mortgages (GPMs) which are discussed on page K-9 of this Justification.

b. Homeownership Assistance (Section 235). A Section 235 Homeownership Assistance revised program was implemented in 1976 to provide subsidies for lower-income families. Direct cash payments are made by HUD to mortgagees on behalf of participating families to reduce the mortgage interest cost to as low as 4 percent. The homeowners must contribute at least 20 percent of their adjusted gross income toward the monthly mortgage, insurance and tax payments on the homes. Beginning in 1980, the Department is planning to extend the program to existing units that are converting to condominium status. For 1981, it is proposed that mortgage limits be increased by 25 percent for all types of units. The specific details of the revised program are explained in the Section 235 program section of these Justifications.

c. Home Mortgage Insurance (Section 221(d)(2)). Under the Section 221(d)(2) program, families of modest means may purchase a home with a downpayment of 3 percent of the acquisition cost and a mortgage term of 30 years which can be extended five to ten years in certain situations.

Use of this program increased substantially as a result of the Housing and Urban Development Acts of 1968 and 1969 which raised maximum mortgage amounts and provided for the waiver of property eligibility requirements to permit the insurance of mortgages that formerly would have been considered as unacceptable risks. Under provisions of the Housing and Community Development Amendments of 1977, a mortgage on a single-family home may be insured up to $31,000 or up to $36,000 in high cost areas. Insurance can be increased to $36,000, or up to $42,000 in high cost areas when the dwelling has four or more bedrooms.

d. Coinsurance. Under the Coinsurance program, the mortgagee shares the risk of insurance losses and in turn shares part of the mortgage insurance premium. The mortgagee also participates in the processing of HUD-insured mortgages. Therefore, improved underwriting is anticipated because of the risk-sharing involved. Market acceptance has been sluggish and the home portion of the program experienced a slow start with only 5,087 unit applications having been received through 1979. However, it is expected that applications will be received for 2,820 units in 1980 and 2,740 units in 1981.

e. Other Home Programs. Other unsubsidized one-to-four family mortgage insurance programs include those for home improvement under Sections 203(k) and 220(h), outside and inside urban renewal areas, respectively; the Section 220 Urban Renewal home program; the Sections 213 Cooperative and 234 Condominium programs; Section 222 which allows armed services personnel on active duty to purchase homes with payment of the mortgage insurance premiums assumed by the respective service; the Section 233 Experimental program; the Section 237 Credit Assistance program for families purchasing homes with credit counseling but without subsidy; the Section 240 program of mortgage insurance which provides for purchase of title to land on which homes are located; and the Section 809 Armed Services Civilian program.

2. Multifamily Mortgage Insurance Programs

a. Rental Housing, Section 221(d)(3) and (4) Market Interest Rate Programs. The Section 221(d)(3) Cooperative, Nonprofit or Limited Dividend Sponsors and the Section 221(d)(4) Profit Motivated and Limited Dividend Sponsors mortgage insurance programs are designed to meet the needs of low- and moderate-income families as well as families displaced from urban renewal areas or as a result of other government action.

Mortgage and Loan Insurance Programs

The Budget reflects applications for 114,700 units for these programs in 1980 and 1981 in conjunction with the provision of Section 8 assistance and Government National Mortgage Association (GNMA) Tandem funds. The actual volume of activity, however, will be dependent on the activity under the Section 8 program. Should the Section 8 program activity vary significantly from the current estimates, insurance applications also may differ from the current estimates. In addition, insurance applications are expected to be received for about 16,700 unsubsidized units in 1980 and 9,050 units in 1981 under the GNMA Targeted Tandem program. Furthermore, the 1981 Budget proposes a $30 million appropriation to fund a GNMA demonstration program involving subsidies to lenders initiating low-interest project loans insured under Title II of the Act. This is estimated to support about $200 million in mortgages for about 6,050 units.

b. Section 223(f). Section 223(f) authorizes insurance on existing multifamily projects. This program provides insurance in conjunction with the sale or refinancing of projects over 3 years old.

c. Other Multifamily Housing Mortgage Insurance. There are eight other unsubsidized multifamily housing mortgage insurance programs which together represent approximately one percent of all insurance written. They are: Section 207 Basic Multifamily Rental Housing; Section 220(h) Improvement Loans; Section 220 Urban Renewal; Section 233 Experimental Housing; Section 231 Housing for the Elderly; Section 810 Armed Services and Military Personnel Housing; Section 213 Cooperatives; and Section 234 Condominium Housing.

d. Non-Housing Insurance Programs. Non-housing insurance programs include Section 207 Mobile Home Courts; Section 232 Nursing Homes; Section 242 Hospitals; Title X Land Development; and Title XI Group Practice Facilities.

3. Property Improvement and Mobile Home Loans (Title I)

a. General. Title I of the National Housing Act, as amended, provides a coinsurance program which enables financial institutions, building and allied industries and the Federal Government to jointly assist borrowers to make eligible improvements to their properties. The legislation also authorizes the insurance of loans made to borrowers for the purchase of mobile homes.

b. Property Improvement Loan Insurance Title I of the Act also authorizes insurance of loans made to finance alterations, repairs and improvements to or in connection with existing structures, including fire safety equipment in health facilities, energy conserving improvements and solar energy systems. Only work which substantially protects or improves the basic livability or utility of structures is eligible. With certain exceptions, loans made for the construction of small structures for commercial, industrial, or agricultural use are eligible. A non-residential (i.e., commercial, industrial or agricultural) structure must be a complete building that had a distinctive functional use before a loan application is made.

The loan may be up to $15,000 for a term not to exceed 15 years and 32 days and may carry a finance charge of 15-1/2 percent as of February 29, 1980 and involve an insurance premium of 50 cents per $100 per year of the amount advanced. Loans to improve apartment buildings may be as much as $37,500, but cannot exceed $7,500 per unit for a term of 12 years and 32 days.

c. Mobile Home Loan Insurance. The Act authorizes the insurance of mortgages to purchase mobile home units by buyers intending to use them as their principal place of residence. The borrower must give assurance that the unit will be placed on a site which complies with HUD standards and with local zoning requirements.

The maximum amount of the loan is $18,000 ($27,000 if two or more modules are to be financed), and the maximum interest rate was 15-1/2 percent as of February 29, 1980. The mortgage term may extend up to 15 years and 32 days for a single module and up to 20 years and 32 days for two or more modules.

The Housing and Community Development Act of 1974 amended the National Housing Act to include the cost of lot purchase as eligible for loans. The Housing and Community Development Amendments of 1979 increased the limitation to a maximum of $36,500 for a two or more module mobile home on a developed lot.

The Housing Authorization Act of 1976 authorized the Secretary to make assistance payments under Section 235 for the purpose of assisting eligible families in acquiring ownership of a mobile home of two or more modules and a lot upon which the home is to be situated.

The program's marketability also was enhanced by recent changes in the regulations, including:

-- Allowing trade-ins as downpayments for mobile homes;

-- Increasing the loan period for double-wide units from 15 to 20 years; and

-- Increasing the allowance for certain accessory items and costs, e.g. air conditioners, skirting, set-up costs, etc.

OTHER PROGRAM ACTIVITY

The impact of the following program activities has been reflected in the FHA Fund budget estimates for 1980 and 1981:

a. Targeted Tandem. The Department implemented a "Targeted Tandem" program in 1978 which is directed toward housing located in distressed cities or neighborhoods that are in the process or have prospects of being revitalized. The program assists middle-income housing and involves secondary mortgage market support from the GNMA programs as well as assistance from the mortgage insurance programs, principally the Section 221(d)(4) program. The GNMA program seeks to induce private investment in central city middle-income housing which is an area that has been inadequately served in the past. This also is discussed in the GNMA section of these Justifications.

b. Section 8 Tandem. The Section 8 Tandem program mentioned in the Annual Contributions for Assisted Housing section of these Justifications will have an impact on the FHA Fund due to the insurance of the project mortgages. Applications for mortgage insurance are expected to be received for a number of Section 8 assisted projects in 1980 and 1981 and are included in the mortgage insurance application estimates. In addition to Section 8 assistance and mortgage insurance, these projects will be eligible for mortgage purchase assistance under the GNMA Tandem program. GNMA, through its secondary market operations, will purchase Section 8 assisted insured mortgages at interest rates as low as 7.5 percent. This program activity also is explained more fully in the GNMA section of these Justifications.

c. Mortgage-Backed Securities. The financing of HUD-insured residential mortgages also is assisted by GNMA'S Mortgage-Backed Securities program which provides secondary market support for such mortgages. Under this program, securities are issued which are backed by pools of mortgages insured or guaranteed by HUD, the Veterans Administration or the Farmers Home Administration in the Department of Agriculture.

d. Mortgage Assistance Grants. The 1981 Budget proposes a demonstration program to be conducted by GNMA in 1981 involving grants to financial institutions which originate below-market-interest-rate loans for multifamily projects. Since the mortgages must be insured under Title II of the Act, applications resulting from this proposed new program are reflected in the FHA Fund estimates. The appropriation being requested for the demonstration program will support mortgages covering approximately 6,050 units.

e. Graduated Payment Mortgages. Several technical amendments also have been made to the experimental financing provisions of the National Housing Act in order to permit full implementation of the Graduated Payment Mortgage (GPM) program. This included deletion of the words "on an experimental basis" and the addition of a requirement that the outstanding principal balance of the loan not exceed 97 percent of the full appraised value of the property as of the date that the mortgage is insured. A homebuyer is able to choose among five possible GPM plans which vary in the rate from 2 percent to 7-1/2 percent per year at which the monthly payments increase and the number of years (either 5 or 10 years) over which the payments increase. Under a GPM mortgage, initial payments are lower than under a mortgage being repaid utilizing a standard amortization schedule. The payments increase each year until the 6th or 11th year depending upon the plan chosen, but then remain level for the duration of the mortgage term starting with either the 6th year or the 11th year, as applicable.

LEGISLATIVE PROPOSALS

The Department is submitting several legislative proposals which affect the various mortgage insurance programs. These proposals would:

-- Provide for the consolidation and simplication of the HUD mortgage credit provisions of the National Housing Act. The proposed legislation is designed to recodify HUD's mortgage insurance authorization in a way to make it more accessible and functional. Among other features, the legislation would create a single "Federal Mortgage and Loan Insurance Fund". However, accountability would separately be maintained for certain types of mortgages.

-- Provide for a Temporary Mortgage Assistance Payments (TMAP) program designed to prevent further assignments of single family mortgages by helping those homeowners who have experienced temporary financial reverses through no fault of their own and who cannot meet their full monthly mortgage payments;

-- Provide for an increase in the limitation for appropriations for losses to the General Insurance Fund;

-- Provide for an extension to September 30, 1982 of basic insuring authorities and the Secretary's authority to set the interest rates of the mortgage insurance programs at rates above the statutory maximum; and

-- Provide for an increase, by up to 20 percent, in mortgage limits for HUD multifamily residential programs where necessary to finance the installation of energy conserving improvements.

Mortgage and Loan Insurance Programs

PROGRAM ACTIVITY

Activities which have the most impact on the FHA Fund are grouped in the following major categories: mortgage insurance, mortgage and loan management and property disposition activities.

1. Mortgage Insurance Activities

a. Mortgage Insurance Applications. It is estimated that applications for home and multifamily mortgage insurance programs will decrease in total by over eight percent from 1979 to 1980 and by over one percent from 1980 to 1981. Applications by major program are as follows:

APPLICATIONS

PROGRAM	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
		(In Units)	
Homes			
Basic home insurance, Section 203(b)	768,995	688,510	669,120
Moderate income housing, Section 221	16,357	14,600	14,180
Coinsurance	3,160	2,820	2,740
Other home programs	7,614	9,070	13,960
Subtotal, Homes	796,126	715,000	700,000
Multifamily			
Moderate income housing, Sections 221(d)(3) and 221(d)(4) Market Rate	90,173	90,490	92,350
Refinancing of existing housing, Section 223(f)	18,063	18,130	18,500
Cooperative and Condominium housing, Sections 213 and 234	3,279	3,290	3,370
Section 236	185	...	...
Other multifamily programs	15,559	15,610	15,930
Subtotal, Multifamily	127,259	127,520	130,150
Non-housing	18,419	18,480	18,850
Total applications	941,804	861,000	849,000

(1) Home Programs. Applications for the home insurance programs are projected to decrease by approximately 12 percent between 1979 and 1981. Applications under the Section 203 Basic Home program, which represented approximately 97 percent of all home mortgage applications received in 1979, are expected to decrease to 688,510 units in 1980 and to 669,120 units in 1981. The totals include 25,000 units in 1980 and another 25,000 units in 1981 that are expected to be assisted under the Section 235 program. In addition, the Section 203 estimates include applications that would result in final endorsements as GPMs consisting of 110,000 units in 1980 and 120,000 units in 1981. Applications for 14,180 units under the Section 221 home mortgage insurance program also are anticipated in 1981. The increase in the number of applications anticipated for other home insurance programs is a result of an estimated increase in activity under the Section 203(k) Home Improvement program. The scope of the Section 203(k) program is being expanded to include the refinancing or acquisition of property to be rehabilitated. The changes will facilitate the improvment and rehabilitation of existing one- to-four family homes and will transform the program from a simple home improvement loan to a broader rehabilitation loan program. The budget reflects applications for 5,000 units in 1980 and 10,000 units in 1981.

(2) Multifamily Programs. The 1980 estimate of multifamily unit applications reflects a stable level of activity for the multifamily market during the remainder of the fiscal year. The Budget anticipates a strong demand for rental housing in 1980 which could be aggravated to some extent by the recent trend toward cooperative and condominium conversions. However, continued high interest rates and rising construction and operating costs are expected to hold down the development of new units through much of 1980. The economic situation is expected to stabilize somewhat during 1981 and, coupled with an increase in the number of Section 8 assisted units to be insured, is estimated to result in a slight increase of 3,000 multifamily units over the 1980 estimate.

The Budget assumes that applications for the Section 223(f) program which provides insurance for existing structures will continue at about the same level as in 1979 with 18,130 units in 1980 and 18,500 units in 1981. Cooperative and condominium applications are projected to increase to 3,370 units in 1981 reflecting the anticipated steady growth in a market comprised of young families seeking homeownership for the first time and elderly households attempting to maintain the benefits of homeownership while reducing the size of their dwellings. Applications for other multifamily mortgage insurance programs are estimated to increase somewhat in 1980 and 1981 and non-housing applications also are expected to increase slightly in 1980 and 1981.

b. Insurance Written. It is anticipated that the annual number of mortgages to be insured will reach a level of nearly 540,000 units in 1980 and 566,500 units in 1981 based on: (1) the number of applications received in prior years; (2) the number of applications expected during 1980 and 1981; (3) estimates of terminations due to expiration or rejection of applications; and (4) the time lags involved in processing applications through the endorsement stage.

Mortgage insurance written in 1979 and estimates of mortgage insurance to be written in 1980 and 1981 for homes and multifamily projects insured under Title II of the National Housing Act and property improvement and mobile home loans insured under Title I of the Act follow:

INSURANCE WRITTEN

PROGRAMS	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Millions)		
Homes and Multifamily Mortgages			
Units:			
Homes	446,825	421,640	442,617
Multifamily	111,901	118,327	123,831
Total	558,726	539,967	566,448
Insurance written	$19,203	$19,290	$21,395
Property Improvement and Mobile Home Loans			
Units:			
Property Improvement	342,127	395,000	395,000
Mobile Homes	26,425	40,000	50,000
Total	368,552	435,000	445,000
Loans	$1,878	$2,405	$2,893

The tables on the following pages indicate the cumulative volume of insurance written under each of the Department's mortgage and loan insurance programs as well as the amount of insurance-in-force as of September 30, 1979.

MORTGAGE AND LOAN INSURANCE PROGRAMS

TITLE OF ACT	FHA FUND	SECTION OF ACT	PROGRAM	VOLUME OF INSURANCE AS OF SEPTEMBER 30, 1979 (In Millions) TOTAL INSURANCE WRITTEN	IN FORCE AMOUNT	IN FORCE NUMBER OF INSURANCE CONTRACTS
			ACTIVE PROPERTY IMPROVEMENT LOAN INSURANCE PROGRAM			
I			Property improvement	$29,847	$4,919	N/A
			ACTIVE MORTGAGE INSURANCE PROGRAMS			
			Active Home Programs:			
II	MMI	203(b)(h)(i)	Basic, Disaster housing, low cost	148,236	63,799	3,662,142
	GI	203(k)	Home improvement, general	18	3	866
	"	213	Cooperative sales	425	86	9,197
	"	220	Urban renewal	83	36	3,546
	"	220(h)	Home improvement, urban renewal	a/	a/	3
	"	221(d)(2)	Moderate income	11,672	6,301	449,187
	"	221(h)	Below-market rate sales housing	23	14	1,392
	"	222	Servicemen	4,330	1,521	111,790
	SRI	223(e)	Declining urban areas	2,410	1,487	103,502
	GI	225	Open end advances	a/	a/	5
	"	233 b/	Experimental	11	7	414
	"	234	Condominium	684	491	21,225
	SRI	235	Homeownership assistance	9,044	5,153	292,787
	"	237	Credit assistance	70	43	3,001
	"	238	Military Impact Area	1	1	15
	GI	240	Fee simple title	a/	a/	2
VIII	"	809	Armed services (civilian)	278	108	9,178
			Subtotal, Active Home Programs	177,285	79,050	4,668,252

MORTGAGE AND LOAN INSURANCE PROGRAMS (cont.)

TITLE OF ACT	FHA FUND	SECTION OF ACT	PROGRAM	VOLUME OF INSURANCE AS OF SEPTEMBER 30, 1979		
				TOTAL INSURANCE WRITTEN	IN FORCE	
					AMOUNT	NUMBER OF INSURANCE CONTRACTS
				(In Millions)		
			Active Multifamily Programs:			
II	GI	207	Basic	$3,745)	$1,525	1,011
	"	207	Mobile home courts	193)		
	"	213	Cooperative housing	652	29	12
	CMHI	213	Cooperative management	956	698	487
	GI	220	Urban renewal	1,515	797	262
	"	220(h)	Project improvement, urban renewal areas	a/	a/	1
	"	221(d)(3)&(4)	Moderate income	13,300	10,300	5,531
	"	221(h)	Below-market rate sales housing	32	7	104
	"	223(f)	Refinancing	1,079	992	287
	SRI	223(e)&(d)	Declining urban areas	389	348	131
	GI	231	Elderly	1,059	757	360
	"	233	Experimental	97	61	19
	"	234	Condominium	355	20	53
	SRI	235(j)	Rehabilitation sales housing	28	8	35
	"	236	Rental housing assistance	7,936	6,497	3,497
VIII	GI	810	Armed services (impacted areas)	30	15	9
			Subtotal, Active Multifamily Programs	31,366	22,054	11,799

MORTGAGE AND LOAN INSURANCE PROGRAMS (cont.)

TITLE OF ACT	FHA FUND	SECTION OF ACT	PROGRAM	VOLUME OF INSURANCE AS OF SEPTEMBER 30, 1979		
				TOTAL INSURANCE WRITTEN	IN FORCE	
					AMOUNT	NUMBER OF INSURANCE CONTRACTS
				(In Millions)		
			Active Non-Housing Programs:			
II	GI	223(d)	Two year operating loss	$5	$2	12
	"	232	Nursing homes	1,560	1,074	883
	"	241	Supplemental loans	49	45	70
	"	242	Hospitals	2,190	1,995	152
X	"	1002	Land development	86	NA	13
XI	"	1101	Group practice facilities	33	14	13
			Subtotal, Active Non-Housing Programs	3,923	3,130	1,143
			Total, Active Programs	212,574	104,234	4,681,194
			EXPIRED MORTGAGE AND LOAN INSURANCE PROGRAMS			
I	"	8	Low cost (home)	204	4	3,196
VI	"	603	War and veterans (home)	3,645	...	...
	"	608	War and vetrans (multifamily)	3,440	102	1,244
	"	609	Manufacturer's Loans	3	...	...
	"	609	Purchaser's loans	2	...	...
	"	610	Resale of U.S. Government housing	25	...	...
	"	611	Site fabrication	13	a/	3
VIII	"	803	Armed services (multifamily)	2,601	768	1,051
IX	"	903	National defense (home)	517	18	9,189
	"	908	National defense (multifamily)	64	6	19
			Total, Expired Programs	10,514	898	14,702
			Grand Total, Active and Expired Programs	223,088	105,132	4,695,896

a/ Less than $0.5 million.
b/ Includes Section 233(a)(2) which is in the Special Risk Insurance Fund.

c. Insurance-In-Force. The following table reflects the changes in the cumulative insurance-in-force during each fiscal year from 1979-1981.

STATUS OF MORTGAGE INSURANCE CONTRACTS

	IN FORCE START OF YEAR	NEW CONTRACTS INSURED	EXISTING CONTRACTS TERMINATED	IN FORCE END OF YEAR
		(Dollars in Millions)		
1979 Actual				
Homes	4,653,951	431,578	404,889	4,680,640
Multifamily	14,774	925	443	15,256
Total	4,668,725	432,503	405,332	4,695,896
Insurance-in-force	$93,869	$19,203	$7,940 a/	$105,132
1980 Estimate				
Homes	4,680,640	410,379	383,537	4,707,482
Multifamily	15,256	991	493	15,754
Total	4,695,896	411,370	384,030	4,723,236
Insurance-in-force	$105,132	$19,290	$9,489 a/	$114,933
1981 Estimate				
Homes	4,707,482	421,118	394,123	4,734,477
Multifamily	15,754	1,056	542	16,268
Total	4,723,236	422,174	394,665	4,750,745
Insurance-in-force	$114,933	$21,395	$10,966 a/	$125,362

a/ Includes amounts for the amortization of contracts insured.

2. Loan and Mortgage Management Activities

The Loan/Mortgage Management functions are designed to forestall and reduce losses to the various insurance programs and are directed especially to the successful and financially stable operation of the programs. The activities are preventive in nature and foster sound management practices through the guidance, supervision and assistance provided owners and managers. A mortgage is foreclosed only after all measures have been exhausted and the project or home mortgage cannot be reinstated under the existing ownership.

a. Home Mortgages. Servicing of single-family mortgages includes processing assignment requests, servicing HUD-held mortgages and the development of a comprehensive program for review of lenders servicing practices and provisions for financial relief through various forms of forbearance to avoid or cure mortgage defaults. This includes periodic reviews to evaluate the status of mortgages and to identify problems and take actions to avoid potential mortgage defaults.

Since 1976, the Department also has been making claim payments to insured lenders under certain circumstances and taking over the mortgages of distressed homeowners. Legislation for a proposed TMAP program also is being submitted to Congress in 1980.

(1) Current Assignment Policy. On June 10, 1976, pursuant to a consent decree in the case of Ferrell vs. Hills, the Department adopted a policy designed to protect homeowners in danger of foreclosure as the result of some temporary circumstances beyond their control. Since then, HUD has been making claim payments to insured lenders under certain circumstances and taking over the mortgages of distressed homeowners. During the relief period, the Department may reduce or suspend mortgage payments for a period of up to 36 months to enable the homeowner to resume full mortgage payments. In order for a defaulted mortgage to be eligible, all of the following criteria must be met:

-- The lender must have notified the homeowner and HUD of its intention to foreclose;

-- At least three full monthly mortgage payments must be due and unpaid;

-- The default must have been caused by circumstances beyond control of the homeowner including, but not limited to, job loss, death or illness in the family;

-- There must be a reasonable prospect that the homeowner will be able to resume full mortgage payments following the temporary period of reduced or suspended payments;

-- The mortgaged property must be the principal residence of the homeowner unless waived by the Area Manager; and

-- The homeowner must not own any other property subject to a mortgage insured or held by HUD unless waived by the Area Manager.

(2) Temporary Mortgage Assistance Payments. The proposed TMAP program which would be an alternative to the current single family assignment policy represents an expansion of the demonstration program carried out by the Assistant Secretary for Policy Development and Research. It would substitute for single-family mortgage assignments in most cases during the first five years and then replace the need for assignments entirely thereafter. Under the proposed TMAP program, HUD would make monthly payments on behalf of single-family mortgagors who are at least three months in arrears as a result of circumstances beyond their control which temporarily prevent the mortgagors from curing the delinquency due to:

(a) Curtailment of income;

(b) Uninsured property damage;

(c) Death or illness in the family; or

(d) Unanticipated increases in escrow payments.

The funds to be advanced by HUD for TMAP would be expected to cure the delinquency within reasonable time limits and will be regarded as a loan to be secured by a junior lien on the mortgaged property. This will be evidenced by a note payable to HUD. Repayments will be scheduled under terms and conditions prescribed by the Secretary which will take into consideration the homeowner's ability to pay. The program will be designed to replace, or at least complement, the present home mortgage assignment program, forbearance and work-out agreements. The proposed program is expected to reduce intitial outlays in the FHA Fund by precluding mortgage assignments and foreclosures and is consistent with the relief and basic principles established under the present home mortgage assignment policy. TMAP payments totaling an estimated $6.0 million were included in the 1981 Budget submitted to the Congress based on an estimated 2,500 mortgagors. Subsequent to the submission of the 1981 Budget and the introduction of the proposed TMAP legislation, the estimated number of mortgagors who could be recipients of TMAP payments in 1981 has been revised to as many as 3,700. Additional program features are as follows:

(a) Payments would be made by HUD for a period of up to 18 months with an additional 18 months extension possible at the Secretary's discretion based upon the Department's review of the mortgagor's income to determine the necessity for continuation or adjustment of the payments;

(b) There must be reasonable assurance that the mortgagor will be able to resume full mortgage payments upon termination of the assistance;

(c) Payments could be made in an amount up to the principal, interest, taxes, assessments, ground rents, hazard insurance and mortgage insurance premiums due;

(d) The initial payment could include an amount necessary to make the mortgage current;

(e) The responsibility for servicing the mortgage would remain with the private mortgage servicer;

(f) Assistance under this program could be provided again at a later date, but only under limited conditions to be set by the Secretary; and

(g) All expenditures made pursuant to this proposal would be made from the FHA Fund applicable to the program under which the property is insured.

(3) Program Assumptions. The HUD assigned home mortgage inventory is estimated to increase by 779 mortgages in 1979-1981. This is based on insurance written, mortgage default, assignment and foreclosure trends experienced during fiscal years 1978 and 1979, estimated new insurance to be written, continuation of the Department's policy on the assignment of home mortgages in default which was adopted in June 1976, implementation of the proposed TMAP program in 1981 and use of TMAP to replace single-family mortgage assignments in most cases. However, mortgage assignments would continue to be available for cases that do not meet TMAP requirements.

b. Multifamily Mortgages. Loan and mortgage management activities include responsibility for on-site management reviews, inspections of multifamily projects, analyses of reports on occupancy, verification of rent schedules, rent increase approvals, authorization of the disbursement of replacement reserve funds, analyses of annual financial reports of multifamily projects, identification and analysis of troubled projects, working with mortgagees and mortgagors to prevent or cure defaults, the development of modification and work-out agreements, enforcement of the regulatory agreements and activities related to project development.

In a report released in November 1979, the Investigations Staff of the Senate Committee on Appropriations made certain specific recommendations relating to HUD's project management and disposition policies and practices. The report's recommendations, the Department's response to the recommendations and actions taken to ameliorate problems identified by Department staff in these areas are outlined on pages K-22 and K-23 of this Justification.

Mortgage and Loan Insurance Programs

(1) Troubled Projects (Flexible Subsidy). The Troubled Projects (Flexible Subsidy) program initially was authorized by the Housing and Community Development Amendments of 1978 and is the major comprehensive program available to the Department for assisting HUD-insured or HUD-held financially troubled multifamily subsidized projects. This program provides immediate cash assistance on a short-term basis to eligible projects to provide interim stability while long-term solutions are developed. The assistance is designed to fund the correction of deferred maintenance and replacement, financial deficiencies, replacement reserves and operating deficits where owners can demonstrate to HUD that projects are well managed or that improvements in management will be made. Both the initial allocation and the continued provision of Flexible Subsidy assistance are conditioned upon a project owner's ability to manage projects in a manner which is satisfactory to HUD as evidenced by an acceptable Management Improvement and Operating (MIO) Plan.

Projects eligible for assistance under this program include those which are subsidized under Section 236 or Section 221(d)(3) Below Market Interest Rate (BMIR) of the National Housing Act or the Rent Supplement program and have mortgages insured or held by HUD. The Housing Amendments of 1978 also provide that non-HUD insured projects developed by State Agencies and receiving financial assistance from HUD under one of these aforementioned programs are eligible after October 1, 1979 for Flexible Subsidy assistance.

While the financial needs of some troubled projects can be met wholly or partially through other forms of financial relief (e.g., contributions from project owners, mortgage modifications, etc.), many of these projects can become financially sound only if they are assisted under this program. The amount of assistance per project varies according to a project's physical and financial condition, the income of the project residents and the amount of other subsidies and financial relief available to a project.

This program is discussed in greater detail in the Troubled Projects (Flexible Subsidy) section of these Justifications.

(2) Program Assumptions. Estimated multifamily mortgage assignments are expected to increase from 84 mortgage assignments during 1979 to 98 mortgage assignments during 1981. This increase, however, is expected to occur from the inventory of unsubsidized projects not eligible for Flexible Subsidy assistance.

3. Property Disposition Activities

The primary objective of Property Disposition functions is to reduce the inventory of HUD-owned properties in such a manner as to ensure the maximum return to the mortgage insurance funds consistent with the need to preserve and maintain the housing stock and urban residential areas and communities. This objective is accomplished through utilization of the private sector of the market such as the real estate industry, repair contractors, and mortgage bankers and lenders. Property disposition is a sales function based on business-oriented activities. The cash flow from the sale of HUD-owned properties represents a significant source of funding for the repair and rehabilitation of acquired properties. In 1979, the cash flow generated from the sale of HUD-owned properties was over $367 million.

a. Section 8 Assistance. It is estimated that Section 8 assistance will be utilized in 1981 to assist in the disposition of about 13,000 units, including up to 10,000 units that will receive Section 8 Moderate Rehabilitation subsidies. The use of Section 8 assistance for property disposition activities will be contingent upon the availability of Section 8 contract authority and budget authority in specific localities, the needs of localities and the order of priorities within the local communities.

b. Urban Homesteading. HUD-owned properties also are disposed under the Urban Homesteading program which provides for the transfer, with nominal payment, of unoccupied one- to four-family residences to communities with homesteading plans approved by the Secretary. The program is being conducted in cities that have specified neighborhoods in which conservation efforts are coordinated and where public services and amenities needed to arrest decline and encourage private investment are provided. This program is managed by the Assistant Secretary for Community Planning and Development (CPD) and is discussed further in the CPD section of these Justifications.

c. Program Assumptions. The estimates of properties to be acquired and sold during 1980 and 1981 are based on the following assumptions:

(1) Home Properties. It is assumed that the turn-over time between acquisition and disposition will decrease and attain an equilibrium position with sales that are approximately equivalent to acquisitions by the end of 1980 which will continue through 1981. In addition, as a result of reduced production levels during 1980, demand pressures will increase and it is assumed that there will be minimal difficulty in marketing a significant number of "aged" units that have been in the inventory one year or more.

(2) Multifamily Projects. Multifamily property sales will be dependent to a large degree on the availability of private financing, particularly with regard to all cash sales. Private financing problems are expected to be encountered in the disposition of projects in areas where there is a limited amount of financing available. A significant proportion of the multifamily sales in 1980 and 1981 are estimated to be achieved by utilizing Section 8 assistance, including the moderate rehabilitation component of the Section 8 Existing Housing program.

The Department plans to speed up the review of projects with assigned mortgages to determine if they should be continued in an assigned mortgage status or be acquired by the Department. It is expected that conversion of about 20,000 units in 1981 from a HUD-held mortgage status to a HUD-owned project status will result in an increase in the inventory of "marketable" projects. The Department also plans to sell projects during 1980 and 1981 by utilizing Section 8 assistance wherever appropriate. The net result of these activities will be to reduce the HUD-owned project inventory to 37,833 units by the end of 1981.

4. Insurance Settlement

Capital outlays resulting from the loan/mortgage management and property disposition activities outlined above involving the assignment of mortgages and the acquisition of properties represented about 48 percent of all obligations incurred against the FHA Fund in 1979.

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Mortgage and Loan Insurance Programs

The tables which follow highlight the principal transactions affecting the Department's home and multifamily inventory of assigned mortgages and HUD-owned properties for the period 1979-1981.

HIGHLIGHTS OF HOME MORTGAGE AND PROPERTY TRANSACTIONS

	MORTGAGES/ PROPERTIES	UNITS	CAPITAL COSTS a/
		(Dollars in Thousands)	
Mortgage Assignments During Year			
1979 Actual	3,842 b/	3,836	$74,468
1980 Estimate	3,361	3,378	66,705
1981 Estimate c/	...	...	...
Assigned Mortgages on Hand, End of Year			
1979 Actual	10,401	10,683	183,018
1980 Estimate	12,762	13,050	232,135
1981 Estimate	11,180	11,447	203,585
Purchase-Money Mortgages on Hand, End of Year			
1979 Actual	2,490	3,188	33,815 d/
1980 Estimate	2,830	3,528	35,764 d/
1981 Estimate	3,175	3,873	36,688 d/
Acquisition Activity During Year			
1979 Actual:			
Foreclosure of assigned mortgages	335	337	6,386
Direct acquisitions	18,675	18,755	511,816
Total	19,010	19,092	518,202
1980 Estimate:			
Foreclosure of assigned mortgages	750	755	13,159
Direct acquisitions	23,490	23,979	570,549
Total	24,240	24,734	583,708
1981 Estimate:			
Foreclosure of assigned mortgages	900	905	16,083
Direct acquisitions	23,986	24,485	578,341
Total	24,886	25,390	594,424
Property Sales During Year			
1979 Actual	25,850	26,212	638,959
1980 Estimate	25,775	26,329	622,595
1981 Estimate	24,950	25,487	602,792
HUD-owned Properties on Hand, End of Year			
1979 Actual	22,083	22,545	517,601
1980 Estimate	20,548	20,950	478,714
1981 Estimate	20,484	20,853	470,346

a/ Reflects acquisition costs and net capitalized costs incurred for inventory on hand.

b/ Includes a prior year adjustment of 9 properties.

c/ The budget estimate reflects the assumption that the proposed TMAP program will be the predominant form of foreclosure avoidance relief. It is expected that some activity may occur in 1981 under the current assignment policy to cover cases which would be eligible for assignment, but not eligible for TMAP. No estimate has been developed in the absence of actual experience.

d/ Unpaid balance includes other notes receivable.

Mortgage and Loan Insurance Programs

HIGHLIGHTS OF MULTIFAMILY MORTGAGE AND PROPERTY TRANSACTIONS

	MORTGAGES/ PROPERTIES	UNITS	CAPITAL COSTS a/
		(Dollars in Thousands)	
Mortgage Assignments During Year			
1979 Actual	84	9,235	-$3,372
1980 Estimate	89	12,676	-18,318
1981 Estimate	98	12,700	-10,162
Assigned Mortgages on Hand, End of Year			
1979 Actual	1,654	219,591	2,522,278
1980 Estimate	1,560	210,276	2,249,832
1981 Estimate	1,475	200,985	2,002,800
Purchase-Money Mortgages on Hand, End of Year			
1979 Actual	390	45,825	357,924 b/
1980 Estimate	360	42,317	339,831 b/
1981 Estimate	328	38,771	322,603 b/
Acquisition Activity During Year			
1979 Actual:			
Foreclosure of assigned mortgages	108	11,610	182,028
Direct acquisitions	2	245	30,685
Total	110	11,855	212,713
1980 Estimate:			
Foreclosure of assigned mortgages	161	19,991	231,683
Direct acquisitions	9	1,133	81,964
Total	170	21,124	313,647
1981 Estimate:			
Foreclosure of assigned mortgages	161	19,991	215,846
Direct acquisitions	12	1,424	53,122
Total	173	21,415	268,968
Property Sales During Year			
1979 Actual	116	11,999	125,275
1980 Estimate	174	20,000	270,175
1981 Estimate	243	28,000	349,400
HUD-owned Properties on Hand, End of Year			
1979 Actual	397	43,294	654,330
1980 Estimate	393	44,418	697,802
1981 Estimate	323	37,833	617,370

a/ Reflects acquisition costs and net capitalized costs incurred for inventory on hand.

b/ Unpaid balance includes other notes receivable.

Mortgage and Loan Insurance Programs

INVESTIGATION REPORT ON MANAGEMENT AND DISPOSITION ACTIVITIES

In November 1979, the Investigations Staff of the Senate Committee on Appropriations submitted a report that identified several problems and a number of remedial actions relative to the Department's management and disposition of HUD-owned and assigned multifamily properties. In addition to the Department's policy on the sale of formerly subsidized projects, the report stated also that recent increases in the inventory of multifamily projects were caused by inadequate staffing, inadequate loan servicing and a lack of standard criteria for foreclosure. Among the recommendations proposed were the following:

-- HUD should authorize its Area Office officials to initiate workout agreements and require that initial workout agreements should be completed within 90 days of assignment;

-- Additional emphasis should be placed on the training of loan servicers by accelerating the training program currently scheduled for late in fiscal year 1980;

-- Specific criteria should be developed defining when a project should be recommended for foreclosure;

-- A tracking system should be established to monitor the status of projects in the office of HUD's General Counsel and with the Department of Justice in order to stress the importance of processing foreclosures in a timely manner;

-- Congress should be provided with an annual report of the projected cost of using Section 8 assistance in HUD's disposition program; and

-- The Department's Loan Management and Property Disposition staffs must be made more aware of the need to guard against fraud and abuse in the multifamily housing programs and that particular attention should be paid to internal controls pertaining to the relationships among owners, management agents, and contractors providing project services.

The Senate report did not raise issues or recommend major actions which had not already been addressed by the Departmental Multifamily Properties Utilization Task Force established in June 1977 and a December 1978 Departmental study that dealt with the financially troubled unsubsidized inventory. Nothing in the Committee Report contradicted the Department's own findings or proposed solutions which had not been considered prior to the recent Senate Staff Investigation.

As a result of the Department's continuing efforts at identifying policy, procedural and management problems associated with the HUD inventory of assigned and acquired properties, major changes have been and will be made which will affect the financial condition of the FHA Fund. The changes include organizational realignments to consolidate the responsiblity for all phases of a project's "life" cycle, the development and increased utilization of automated data systems to improve the availability of data and the Department's ability to monitor and manage the multifamily inventory; standardization of procedures for similar programs; emphasis on aggressive and preventive mortgage servicing; use of the Flexible Subsidy program under which assistance is contingent upon good project management and additional ways of preserving the physical condition, financial condition and affordability of these projects. These actions not only will benefit owners and tenants, but will protect the FHA Fund from unnecessary expenses. Examples of specific actions include the following:

Mortgage and Loan Insurance Programs

-- Reorganization of Headquarters and Field Offices along single-family housing and multifamily housing lines of responsibility. In addition, planning is underway for future organization needs;

-- Implementation of the Multifamily Insured and Direct Loan Information System (MIDLIS) as the first step in a comprehensive automated system to provide information needed to plan, monitor and evaluate programs and processing functions;

-- Inclusion of management-related objectives in the Department's Regional Operating Plans and Executive Management Report to help focus attention of key managers on management related goals. Managers are assigned goals and are evaluated on their ability to meet these goals;

-- Setting forth detailed procedures under the Flexible Subsidy program for analyzing and resolving the problems of troubled projects;

-- Development of a project-based budget system for HUD-owned properties to provide tighter control over project operations; and

-- Tenant participation in the management of subsidized projects.

These and many more actions represent the Department's efforts to achieve proper management and more complete monitoring of multifamily projects. The Department is concerned about potential fraud, abuse and mismanagement and has endeavored to prevent and/or identify any incidences of such activities by HUD staff or those doing business with the Department and recommends prosecution to the Department of Justice where appropriate.

STATUS OF THE FEDERAL HOUSING ADMINISTRATION FUND

1. Scope of Operations. Income to finance operations is derived from fees, insurance premiums, and interest on investments which are credited to each of the four separate funds as appropriate. Receipts from HUD-owned property sales and revenue from HUD-held mortgages also provide cash used to finance operations. Operating expenses and losses on properties, mortgages, and notes acquired under the terms of insurance contracts also are charged to each appropriate fund. Deficits prior to 1976 generally were financed from Treasury borrowings to pay insurance claims as necessary. Since 1976, however, the General Insurance and Special Risk Insurance Funds have received additional financing which has been provided from appropriations to restore losses to those funds.

Current operating procedures provide for the settlement of insurance claims by cash payments on all home mortgages and on multifamily mortgages insured under Sections 220, 221, 223(e), 233, 236, and 235(j). Other multifamily claims are paid by the issuance of debentures. Debentures totaling $39 million were issued in 1979 and are estimated at $51 million in 1980 and $54 million in 1981. Cash claim payments which are estimated at $690 million for 1980 and $622 million for 1981 will be financed from current cash balances and current income supplemented by appropriations and Treasury borrowings. The Budget anticipates $40 million of Treasury borrowings in 1980 with the repayment of $60 million of Treasury borrowings in 1981.

Mortgage and Loan Insurance Programs

The extent of financial operations for the mortgage insurance funds in 1981 is reflected by total estimated obligations of $1,426.6 million to be incurred. This consists of $683.1 million in operating costs and $743.5 million in capital investment primarily for payment of mortgage claims (see tables on pages K-20 and K-21 of this Justification). These obligations were financed in 1979 largely through debenture issuances, income from fees, insurance premiums and interest on investments, proceeds from the sale of properties and mortgage notes and an appropriation.

2. Appropriations. The National Housing Act, as amended, provides authorization for appropriations to restore losses sustained as a result of mortgage insurance operations of the Special Risk Insurance Fund (SRI) and the General Insurance Fund (GI). Appropriations are based on actual losses incurred on the acquisition and sale or liquidation of acquired properties or mortgage notes. Through 1980, $2,611 million has been appropriated to the GI and SRI funds. An additional appropriation of $268.6 million is proposed for 1981. In addition, appropriations for losses incurred under the Urban Homesteading program which totaled $35 million through 1979 have been included under that program and are not reflected in the summary of appropriations by insurance fund which follows:

APPROPRIATIONS

INSURANCE FUND	CUMULATIVE 9/30/78	ACTUAL 1979	ACTUAL 1980	ESTIMATE 1981	CUMULATIVE 9/30/81
		(Dollars in Thousands)			
General Insurance	$1,340,674	$164,093	$92,572	$140,050	$1,737,389
Special Risk Insurance	723,170	188,197	102,278	128,590	1,142,235
Total	2,063,844	352,290	194,850	268,640	2,879,624

3. Borrowing from the Treasury. Since the General and Special Risk Insurance Funds do not generate sufficient income to meet expenses, the Department has had to borrow substantial sums from the Treasury in order to meet obligations incurred resulting from insurance operations. Over the past ten years, the amount of outstanding borrowings has increased from $10 million in 1969 to over $3.9 billion as of September 30, 1979. The trend in borrowing activity and the interest expenses which have accrued as a result of the need to borrow is presented for the period 1966 through September 30, 1981 in the following table.

BORROWINGS AND INTEREST

FISCAL YEAR	TREASURY BORROWING IN YEAR	TREASURY BORROWING CUMULATIVE	INTEREST EXPENSE IN YEAR	INTEREST EXPENSE CUMULATIVE
		(Dollars in Thousands)		
1966	$10,000	$10,000	$193	$193
1967	15,000	25,000	1,045	1,238
1968	-15,000	10,000	977	2,215
1969	...	10,000	450	2,665
1970	...	10,000	450	3,115
1971	213,000	223,000	4,883	7,998
1972	442,000	665,000	23,695	31,693
1973	976,000	1,641,000	62,522	94,215
1974	821,000	2,462,000	126,873	221,088
1975	1,215,268	3,677,268	202,973	424,061
1976	989,000	4,666,268	301,871	725,932
Transition Quarter	212,000	4,878,268	87,567	813,499
1977	-1,349,447	3,528,821	328,410	1,141,909
1978	440,000	3,968,821	286,313	1,428,222
1979	...	3,968,821	310,040	1,738,262
1980 est	40,000	4,008,821	311,740	2,050,002
1981 est	-60,000	3,948,821	311,790	2,361,792

4. Composition of Assets. As of September 30, 1979, assets totaled about $4,926.6 million, including $2,107.7 million in Government securities and other investments, $518.1 million in real and personal property, $1,301.2 million in assigned mortgage notes and defaulted notes, $369.3 million in mortgage notes acquired from the sale of properties and $630.3 million in cash and accounts receivable. The properties and notes on hand are valued at cost less an allowance for anticipated future losses (see tables on pages K-27 and K-28). During 1981, the value of total assets is expected to decrease to $4,728.1 million primarily as a result of the sale of properties from inventory.

5. Losses in Relation to Insurance. The statistics on actual losses by program through 1979 are presented in tabular form on page K-29. The book value of acquired properties and assigned notes are adjusted to reflect the estimated losses which the Department anticipates incurring upon ultimate disposition of these assets. The total estimated future losses amount to about $2.1 billion, including $1,964.5 million for acquired properties and assigned notes, $99.5 million for Title I defaulted notes and $22.4 million for purchase money mortgages. The anticipated future losses on properties and mortgages on hand as of September 30, 1979 by program are presented on pages K-30 and K-31 of this Justification.

Maintenance, repair and operating costs represent a significant portion of the expenses incurred for HUD-owned home properties prior to sale. An analysis of the units sold or liquidated under the Mutual Mortgage Insurance Fund during 1979 indicates that the total average expense of $4,522 per home property is as follows: maintenance, repair and operating expenses, 53.5 percent; sales expenses, 37.1 percent; and taxes, 9.4 percent.

6. Government Equity. Insurance reserves from operations decreased by $302.6 million in 1979 to a net deficit position of approximately $2.5 billion as of September 30, 1979. This deficit is expected to increase to $3.1 billion by the end of 1981.

The following table reflects the net operating results representing retained income or net losses of the four insurance funds since inception and the effect of cumulative appropriations on net government equity. Operating losses are not eliminated or reduced by appropriations to reimburse the funds. As long as additional claim payments are required, cash must be used to make such payments. The enactment of appropriations reduces borrowings, interest payments and deficits by making cash available for such purposes. Since appropriations under the Urban Homesteading Program enacted through 1978 are included in the FHA Fund equity, the amounts are identified in the table below:

NET OPERATING RESULTS

INSURANCE FUND	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Millions)		
Net Income or Loss from Operations			
Mutual mortgage	$2,388	$2,551	$2,796
Cooperative management housing	21	21	21
Special risk	-2,311	-2,563	-2,803
General	-2,612	-2,870	-3,099
Total net loss	-2,514	-2,861	-3,085
Cumulative Appropriations			
Urban Homesteading	35	35	35
Special Risk	911	1,014	1,142
General Insurance	1,505	1,597	1,738
Total	2,451	2,646	2,915
Net Government Equity	-63	-215	-170

Mortgage and Loan Insurance Programs

SUMMARY OF OBLIGATIONS AND FINANCING

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
OBLIGATIONS			
Capital Investment:			
Acquisition of real properties	$533,377	$502,863	$514,801
Assignment of Title I notes	30,785	44,200	53,200
Assignment of mortgages	71,555	233,288	171,688
Planned multifamily rehabilitation costs	9,124	30,251	3,825
Total capital investment	644,841	810,602	743,514
Operating Costs:			
Transfer to Salaries and Expenses, HUD	250,255	267,999	252,222
Interest to Treasury	310,040	311,740	311,790
Interest on debentures	33,691	31,960	28,800
Urban Homesteading	7,178	11,550	11,340
Other operating costs	32,510	45,030	10,332
Participation payments	59,113	73,000	79,900
Total operating costs	692,787	741,279	694,384
Unfunded adjustments to total operating costs	-7,178	-11,550	-11,340
Total operating costs, funded	685,609	729,729	683,044
Total Obligations	1,330,450	1,540,331	1,426,558
FINANCING			
Debenture Issuance and Redemption			
Issued	38,660	51,100	54,130
Redeemed	-88,114	-88,114	-88,114
Net Debentures Issued or Redeemed	-49,454	-37,014	-33,984
Borrowing From U.S. Treasury	...	40,000	-60,000
Appropriation	352,290	194,850	268,640
Revenue			
Fees and premiums	584,294	630,642	647,374
Interest on U.S. securities	149,400	161,600	182,100
Other interest, dividends and revenue	12,038	102,080	100,974
Total Revenue	745,732	894,322	930,448
Other Receipts			
Proceeds from sale of real properties	367,233	430,026	455,685
Urban Homesteading transfer	...	...	8,459
Recoveries on mortgage notes	25,467	26,163	26,370
Recoveries on defaulted mortgages and notes	47,264	48,345	54,621
Total Other Receipts	439,964	504,534	545,135
Total Revenue and Other Receipts	1,185,696	1,398,856	1,475,583
Unobligated balance brought forward	2,136,758	2,294,840	2,351,201
Unobligated balance carried forward	2,294,840	2,351,201	2,574,882
Net Increases (-) in unobligated balance	-158,082	-56,361	-223,681
Total Financing	1,330,450	1,540,331	1,426,558

Mortgage and Loan Insurance Programs

SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Income			
Fees and insurance premiums	$582,523	$630,642	$647,374
Interest on U. S. Government securities	149,400	161,600	182,100
Other interest, dividends and income	17,711	9,470	9,900
Total Income	749,634	801,712	839,374
Expense			
Transfer to Salaries and Expenses, HUD	250,255	267,999	252,222
Loss on defaulted Title I notes	14,677	17,000	20,000
Loss on acquired security	375,245	425,617	449,922
Fee appraisals, inspections and mortgage credit examinations	27,050	37,030	3,932
Interest on borrowings from U.S. Treasury and debentures	343,731	343,700	340,590
Other settlement costs	3,113	4,000	6,000
Repair of structural defects	2,347	4,000	400
Total Expense	1,016,418	1,099,346	1,073,066
Net Loss Before Adjustment for Valuation and Participation Payments	-266,784	-297,634	-233,692
Increase or Decrease in Valuation Allowances			
Allowance for estimated uncollectible fees and premiums and accounts receivable	-3,932	...	...
Allowance for estimated future losses on acquired properties and notes	+37,325	+41,024	+109,463
Allowance for estimated future losses on defaulted Title I notes	-10,162	-16,607	-20,580
Net adjustment of valuation allowances	+23,231	+24,417	+88,883
Net loss	-243,553	-273,217	-144,809
Prior year adjustments	17	...	...
Participation payments to mortgagors	-59,113	-73,000	-79,900
Appropriation	352,290	194,850	268,640
Increase or Decrease in Government Equity	49,641	-151,367	43,931

Mortgage and Loan Insurance Programs

STATEMENT OF FINANCIAL CONDITION AT END OF YEAR

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
ASSETS			
Current Assets			
Cash	$149,712	$39,454	$34,610
Accounts receivable	480,542	487,161	465,686
Total Current Assets	630,254	526,615	500,296
Investments			
U.S. Government securities (par)	2,107,564	2,267,564	2,517,564
Stock purchased in rental and cooperative housing corporations	108	108	108
Total Investments	2,107,672	2,267,672	2,517,672
Other Assets			
Mortgage notes acquired on sale of properties (less allowance for losses)	369,307	356,854	346,844
Acquired security:			
Real property (at cost less allowance for losses)	518,143	538,317	486,637
Mortgage notes assigned under terms of insurance (at cost less allowance for losses)	1,284,148	1,068,892	853,328
Defaulted Title I notes (less allowance for losses)	17,059	19,852	23,372
Total Other Assets	2,188,657	1,983,915	1,710,181
Total Assets	4,926,583	4,778,202	4,728,149
LIABILITIES			
Accounts payable and accrued liabilities	350,338	350,338	350,338
Deferred credits	92,640	92,640	92,640
Debentures payable (issued and outstanding)	551,184	514,170	480,186
Outstanding borrowings	3,968,821	4,008,821	3,948,821
Reserve for foreclosure costs-defaulted mortgage notes	26,850	26,850	26,850
Total Liabilities	4,989,833	4,992,819	4,898,835
Government Equity			
Unexpended budget authority:			
Unobligated balance	2,294,840	2,351,201	2,574,882
Invested capital	-2,358,090	-2,565,818	-2,745,568
Total Government Equity	-63,250	-214,617	-170,686
Total Liabilities and Government Equity	4,926,583	4,778,202	4,728,149

Mortgage and Loan Insurance Programs

ANALYSIS OF PROPERTY AND ASSIGNED MORTGAGE SALES AND LOSSES CUMULATIVE AS OF SEPTEMBER 30, 1979

SECTION OF ACT	UNITS	TOTAL COST a/	SALES PRICE	NET PROFIT OR LOSS b/	% OF LOSS TO INSURANCE WRITTEN
		(Dollars in Thousands)			
Home Properties					
Sec. 203	432,863	$6,703,044	$4,896,373	-$1,806,671	1.22
Sec. 2	392	1,349	1,229	-120	.12
Sec. 8	2,095	14,186	11,726	-2,460	1.20
Sec. 203(k)	23	143	77	-66	.37
Sec. 213	4,616	70,619	54,335	-16,284	3.83
Sec. 220	436	6,798	4,210	-2,588	3.12
Sec. 221	119,111	2,142,290	1,135,552	-1,006,738	8.61
Sec. 222	23,399	336,354	268,650	-67,704	1.56
Sec. 233	20	310	281	-29	.38
Sec. 234	1,320	27,263	19,648	-7,615	1.11
Sec. 603	16,895	81,608	68,354	-13,254	.36
Sec. 609	65	187	126	-61	2.88
Sec. 611	2	15	17	2	c/
Sec. 809	1,473	24,560	20,376	-4,184	1.51
Sec. 903	20,039	181,910	115,265	-66,645	12.88
Sec. 223(e)	38,045	633,914	179,537	-454,377	18.86
Sec. 233(a)(2) .	2	19	12	-7	.19
Sec. 235	87,223	1,937,479	1,366,547	-570,932	6.31
Sec. 237	878	18,772	11,103	-7,669	10.91
Subtotal, Homes ..	748,897	12,180,820	8,153,418	-4,027,402 b/	2.22
Multifamily Properties					
Sec. 207	45,232	331,501	333,640	2,139	c/
Sec. 213	7,276	99,292	93,358	-5,934	.91
Sec. 231	11,733	119,054	105,443	-13,611	1.29
Sec. 232	5,543	40,989	34,370	-6,619	.42
Sec. 220	3,986	49,784	56,453	6,669	c/
Sec. 221	33,173	399,667	217,879	-181,788	1.36
Sec. 233	777	13,286	10,321	-2,965	3.05
Sec. 234	22	286	85	-201	.06
Sec. 241	...	94	104	10	c/
Sec. 242	130	7,781	4,250	-3,531	.16
Sec. 608	61,810	327,791	257,991	-69,800	2.02
Sec. 609	305	926	200	-726	22.72
Sec. 803	9,394	90,228	72,702	-17,526	.67
Sec. 810	693	4,201	5,775	1,574	c/
Sec. 908	2,735	15,127	12,085	-3,042	4.80
Sec. 1002	1,520	3,394	3,703	309	c/
Sec. 1101	3	172	90	-82	.25
Sec. 223(e)	49	636	327	-309	.08
Sec. 223(d)	...	1,101	...	-1,101	12.72
Sec. 236	11,985	169,813	61,819	-107,994	1.36
Sec. 213	745	6,767	6,022	-745	.08
Subtotal, Multifamily	197,111	1,681,890	1,276,617	-405,273	.98
Total	946,008	13,862,710	9,430,035	-4,432,675	1.99

a/ Acquisition cost plus capitalized items, including expenses of maintenance, operations, taxes, insurance and sales.

b/ Losses are net of reimbursements received under the Urban Homesteading Program.

c/ Less than 0.01 percent.

Mortgage and Loan Insurance Programs

ESTIMATED LOSSES ANTICIPATED FOR MORTGAGES AND PROPERTIES ON HAND SEPTEMBER 30, 1979

	ASSIGNED MORTGAGES AND ACQUIRED PROPERTIES ON HAND, 9-30-79		ESTIMATE OF LOSS ON ACQUIRED SECURITY ON HAND	PERCENT OF ESTIMATE ESTABLISHED TO COST
	UNITS	AMOUNT	(Dollars in Thousands)	
Home Mortgages Assigned				
Sec. 203	5,745	$105,536	$58,198	55.1
Sec. 8	2	9	9	100.0
Sec. 203(k)	6	35	4	11.4
Sec. 213	9	102	24	23.5
Sec. 220	4	51	53	103.9
Sec. 221	2,107	34,370	27,845	81.0
Sec. 222	37	465	175	37.6
Sec. 809	1	11	...	...
Sec. 903	380	1,649	1,220	74.0
Sec. 223(e)	863	12,529	12,864	102.7
Sec. 234	19	360	140	38.9
Sec. 235a/	1,454	27,059	15,005	55.5
Sec. 237	56	842	502	59.6
Subtotal	10,683	183,018	116,039	63.4
Home Properties Acquired				
Sec. 203	10,294	257,245	119,617	46.5
Title I, Sec. 2 & 8	2	12	8	66.7
Sec. 220	19	507	395	77.9
Sec. 221	5,395	116,344	75,320	64.7
Sec. 222	51	1,053	309	29.3
Sec. 234	157	3,606	1,067	29.6
Sec. 903	284	3,544	1,784	50.3
Sec. 223(e)	3,670	71,300	63,738	89.4
Sec. 235a/	2,608	62,607	28,434	45.4
Sec. 237	65	1,383	555	40.1
Subtotal	22,545	517,601	291,227	56.3
Total, Home Mortgages and Properties	33,228	700,619	407,266	58.1

a/ Includes both the original and revised Section 235 programs.

Mortgage and Loan Insurance Programs

ESTIMATED LOSSES ANTICIPATED FOR MORTGAGES AND PROPERTIES ON HAND SEPTEMBER 30, 1979 (cont.)

	ASSIGNED MORTGAGES AND ACQUIRED PROPERTIES ON HAND, 9-30-79		ESTIMATE OF LOSS ON ACQUIRED SECURITY ON HAND	PERCENT OF ESTIMATE ESTABLISHED TO COST
	UNITS	AMOUNT	(Dollars in Thousands)	
Multifamily Mortgages Assigned				
Sec. 207	31,054	$248,062	$85,651	34.5
Sec. 213	1,171	5,945	3,923	66.0
Sec. 231	4,969	32,339	17,301	53.5
Sec. 232	8,377	63,478	22,460	35.4
Sec. 220	14,334	224,600	104,316	46.4
Sec. 221	98,055	1,211,776	601,003	49.6
Sec. 223(d)	220	1,005	430	42.8
Sec. 233	227	1,704	713	41.8
Sec. 234	643	3,928	1,324	33.7
Sec. 241	190	81	37	45.7
Sec. 242	300	10,886	6,307	57.9
Sec. 608	10,192	32,999	5,852	17.7
Sec. 803	273	796	163	20.5
Sec. 810	243	776	421	54.3
Sec. 908	1,447	2,558	514	20.1
Sec. 1002	...	336	137	40.8
Sec. 213(k)	1,611	8,690	4,039	46.5
Sec. 223(d)-SRI	127	150	64	42.7
Sec. 223(e)	1,069	13,919	5,749	41.3
Sec. 235	86	670	284	42.4
Sec. 236	45,003	611,755	334,020	54.6
Subtotal	219,591	2,476,453	1,194,708	48.2
Multifamily Properties Acquired				
Sec. 207	5,502	43,457	12,447	28.6
Sec. 213	337	6,223	4,336	69.7
Sec. 231	477	6,378	1,974	31.0
Sec. 232	1,076	14,315	5,852	40.9
Sec. 220	1,555	26,893	9,368	34.8
Sec. 221	20,103	349,457	207,396	59.3
Sec. 233	477	7,161	1,695	23.7
Sec. 241	...	60	54	90.0
Sec. 608	3,437	16,966	10,509	61.9
Sec. 1101	2	1,724	862	50.0
Sec. 213(k)	332	2,654	743	28.0
Sec. 223(e)	80	1,457	656	45.0
Sec. 236	9,916	177,585	106,669	60.1
Subtotal	43,294	654,330	362,561	55.4
Total, Multifamily Mortgages and Properties	262,885	3,130,783	1,557,269	49.7
Total, Home and Multifamily Mortgages and Properties	296,113	3,831,402	1,964,535	51.3

Mortgage and Loan Insurance Programs

PROGRAM HIGHLIGHTS BY FUND

For budget and financial purposes, the mortgage and loan insurance activities of the Department are grouped under current legislation into four separate insurance funds. These funds are titled: the Mutual Mortgage Insurance Fund, the Cooperative Management Housing Insurance Fund, the Special Risk Insurance Fund and the General Insurance Fund. However, each fund is treated as a separate entity in terms of income, expenses and net reserve position.

1. Mutual Mortgage Insurance Fund

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Millions)		
Applications (units)	775,194	652,000	691,330	671,860	-19,470
Mortgage Insurance Written:					
Units	395,761	307,147	364,321	365,741	+1,420
Amount	$15,026	NA	$14,411	$15,396	+$985
Government Equity	2,399	$2,565	2,568	2,814	+246
Mortgage Activity (units)					
Assignments	2,153	209	1,553	...	-1,553
Conversions and Liquidations	315	333	263	532	+269
On Hand, end of year ..	5,745	5,162	7,035	6,503	-532
Property Activity (units)					
Acquisitions	9,124	11,408	11,405	11,692	+287
Sales	10,882	10,768	11,846	11,725	-121
On Hand, end of year ..	10,294	9,634	9,853	9,820	-33

The Mutual Mortgage Insurance Fund is the largest of the four insurance funds and includes the Section 203 Basic Single Family Mortgage Insurance Program. Mortgagors under this program are entitled, at termination of their mortgages, to a rebate of premiums paid into the Fund that are not required for expenses or losses. Through September 30, 1979, such rebates to homeowners totaled $523.7 million.

The volume of insurance to be written during 1980 and 1981 is expected to represent approximately 54 percent of the applications received during those years because of the anticipated lag between receipt of applications and endorsement of the insurance contracts and because applications are expected to either drop out during processing or be converted to programs included under other insurance funds such as the Section 235 program.

Mortgage and Loan Insurance Programs

The changes occurring in government equity in this fund follow:

MUTUAL MORTGAGE INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Income	$488,097	$533,033	$549,924
Expense	-263,581	-293,700	-233,188
Increase (-) or Decrease (+) In Valuation Allowances			
Allowance for Estimated Future Losses on Acquired Properties and Notes	-19,033	-6,936	+3,648
Net Income	205,483	232,397	320,384
Participation Payments and prior year Adjustments	-56,224	-69,000	-75,900
Reimbursements for Properties transferred to the Urban Homesteading Program	3,748	6,000	1,500
Increase in Government Equity	153,007	169,397	245,984
Balance of Government Equity	2,398,597	2,567,994	2,813,978

2. Cooperative Management Housing Insurance Fund

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Millions)		
Applications (units)	298	460	300	310	+10
Mortgage Insurance Written:					
Units	261	375	120	111	-9
Amount	$7	NA	$3	$3	...
Government Equity	21	$25	21	21	...
Mortgage Activity (units)					
Assignments	...	...	...	...	...
Conversions and Liquidations	...	...	135	135	...
On Hand, end of year	1,611	1,611	1,476	1,341	-135
Property Activity (units)					
Acquisitions	...	...	135	135	...
Sales	38	...	46	120	+74
On Hand, end of year	332	370	421	436	+15

The Cooperative Management Housing Insurance Fund also is a mutual fund and provides mortgage insurance for management-type cooperatives and supplementary loans under Section 213. Participation payments totaled $41.9 million through September 30, 1979.

Mortgage and Loan Insurance Programs

Mortgage insurance applications for only 298 units were received under the Section 213 cooperative housing program in 1979 and are expected to continue at approximately 300 units in 1980 and 1981, respectively. Insurance activity in 1979 resulted from the outstanding balance of commitments issued earlier. Through September 30, 1979, $956 million of insurance had been written covering 75,434 Section 213 units of which $697.6 million remained outstanding as of September 30, 1979.

The changes occurring in government equity in this fund follow:

COOPERATIVE MANAGEMENT HOUSING
INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Income	$5,624	$5,562	$5,542
Expense	-1,514	-1,684	-1,916
Increase (-) or Decrease (+) In Valuation Allowances			
Allowance for Estimated Future Losses on Acquired Properties and Notes	-308	+12	+13
Net Income	3,802	3,890	3,639
Participation Payments and Prior Year Adjustments	-6,061	-4,000	-4,000
Increase in Government Equity	-2,259	-110	-361
Balance of Government Equity	21,360	21,250	20,889

3. Special Risk Insurance Fund

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Millions)				
Applications (units)a/	190	...	...	...	...
Mortgage Insurance Written:					
Units	24,447	30,916	35,876	49,449	+13,573
Amount	$737	NA	$1,243	$1,813	+$569
Government Equity	-1,395	-$1,513	-1,541	-1,652	-111
Mortgage Activity (units)					
Assignments	2,428	990	2,700	1,720	-980
Conversions and Liquidations	3,882	7,330	5,859	6,096	+237
On Hand, end of year	48,658	39,325	45,499	41,123	-4,376
Property Activity (units)					
Acquisitions	8,142	14,274	12,433	12,640	+207
Sales	9,995	16,500	14,924	14,356	-568
On Hand, end of year	16,339	13,853	13,848	12,132	-1,716

a/ Applications for insurance usually are received under other programs (e.g. Sections 203 and 221(d)(2)) under the Mutual Mortgage Insurance and the General Insurance Funds initially and transferred to the Section 235 and other programs under the Special Risk Fund at the commitment or endorsement stages.

Mortgage and Loan Insurance Programs

The Special Risk Insurance Fund was created by the Housing and Urban Development Act of 1968 to finance mortgage insurance operations for: mortgages in older, declining urban areas which otherwise would not be eligible for mortgage insurance (Section 223(e)); on behalf of high-risk mortgagors who would not be eligible for mortgage insurance, but who could become acceptable credit risks with housing counseling (Section 237); on behalf of mortgagors receiving interest reduction payments (Sections 235 and 236); and on mortgages covering experimental housing where strict adherence to State or local building regulations is not observed (Section 233).

The National Housing Act, as amended, provided for the transfer of $20 million from the General Insurance Fund since operating costs generally exceed income from fees and premiums during the first few years a new insurance program is in operation. In 1969, the first year of operations, the Special Risk Insurance Fund was capitalized with $5 million advanced from the General Insurance Fund. An additional $10 million was advanced in 1970 and $5 million in 1971 for a total of $20 million as authorized.

The Act also authorized appropriations to cover insurance losses to this Fund because of the high risk nature of the mortgages to be insured under this Fund. Prior to 1976, excess funds needed to pay insurance claims were borrowed from the U.S. Treasury. These borrowings totaled $2,031 million as of September 30, 1976. In 1976, $100 million was appropriated to this Fund and an additional $623.2 million was appropriated in 1977. As a result of using the 1977 appropriations to reduce the outstanding Treasury debt, Treasury borrowings were reduced to a cumulative total of approximately $1,617.2 million. During 1978, an additional $195 million was borrowed raising the outstanding Treasury debt to $1,812.2 million. No additional funds were borrowed in 1979. It is estimated that $40 million will need to be borrowed in 1980 and $10 million will be repaid in 1981. The Budget projects cumulative estimated losses of $1,942.8 million by the end of 1981 on acquired properties.

The changes occurring in government equity in this fund follows:

SPECIAL RISK INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Income	$72,598	$72,506	$76,677
Expense	-326,064	-361,043	-356,527
Increase (-) or Decrease (+) In Valuation Allowances			
Allowance for Estimated Future Losses on Acquired Properties and Notes	+21,745	+37,169	+39,551
Net Loss	-231,721	-251,368	-240,299
Prior Year Adjustments	2,946	...	...
Appropriation	188,197	102,278	128,590
Reimbursement for properties transferred to the Urban Homesteading Program	1,882	3,020	799
Increase or Decrease in Government Equity	-38,696	-146,070	-110,910
Balance of Government Equity (deficit)	-1,394,523	-1,540,593	-1,651,503

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Mortgage and Loan Insurance Programs

Through September 30, 1979, insurance claims and net holding costs for mortgages covered by the Special Risk Insurance Fund totaled about $3,668 million as follows:

CLAIMS AND HOLDING COSTS AS OF SEPTEMBER 30, 1979

PROGRAM	UNITS	CLAIMS AND HOLDING COSTS (In Thousands)
Section 223(e)-Urban Area Housing	43,776	$731,114
Section 223(d) 2 year operating loss	127	134
Section 235-Homeownership Assistance	91,371	2,027,566
Section 236-Rental Housing Assistance ...	66,904	888,062
Section 237-Special Credit Assistance ...	999	20,998
Section 233(a)(2)-Experimental Housing ..	2	19
Total	203,179	3,667,893

Actual and estimated losses on insurance claims covering a cumulative 220,717 units and totaling $1,942.8 million or an average loss of about $8,802 per unit are expected as of September 30, 1981. Actual losses can be determined only on properties and mortgages sold. Of the 203,179 units on which claims were paid through September 30, 1979, 138,182 units were sold as of September 30, 1979 which resulted in a realized loss of $1,141.3 million or $8,259 per unit. Actual and estimated losses through 1981 follow:

ACTUAL AND ESTIMATED LOSSES ON ESTIMATED INSURANCE CLAIMS THROUGH FISCAL YEAR 1981

	UNITS	LOSSES (In Millions)
Actual losses on cumulative property sales and liquidation of mortgage notes through September 30, 1979 a/ ..	138,182	$1,141.3
Estimated losses on properties and mortgages to be sold during 1980	14,924	158.8
Estimated losses on properties and mortgages to be sold during 1981	14,356	150.7
Estimated losses on properties and mortgages estimated to be on hand September 30, 1981	53,255	492.0
Total Actual and Estimated Losses Cumulative through September 30, 1981	220,717	1,942.8

a/ Net of reimbursements received from the Urban Homesteading appropriations. Excludes discount on the sale of Purchase-Money Mortgages.

Mortgage and Loan Insurance Programs

4. General Insurance Fund

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Millions)		
Applications (units)	166,122	210,350	169,370	176,830	+7,460
Mortgage Insurance Written:					
Units	138,257	169,833	139,650	151,147	+11,497
Amount	$3,433	NA	$3,633	$4,183	+$550
Government Equity	-1,103	-$1,177	-1,266	-1,354	-88
Mortgage Activity (units)					
Assignments	8,490	9,013	11,801	10,980	-821
Conversions and Liquidations	11,210	14,730	16,745	16,831	+86
On Hand, end of year ...	174,260	167,632	169,316	163,465	-5,851
Property Activity (units)					
Acquisitions	13,681	19,421	21,885	22,338	+453
Sales	17,296	23,200	19,513	27,286	+7,773
On Hand, end of year ...	38,874	33,322	41,246	36,298	-4,948

The General Insurance Fund incorporates the greatest number of programs with almost 40 home and multifamily programs although it is not the largest of the insurance funds in volume of activity. It includes programs for the insurance of loans on property repairs and improvements; on basic and special purpose multifamily housing; on urban renewal, middle income and armed forces housing; and on war and defense housing. Insurance of loans for land development, group practice medical facilities and nonprofit hospitals also are included in this fund as well as insurance of supplemental loans for the financing of improvements and additions to multifamily projects, nursing homes and group practice medical facilities. The major program included in this fund is Section 221 moderate income housing with 94,594 units insured in 1979, including 25,251 home units and 69,343 multifamily units.

As a result of the processing of Section 8 and Targeted Tandem projects for insurance under the Sections 221(d)(3) and (d)(4) programs, the number of applications for insurance are expected to increase during 1981 by almost 7,500 units over 1980 and over 10,000 units above the 1979 level for a total of 176,830 units in 1981.

Analysis of Government Equity. Government equity was in a deficit position of nearly $1,103 million at the end of 1979. Operations in 1980 and 1981 are expected to result in increasing the cumulative deficit to approximately $1.4 billion by the end of 1981. The changes occurring in government equity in this fund follows:

Mortgage and Loan Insurance Programs

GENERAL INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Income	$183,315	$190,611	$207,231
Expense	-425,259	-442,919	-481,435
Increase (-) or Decrease (+) In Valuation Allowances			
Allowance for Estimated Future Losses on Acquired Properties and Notes	+20,827	-5,828	+45,671
Net Loss	-221,117	-258,136	-228,533
Prior year adjustments	243	...	...
Appropriation	164,093	92,572	140,050
Reimbursement for Properties transferred to the Urban Homesteading Program	1,548	2,480	632
Decrease in Government Equity	-55,233	-163,084	-87,851
Balance of Government Equity (deficit)	-1,103,115	-1,266,199	-1,354,050

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING FOR THE ELDERLY OR HANDICAPPED PROGRAM
(Section 202)

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Reservations					
Units	22,525	19,700	20,440	18,800	-1,640
Amount	$815,345a/	$800,000	$839,016a/	$830,000	-$9,016
Construction Activity (Units)					
Starts	23,860	20,300	18,000	18,000	...
Completions	9,320	28,750	23,500	18,000	-5,500
Annual Limitation on Lending					
Net Loan Limitation	$800,000	$800,000	$830,000	$830,000	...
Gross Loan Limitation	NA	NA	NA	895,000	NA
Budget Authority	786,000	800,000	803,205	780,070	-23,135
Budget Outlays	459,382	700,000	700,000	700,000	...

a/ Includes carry-over balances of $24,361 thousand of which $15,345 thousand were used in 1979 and $9,016 thousand are estimated to be used in 1980.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

Net loan reservations of $830 million are proposed for 1981, including at least $50 million for housing designed expressly for nonelderly handicapped persons. This would fund approximately 18,800 units of which at least 1,132 units would be for nonelderly handicapped persons.

Beginning in 1981, commitment activity under the Section 202 program will be subject to the limitations of the Federal Credit Control System which provides for changing the accounting basis of all direct loan programs from a net to a gross basis. Therefore, appropriation language is being proposed to limit the amount of gross commitments in addition to the limitation on net loan commitments. The 1981 Budget, therefore, also provides a limitation on gross loan commitments of $895 million which includes the use of up to $65 million in estimated 1981 recaptures from prior year reservations.

The Budget also reflects a revision of budget authority calculations as defined by the Congressional Budget and Impoundment Control Act of 1974, particularly as applicable to programs funded by means of borrowing authority. Through 1980, budget authority was calculated on the basis of the annual loan level approved in appropriation acts, irrespective of the level of Treasury borrowing required or the amount of receipts or other income becoming available during the year. However,

beginning with the 1981 Budget, budget authority is being calculated on the basis of the amount of new borrowing authority required to support the budgeted loan level, offset by the availability of collections (loan repayments and interest income) to the Section 202 Loan Fund.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The increase in the 1980 net loan limitation is the direct result of the $830 million provided in the 1980 HUD-Independent Agencies Appropriation Act which is an increase of $30 million over the budget request. The reservation level also reflects the expected reuse of $9,016 thousand of cancelled or uncommitted prior year authority carried over from 1979. Unit reservations, however, are estimated to increase only slightly to 20,440 units from the 19,700 units previously estimated. This estimated increase is based on an increase in per unit cost estimates for 1980 which have been adjusted to reflect the 1979 experience. The 1980 Budget estimates assumed that per unit costs would average $40,600. However, it now is projected that unit costs will average $41,000 during 1980.

Construction starts and completions now are estimated to be lower than projected in the 1980 Budget because of cancellations in 1979 of reservations made in prior years. The reuse of the recaptured authority resulted in fewer units being reserved than had been recaptured because of increased costs. Consequently, the 1980 estimated starts now are anticipated to be somewhat lower because there are fewer units in the development pipeline.

The change in budget authority is a result of the change in the concept of budget authority which is being used for the first time in 1980.

The outlay estimate for 1980 does not change with the increase in the loan reservation level inasmuch as it is based largely on construction starts which occurred prior to 1980.

EXPLANATION OF INCREASES AND DECREASES

The estimated decrease of 1,640 unit reservations is attributable to the projected change in the average per unit cost of $44,200 for 1981 which is $3,200 higher than the estimated cost for 1980.

Construction starts during 1981 are projected at 18,000 units which is approximately the annual rate of reservation activity projected for 1981. However, completions are projected to decrease slightly to 18,000 units during 1981 as a result of fewer unfinished units in the pipeline.

Budget authority, under the revised concept discussed above, will decrease as a result of revised collections during 1981.

PROGRAM DESCRIPTION

The Housing for the Elderly or Handicapped Program was authorized by Section 202 of the Housing Act of 1959, as amended. The original program provided direct Federal loans at three percent interest for the construction, rehabilitation or alteration of rental housing for the elderly or handicapped whose incomes were above the level set for admission to Public Housing, but below that needed to pay rent for adequate private housing. With the enactment of the Section 236 Rental Housing Assistance program, no new loans were reserved under the original Section 202 program after 1970.

Housing for the Elderly or Handicapped Program

Section 210 of the Housing and Community Development (HCD) Act of 1974, as amended, revised the program by:

1. Providing for direct loans at interest rates based on the Treasury's average borrowing rate on all debt, plus an allowance to cover administrative costs and possible losses.

2. Providing for Treasury borrowing to fund lending activity instead of appropriations as had been the case prior to the 1974 Act. The cumulative Treasury borrowing authorized was $3.3 billion through 1979 and was increased in the HCD Amendments of 1979 to $3,827.5 million for 1980, $4,777.5 million for 1981 and $5,752.5 million for 1982. The aggregate Treasury borrowing authority utilized in excess of $800 million, however, must be released in annual appropriation acts.

3. Limiting the aggregate loans to be made in any fiscal year to amounts approved in appropriation acts.

4. Directing that the program be utilized in conjunction with the Section 8 Housing Assistance Payments program by requiring that the availability of monthly assistance payments under Section 8 be considered when determining project feasibility and marketability. The budget assumes that all loan approvals will involve Section 8 program assistance.

5. Allowing the reuse of cancelled or uncommitted prior year budget authority.

6. Directing that beginning with 1979 at least $50 million shall be made available for housing for nonelderly handicapped persons.

7. Directing, also, that project unit costs not be determined by the mortgage limits applicable to housing projects insured under Section 231 of the National Housing Act, Housing for Elderly Persons mortgage insurance program. Cost limits which were established in 1978 for the Section 202 program are being revised for 1980. It is expected that the costs generally will be increased by twenty percent.

Pursuant to the Housing and Community Development Amendments of 1978, the 1980 and 1981 budget estimates include $50 million as a minimum for units to be designed exclusively for nonelderly handicapped persons. Included in the setaside for 1980 is $25 million for a demonstration program of housing for the chronically mentally ill which has been initiated by HUD in cooperation with the Department of Health and Human Services. This interagency demonstration targets Federal funds to meet the housing and support services needed by mentally ill persons to enable them to live independently in the community.

The funds set aside for nonelderly handicapped persons ensures that the Section 202 program is not targeted primarily to the large elderly, nonhandicapped population. In addition, it provides funding for housing which can be utilized to demonstrate innovative methods of meeting the special needs of the nonelderly handicapped by providing a variety of housing options ranging from small group homes to independent living complexes. The housing to be constructed is required to provide for access to the community-at-large, including employment opportunities.

Housing for the Elderly or Handicapped Program

PROGRAM ELIGIBILITY

The Section 202 program is limited to nonprofit organizations who sponsor the construction and management of housing projects to serve elderly or handicapped families and individuals. The housing projects must be designed to provide an assured range of necessary services for the occupants of such projects. These services include: health, continuing education, welfare, recreation, counseling, referral, transportation to social services, and means to encourage and assist occupants to use the services and facilities made available. Projects also may include essential service facilities such as dining facilities, community rooms and small health treatment centers. In addition, the cost of "movables" such as equipment for on-site management offices, lounges, lobbies, and kitchen and related areas are eligible items for inclusion in project costs. The inclusion of such related facilities is restricted to essential services in order to keep units within the "Fair Market Rent" limits.

Loan authority is assigned on a geographic basis among the ten HUD Regions and in conformance with the requirements of Section 213(d) of the HCD Act of 1974. Factors considered in the assignment of authority include:

-- The number of households with head or spouse age 62 years or older;

-- Eligible households occupying units lacking one or more plumbing facilities;

-- Eligible households with incomes below Regionally adjusted poverty levels; and

-- Average housing cost factors within each Region.

Once loan authority is assigned to the Field Offices, invitations for applications are published. The review of applications focuses on the financial capability of the applicants as well as their previous experience with housing or related facilities. Sponsors are required to show at the time of application that they have selected a site for the project and have either purchased it or have an option to purchase it.

Included in the review of the applications is the analysis of the sufficiency of working capital available to finance the organization, planning and completion of project construction and to provide operating reserves during the start-up of projects. This includes one-half of one percent of the loan, not to exceed $10,000. Along with financial resources, applicants are expected to demonstrate that they have the capacity to successfully manage a project and provide the special services which are required by elderly or handicapped persons. Unused funds may be repaid to the sponsor after the end of the third year of operation once initial occupancy is achieved and the successful operation of the project is assured. Additional assistance during the crucial start-up period is available through the Section 106(b) Nonprofit Sponsor Assistance Loan program which makes available interest-free loans to nonprofit sponsors. These "seed money" loans are available to defray some of the start-up costs associated with project planning and are repaid by the sponsor utilizing the initial proceeds of the Section 202 construction loan.

Once a project is approved for both a Section 202 direct loan and Section 8 assistance, the project sponsor can commence construction. During this stage, funds are disbursed to the borrower based on work completed and in place.

Housing for the Elderly or Handicapped Program

PROGRAM ACTIVITY

A total of 22,525 unit reservations were made in 1979 and it is expected that reservations will be made for 20,440 units in 1980 and 18,800 units in 1981. Construction was started on 23,860 units in 1979 and is expected to level at 18,000 units in 1980 and 1981, respectively. This is expected to produce completions of 23,500 units in 1980 and 18,000 units in 1981.

The following table reflects the estimated reservation and construction activities through 1981:

ESTIMATED UNIT RESERVATION AND CONSTRUCTION ACTIVITIES

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
		(In Units)	
Reservations on hand, start of year	44,600	43,265	45,705
Reservations made during year	22,525	20,440	18,800
Reservations on hand during year	67,125	63,705	64,505
Construction started during year	23,860	18,000	18,000
Unstarted reservations on hand, end of year	43,265	45,705	46,505
Under construction, start of year	26,390	40,930	35,430
Construction started during year	23,860	18,000	18,000
Under construction during year	50,250	58,930	53,430
Construction completions during year ...	9,320	23,500	18,000
Under construction, end of year	40,930	35,430	35,430

PROGRAM FINANCING

The Section 202 loan program is financed by a combination of borrowing authority and net income including loan repayments. Through 1979, $3.3 billion has been authorized to be borrowed from the Treasury. The HCD Amendments of 1979 increased these amounts to $3,827.5 million for 1980, $4,777.5 million for 1981 and $5,725.5 million for 1982. Cumulative net loan reservations through 1981 are estimated to total $4.8 billion. In addition, cash fund balances available at the start of the revised program and net income received thereafter will reduce the need to finance these reservations with available borrowing authority by an estimated $295 million. The balance of borrowing authority remaining at the end of 1981 and available for use in subsequent years is estimated to be approximately $262 million.

Housing for the Elderly or Handicapped Program

The following table reflects the status of available borrowing authority through 1981:

STATUS OF BORROWING AUTHORITY

	CUMULATIVE 9/30/78	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
		(Dollars in Thousands)		
Statutory Borrowing Authority				
Balance of borrowing authority, start of year	NA	$241,325	$367,825	$92,120
Additional authority made available	$2,387,500	912,500	527,500	950,000
Total statutory authority available ..	2,387,500	1,153,825	895,325	1,042,120
Change in Availability				
Net income and loan repayments	179,464	29,345	35,811	49,930
Program reservations	-2,345,633	-815,345 a/	-839,016 a/	-830,000
Cancellation of prior year reservations	19,994	...	...	...
Net use of borrowing authority (budget authority)	-2,146,175	-786,000	-803,205	-780,070
Balance of borrowing authority, end of year .	241,325	367,825	92,120	262,050

a/ Includes $15,345 thousand for 1979 and $9,016 thousand for 1980 funded from cancellations of prior year reservations.

Note: Net income, loan repayments and cancellations of prior year reservations reduce the amount of borrowing authority required to be used and, therefore, increase the available balances. The restoration of prior year authority will decrease the available balances.

Amounts reserved for projects are not actually borrowed from the Treasury until the development of projects advance to the construction stage. Therefore, the funds actually borrowed from the Treasury to be used for loan disbursement are substantially less than the total amount of borrowing authority required to finance loan reservations. It currently is estimated that approximately 12 to 18 months expire after funds are reserved and before construction starts. The construction period can last from approximately 18 to 24 months. During this period of time, funds are borrowed from the Treasury for construction expenses to the extent that net income resulting from prior year investments and loans is insufficient for this purpose.

USE WITH OTHER HUD PROGRAMS

As noted earlier, the revised Section 202 program is administered in conjunction with the Section 106(b) Nonprofit Sponsor Assistance program and the Section 8 Housing Assistance Payments program. In addition, a Congregate Services demonstration program is being conducted in existing and newly constructed Section 202 projects starting in 1980 .

Housing for the Elderly or Handicapped Program

1. Section 106(b) Nonprofit Sponsor Assistance Program. Section 106(b) loans provide a portion of the start-up funds which many nonprofit sponsors lack for such costs as preliminary surveys and market analysis, preliminary site engineering and architectural fees, site control, and application and mortgage commitment fees. These loans are interest-free and may be used to cover the costs of planning or obtaining initial financing for the construction or rehabilitation of Section 202 projects. To ensure the likelihood of financial stability, Section 106(b) loans may not exceed 80 percent of the total eligible start-up costs. In addition, program regulations limit loan approvals to a maximum of $50,000 each for Section 202 projects. The sponsor must provide at least 20 percent of the start-up costs which are repaid from the initial proceeds of the Section 202 loan. The two programs are used in tandem to provide maximum assistance to nonprofit sponsors. The details of this assistance are discussed separately in the Nonprofit Sponsor Assistance section of these Justifications.

2. Section 8 Housing Assistance Payments Program. In authorizing the revised Section 202 program, the Housing and Community Development Act of 1974 specifically provided that the program be used in conjunction with the Section 8 program and directed that the availability of Section 8 assistance payments be considered when determining Section 202 project feasibility and marketability.

Since the Department is required to make Section 8 assistance available for all Section 202 projects, Section 8 authority is assigned to the HUD Regions based on a separate "fair share" formula and is available contingent upon nonprofit sponsors applying for it. Applications for Section 202 and Section 8 assistance are processed on a coordinated basis by HUD field staff.

Section 8 assistance is provided in order to assure the low- and moderate-income character of a Section 202 project. Section 202 loans are made at a rate of interest based on the average yield of all outstanding Treasury obligations. For 1980, it is estimated that the interest rate will be 8.0 percent. In addition, the legislation authorizes that an amount up to one percent may be added for administrative expenses and allowances for losses. HUD adds the full one percent during construction and, after completion, the fee is reduced to one-half of one percent. Since housing projects financed at this rate would tend to exclude low- and moderate-income families and individuals, Section 8 assistance is provided for the purpose of making Section 202 housing available to such families.

The following table reflects Section 202 reservation activity in conjunction with Section 8 assistance:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Units not reserved under Section 8, start of year	8,645	5,802	...
Units cancelled	-677	...	...
Unit reservations during year	22,525	20,440	18,800
Units reserved under Section 8 during year	-24,691	-26,242	-18,800
Units not reserved under Section 8, end of year	5,802	...	...

The details of Section 8 assistance are discussed separately in the Annual Contributions for Assisted Housing section of these Justifications.

3. Congregate Services Program. A Congregate Services program is being conducted in existing and newly constructed Section 202 projects on a demonstration basis starting in 1980 pursuant to authority provided in the Housing and Community Development Amendments of 1978. The demonstration program includes full meal services and those additional supportive services such as housekeeping aid, personal assistance or other services deemed essential for temporarily disabled, handicapped elderly, or other handicapped persons to maintain independent living standards and aid in preventing premature or unnecessary institutionalization. The details of this assistance are discussed separately in the Congregate Services program section of these Justifications.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

NONPROFIT SPONSOR ASSISTANCE PROGRAM
(Section 106(b))

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Loan Reservations					
Number of loans	85	71	71	71	...
Number (net)	$1,936	$3,550	$2,130	$2,300	+$170
Balance available in Loan Fund, end of year ..	4,299	44	3,575	3,104	-471
Annual Limitation on Lending	NA	NA	NA	2,300	+2,300
Budget Outlays (net).....	687	1,993	668	421	-247

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for 1981. However, under the new Federal Credit Control System, appropriation language is proposed to limit loan obligations to $2.3 million in 1981. The proposed program level will be funded from balances available in the Nonprofit Sponsor Assistance Fund obtained from previous appropriations and from loan repayments. The funds are utilized to finance "seed money" loans for selected projects that receive permanent financing under the Section 202 Housing for the Elderly or Handicapped program.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The estimated number of loans is the same as the 1980 Budget estimate. However, the average loan amount has been reduced to reflect the average amount of recent "seed money" loans. As a result of this reduced average, the total dollar requirement for loans in 1980 has been reduced. The decrease in estimated outlays reflects the impact of the lower amount of estimated loan reservations.

EXPLANATION OF INCREASES AND DECREASES

The budget assumes the same number of loan reservations in 1981 as in 1980, but the loan amount has been increased slightly for inflation. The decrease in net outlays reflects a higher level of loan repayments resulting from prior reservations which will offset loan disbursements. The reduction in the balance estimated to be available in the loan fund is based on the assumption that 1981 loan reservations will exceed repayments.

Nonprofit Sponsor Assistance

PROGRAM DESCRIPTION

Section 106(b) loans were authorized initially under the Housing and Urban Development Act of 1968 and provide a portion of the start-up costs which many non-profit sponsors traditionally lack. These loans are interest free and may be used to cover the costs of planning for the construction or rehabilitation of federally assisted housing units. Included among the eligible costs are such items as preliminary surveys and market analyses, preliminary site engineering, architectural fees, site control, and application fees. Under certain conditions, these loans also may be used for site acquisition.

To ensure the likelihood of financial stability, Section 106(b) limits the amount of the loan to 80 percent of the total eligible start-up costs with the project sponsor providing the other 20 percent. In addition, program regulations limit loan approvals to a maximum of $50,000 for each project. The start-up costs are repaid from the initial proceeds of the Section 202 loan.

Under the original legislation, loans were limited to nonprofit sponsors. The Housing and Community Development Act of 1974 amended this provision to permit loans to public housing agencies. Program regulations, however, limit loan eligibility to private nonprofit sponsors of Section 202 projects.

PROGRAM ACTIVITY

Loan reservation activity under this program is contingent upon need consistent with approvals under the Section 202 program and limited to funds which are available in the revolving account. Beginning in 1981, it is proposed that appropriation act limitations also be imposed consistent with the Government-wide Federal Credit Control System. Construction activity which results from these loans is discussed in the section of this volume pertaining to the Section 202 program.

In 1979, gross loans averaged about $25,400 per project. For 1980, it is estimated that loans will average about $30,000 per project and in 1981 about $32,400 per project. The status of the Section 106(b) revolving fund follows:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Unobligated balance available, start of year	$5,528	$4,299	$3,575
Loan repayments	695	1,406	1,829
Total available	6,223	5,705	5,404
Recoveries of prior year obligations	12	...	...
Loan reservations (gross)	-1,936	-2,130	-2,300
Unobligated balance available, end of year	4,299	3,575	3,104

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENTAL HOUSING ASSISTANCE PROGRAM
(Section 236)

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Use of Contract Authority					
Reservations (net)	$6,992	$15,775	$14,300	$10,483	-$3,817
Unreserved balance	24,783	...	10,483	...	-10,483
Use of Budget Authority					
Reservations (net)	279,674	630,999	572,000	419,325	-152,675
Unreserved balance	991,325	...	419,325	...	-419,325
Unit Reservations	-85	...	1,500	...	-1,500
Unit Starts	710	...	2,100	...	-2,100
Units Eligible for Payment, End of Year...	541,460	538,000	538,000	533,000	-5,000

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No additional contract or budget authority is required for this program. All authority remaining available is expected to be reserved during 1980 and 1981.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The reduction in the use of contract authority and budget authority from the 1980 Budget reflects the elimination of the estimate for amendments and the current estimate on recapture of authority from prior years.

The reservation estimate for 1980 represents a 1,500 unit increase over the 1980 Budget and is attributable to the carryover from 1979 of the remaining "bona fide commitments" which had been expected to reach reservation and construction start in 1979. These units now are expected to reach both reservation and start during 1980.

EXPLANATION OF INCREASES AND DECREASES

Decreases in the estimated use of authority, unit reservations and construction starts reflect the completion of development activity under the Section 236 program. By the end of 1980, all bona fide commitments are expected to be placed under reservation and all reservations are expected to be under construction.

Rental Housing Assistance Program

PROGRAM DESCRIPTION

1. Original Program. The Section 236 program, as enacted in 1968, provided 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 one percent.

A basic rental charge that was deemed sufficient to meet operating expenses plus debt service expenses at the one percent rate of interest was determined for each unit. Every tenant is required to pay the basic rental charge or 25 percent of income--whichever is higher. This means that while moderate income tenants pay a proportionate share of their income for rent, the expense to the very low income families in Section 236 projects often may exceed 25 percent of income. New contract approvals were discontinued in January 1973, except for "bona fide" commitments outstanding at that time. Amendments to prior contracts also continue to be permitted where necessary.

2. Deep Subsidy Program. The deep subsidy program, authorized by the Housing and Community Development Act of 1974, is designed to aid the very low income families in Section 236 projects by permitting HUD to provide additional subsidies equal to the difference between the basic rent and 25 percent of income for a certain percentage of units. Generally, 20 to 40 percent of the units in a project are deemed eligible, but there are exceptions should the Secretary determine that a higher or lower percentage is needed to assure an adequate income mix for economic viability.

PROGRAM ACTIVITY

By the end of 1980, the Budget assumes that all units in development will have been started. The estimated use of the balance of available Section 236 contract authority follows:

USE OF AUTHORITY	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)	
Bona fide commitments	$5,500	...
Deep subsidy	10,000	$10,983
Recaptures	-1,200	-500
Total use of authority	14,300	10,483

The reservation of authority for bona fide commitments is estimated to be completed in 1980 with the funding of an estimated 1,500 additional units. In addition, authority will be used for the "deep subsidy" program to fund approximately 10,000 units in 1980 and 1981.

Rental Housing Assistance Program

Rental Housing Assistance Fund. Section 212 of the Housing and Community Development Act of 1974, as amended, also included authorization to pay subsidies for certain increased tax and utility costs incurred by projects receiving Section 236 assistance. Prior to 1978, obligations for those subsidies were funded from available Section 236 contract authority. However, the new Troubled Projects (Flexible Subsidy) program precludes the need for the Section 236 tax and utility subsidy program. Starting in 1979, any excess rental collections that continue to be received in the Rental Housing Assistance Fund are transferred to the Troubled Projects (Flexible Subsidy) program account.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Fund balance available, start of year	$5,286	$6,845	...
Excess rental collections	$16,106	$12,000	$12,000
Interest income	...	...	...
Payments for increased tax and utility costs	-2,547	...	...
Transfer to Troubled Projects (Flexible Subsidy) program	-12,000	-18,845	-12,000
Fund balance available, end of year	6,845	...	...
Budget Outlays	65,992	6,084	...

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

STATE HOUSING FINANCE AND DEVELOPMENT AGENCIES
(Section 802)

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Interest Reduction Grants					
Contract Authority					
Rescinded	-$15,000	...	...	...	...
Budget Authority					
Rescinded	-600,000	...	...	...	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget does not request any contract or budget authority for this program in 1981. All contract authority and budget authority were rescinded in 1979 (P.L. 96-7).

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

No program was proposed for 1980 and there are no changes from the original 1980 budget estimates.

EXPLANATION OF INCREASES AND DECREASES

No program is proposed for 1980 or 1981.

PROGRAM DESCRIPTION

Section 802 of the Housing and Community Development Act of 1974 encouraged the formation and operation of State housing finance agencies and State development agencies designed to provide housing and related facilities for families of low- or moderate-income. In addition, the Department was authorized to provide interest reduction grants to States not to exceed 33-1/3 percent of the interest payable on the bonds, debentures, notes or other obligations issued by eligible State agencies. The legislation assumed that funds raised by the State agencies from the sale of such long-term obligations would be used to provide housing and related facilities for low- or moderate-income families. The interest payable on the obligations also would have been subject to Federal taxation in order for the State agencies to be eligible for the Federal subsidy.

Section 802 also authorizes the Secretary to guarantee up to $500 million in bonds, debentures, notes, and other obligations issued by State housing finance and development agencies to finance housing and related facilities in connection with the revitalization of blighted areas. For States to be eligible for the guarantee provisions, the interest on such obligations also would have been subject to Federal taxation. The guarantee provisions have not been implemented and this Budget does not reflect implementation of those provisions in either 1980 or 1981.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

REVOLVING FUND (LIQUIDATING PROGRAMS)

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Repayment of loans, mortgages and advances	$14,605	$96,300	$15,500	$16,500	+$1,000
Interest and other net income	21,304	122,900	20,177	19,411	-766
Redemption of Agency debt	...	400,000	...	...	...
Repayment of investment to Treasury: Cumulative	921,478	911,478	1,071,478	1,121,478	+50,000
Book value of assets (net), end of year	603,144	3,761,750	587,429	524,189	-63,240
Budget Outlays	-4,078	31,758	-2,340	-5,624	-3,284

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is required for the Revolving Fund (Liquidating Programs). Expenses of the Fund are financed from repayments of loans, mortgages and advances.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The 1980 Budget proposed that the College Housing Loan assets be included in the Revolving Fund in 1980. Since this proposal was not approved by the Congress, the financial data on repayments, interest, book value of assets and outlay estimates have been revised accordingly. The College Housing Loan Program is being transferred to the Department of Education in 1980 and data pertaining to the program can be found in the Budget for the Department of Education.

EXPLANATION OF INCREASES AND DECREASES

Repayment of loans, mortgages, and other net income in total is expected to remain generally consistent with the 1980 current estimate.

The estimated net book value is estimated to decrease as assets are liquidated.

An estimated increase in net receipts is anticipated for 1981. Alhough loan repayments, investment, interest and other income are expected to remain relatively constant during 1980 and 1981, the amount to be disbursed against outstanding loan and grant reservations is estimated to decrease in 1981.

Revolving Fund (Liquidating Programs)

FUND DESCRIPTION

The Revolving Fund (Liquidating Programs) was established by the Independent Offices Appropriation Act of 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.

The Assistant Secretary for Housing is responsible for the management of the Fund. However, the Assistant Secretary for Community Planning and Development retains program reponsibility for the Basic Water and Sewer Facilities, Neighborhood Facilities and Open Space Land Grant programs.

PROGRAM ACTIVITY

The following table shows the status of the Revolving Fund for each fiscal year. The unobligated balance at the end of 1981 is estimated to be approximately $79 million.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Source of Funds			
Unobligated balance, start of year	$59,175	$82,246	$105,285
Unobligated balance transferred from the Disaster Assistance Fund	...	150,000	...
Appropriations for Participation Sales Insufficiencies	2,185	1,614	2,109
Other Income:			
Loan and mortgage repayments	14,605	15,500	16,500
Interest and other income	20,414	19,000	18,000
Net investment income from Participation Sales Fund	890	1,177	1,411
Total Source of Funds	97,269	269,537	143,305
Application of Funds			
Obligations incurred	-1,072	7,822	8,021
Unobligated balance transferred to other accounts, net	6,095	6,430	6,770
Repayment to Treasury	10,000	150,000	50,000
Total Application of Funds	15,023	164,252	64,791
Unobligated balance, end of year	82,246	105,285	78,514

Revolving Fund (Liquidating Programs)

1. Summary of Assets. As of September 30, 1979, program assets were approximately $659.9 million with a net book value of $603.1 million after allowances for losses. At the end of 1979, approximately $921.5 million had been recovered and transferred to the Treasury. As authorized by the 1973 HUD Appropriation Act, a net total of $150 million has been transferred to the Disaster Assistance Fund to provide the funding requirements for disaster needs. This Budget provides that the $150 million will be repaid to the Revolving Fund (Liquidating Programs) in 1980 when the Disaster Assistance Fund is liquidated upon reimbursement by the Federal Emergency Management Agency. The Liquidating Programs assets as of September 30, 1979 follow:

	ASSETS (In Millions)
Assets of Programs Included Prior to 1971	
Alaska Housing (Alaska Housing Act of 1949)	$0.8
Aleutian Prefabricated Housing Loans (1946 Act)	0.5
War Public Works (Lanham Act of 1940)	0.7
Defense Community Facilities	0.7
Public Agency Loans (RFC)	2.1
Cash and receivables	9.8
Subtotal, gross assets	14.6
Less allowances for losses	-.3
Subtotal, net book value	14.3
Assets of Programs Included in 1971	
Public Works Planning Advances	41.1
Advance Acquisition of Land	2.3
Alaska Housing (1966 Act)	...
Subtotal, gross assets	43.4
Less allowances for losses	-35.2
Subtotal, net book value	8.2
Assets of Programs Included in 1975	
Basic Water and Sewer Facilities	47.2
Open Space Land	30.5
Neighborhood Facilities	16.7
Public Facility Loans	507.5
Subtotal, gross assets	601.9
Less allowances for losses	-21.2
Subtotal, net book value	580.7
Total Assets of Programs as of September 30, 1979	
Original program assets	14.6
Additional program assets	645.3
Total, gross assets	659.9
Less allowances for losses	-56.8
Total, net book value	603.1

2. Original Program Assets. The programs included in the Revolving Fund by the Independent Offices Appropriation Act of 1955 originally had been capitalized with more than $2.5 billion. However, when the Revolving Fund was established with an effective date of June 30, 1954, net assets had been reduced to $899.6 million. As of September 30, 1979, outstanding assets for the original programs totaled approximately $14.6 million with a net book value of about $14.3 million.

Revolving Fund (Liquidating Programs)

3. Assets of Programs Included in 1971. The Public Works Planning Advances, Advance Acquisition of Land and Alaska Housing programs were terminated at the end of fiscal year 1970 and their assets were transferred into this Fund for liquidation in 1971. The outstanding assets of these programs totaled $43.4 million with a net book value of $8.2 million as of September 30, 1979.

4. Assets of Programs Included in 1975. New approvals for Basic Water and Sewer Facilities, Open Space Land, Neighborhood Facilities and Public Facility Loan programs were discontinued in 1973. The Housing and Community Development Act of 1974 terminated these programs in 1975 and authorized the transfer of program assets into this Fund for liquidation. The program status, outstanding assets and net book value of these programs follows:

a. Basic Water and Sewer Facilities. As of September 30, 1979, a total of 2,435 grant reservations had been approved and there were approximately 52 water and sewer projects to be completed. The gross assets of the program as of September 30, 1979 consisted of $47.2 million of cash balances. Of this amount, $22.7 million was obligated but not disbursed and $.9 million was reserved but not obligated leaving a balance of $23.6 million unobligated and unreserved.

b. Open Space Land. As of September 30, 1979, a total of 4,293 grant reservations had been approved and there were approximately 51 projects to be completed. The gross assets of the program as of September 30, 1979 consisted of $30.5 million of cash balances. Of this amount, $17.7 million was obligated but not disbursed leaving $12.8 million unobligated and unreserved.

c. Neighborhood Facilities. As of September 30, 1979, a total of 822 grant reservations had been approved and approximately 18 facilities remained under development. The gross assets of the program as of September 30, 1979, consisted of $16.7 million of cash balances. Of this amount, $6.9 million was obligated but not disbursed and $4.6 million was reserved but not obligated leaving a balance of $5.2 million unobligated and unreserved.

d. Public Facility Loans. As of September 30, 1979, a total of 1,550 bond issues were being serviced, approximately 4 projects remained under development and gross assets totaled approximately $507.5 million.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

COMMUNITY DISPOSITION

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Repayment of Investment to Treasury:					
In Year	$800	$700	$700	$420	-$280
Cumulative	84,200	84,900	84,900	85,320	+420
Budget Outlays	-551	-540	-500	-420	+80

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is required for the Community Disposal Operations Fund. Expenses of the Fund are financed primarily from interest, the repayment of mortgage notes, and from the income received from outstanding investments.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The estimate of budget outlays (net receipts) to the Fund has been decreased from $540 thousand to $500 thousand based on 1979 experience.

EXPLANATION OF INCREASES AND DECREASES

A dividend of $800 thousand was declared for 1979 producing a cumulative repayment of investment to the Treasury of $84.2 million. Based on current income and expenditures and projected surplus funds, it is expected that repayments of $700 thousand in 1980 and $420 thousand in 1981 will be made to produce a cumulative total of $85.3 million of excess funds to be transferred to the Treasury by September 30, 1981. During 1979, 42 mortgages were paid in full. One additional mortgage is expected to be paid in full during 1981. With a reduced inventory of outstanding mortgages, repayments and other budgetary receipts are projected to decrease by approximately $80 thousand in 1981.

PROGRAM DESCRIPTION

The Community Disposition Program was established by the Atomic Energy Community Act of 1955 to dispose of Federally owned properties at Oak Ridge, Tennessee; Richland, Washington; and, by amendment in 1973, Los Alamos, New Mexico. All sales under the program have been completed and continuing Community Disposition program operations only involve servicing and liquidation of the mortgage portfolio which was acquired from the sale of Atomic Energy Commission properties.

The proceeds of monthly mortgage payments of principal and interest are credited to the Community Disposal Operations Fund. Any amounts in excess of the annual requirements for necessary expenses are transferred to the Treasury.

Community Disposition

PROGRAM ACTIVITY

The status of the Community Disposal Operations Fund for each fiscal year follows:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Source of Funds			
Unobligated balance, start of year ...	$954	$709	$509
Other Income:			
Loan and mortgage repayments	417	370	310
Interest and other income	138	133	113
Total Source of Funds	1,509	1,212	932
Application of Funds			
Capital transfer to Treasury	-800	-700	-420
Loan and property expenses	...	-3	-3
Total Application of Funds	-800	-703	-423
Unobligated balance, end of year	709	509	509

As of September 30, 1979, there were approximately $700 thousand of working capital in the fund and the mortgage portfolio was comprised as follows:

LOCATION	NUMBER OF MORTGAGES	ORIGINAL MORTGAGE AMOUNT	UNPAID PRINCIPAL BALANCE
		(Dollars in Thousands)	
Oak Ridge, Tennessee	1	$4	$1
Richland, Washington	1	36	18
Los Alamos, New Mexico	373	4,162	1,854
Total	375	4,202	1,873

During 1979, the principal on 42 mortgages was paid in full. The one remaining mortgage at Oak Ridge has reached maturity, but has a delinquent principal balance of approximately $1,000. The Budget assumes that this note will be paid in full by the end of 1981. Unless prepaid before the maturity dates, the remaining Richland mortgage will mature by the end of 1992 and the Los Alamos mortgages by 1995.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

DISASTER ASSISTANCE FUND

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Obligations	$20,621	...	...	...	...
Budget Outlays	18,124	...	-$34,936	...	+$34,936

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation has been required for this Fund. Financing has been obtained by authorized transfers from other HUD accounts when necessary to allow immediate response to disaster requirements. In 1979, the disaster assistance functions carried out by the Department were transferred to the Federal Emergency Management Agency (FEMA). This Fund will be liquidated in 1980 upon full reimbursement by FEMA for temporary housing assistance provided by HUD prior to the transfer.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The 1980 Budget contemplated that the Fund would be reimbursed fully by FEMA in 1979 and the account liquidated. This did not occur. Therefore, the current 1980 net budget outlay estimate reflects the anticipated receipt of funds from FEMA to liquidate this Fund.

EXPLANATION OF INCREASES AND DECREASES

The absence of 1981 estimates reflects the anticipated liquidation of this Fund in 1980 after the contributing Revolving Fund (Liquidating Programs) account is repaid.

PROGRAM DESCRIPTION

Section 406 of the 1973 Appropriation Act for the Department of Housing and Urban Development authorized the Secretary to transfer funds from other HUD accounts to establish a fund to finance the initial costs of providing and managing temporary housing pursuant to Housing Mission Assignments as authorized by the Disaster Relief Acts of 1970 and 1974. This Fund, comprised of funds transferred from the Revolving Fund (Liquidating Programs) account, provided necessary financing prior to obtaining reimbursement from the President's Disaster Relief Fund. After the Disaster Assistance Fund is reimbursed by FEMA in 1980, the contributing Liquidating Programs account will be repaid and this Fund will be liquidated.

1. Status of the Fund. As of December 31, 1979, $150 million (net) had been transferred into the Disaster Assistance Fund from the Revolving Fund (Liquidating Programs) and $110 million has been repaid to date in 1980. In 1979, $6,980 thousand was reimbursed by the Federal Disaster Assistance Administration (FDAA) and it is anticipated that an additional $41,381 thousand will be reimbursed by FEMA in 1980.

Disaster Assistance Fund

The status of the Fund follows:

STATUS OF DISASTER ASSISTANCE FUND

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
		(Dollars in Thousands)	
Balance available, start of year	$122,260	$108,619	...
Obligations	-20,621	...	...
Reimbursement from funds appropriated to the President	6,980	41,381	...
Repayment to Revolving Fund (Liquidating Programs) account	...	-150,000	...
Balance available, end of year	108,619	...	...

2. Department Responsibilities for Temporary Housing. Responsibility for disaster preparedness and relief and the provision of temporary housing was transferred from HUD to FEMA in 1979. Prior to that time, the Disaster Relief Act of 1974 authorized the Department to: (1) use its own funds and resources to initiate disaster relief operations pursuant to disaster assistance Housing Mission Assignments; and (2) make and maintain suitable plans and preparations in the event of a major disaster to assure the most effective utilization of personnel, equipment, supplies, facilities, and other resources. Former authorizations for these activities were the Disaster Relief Act of 1970 and Executive Order 11575.

Under Reorganization Plan No. 1 of 1973, effective July 1, 1973, the statutory functions of the Office of Emergency Preparedness (OEP) related to disaster preparedness and relief were transferred to the Secretary of Housing and Urban Development and were delegated to the Administrator of the Federal Disaster Assistance Administration. The Assistant Secretary for Housing was responsible for all activities related to Housing Mission Assignments received from the Administrator.

PROGRAM ACTIVITY

From 1969 through December 31, 1978, 204 Housing Mission Assignments were received and approximately 102,477 families received temporary housing assistance. Of these, almost 101,660 families were rehoused in permanent dwelling units and some 817 families remained in temporary housing.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 1: HOUSING

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
			(Dollars in Thousands)			
TOTAL FUNDING BY OBJECT						
Personal Services....	$195,964	$218,641	$217,550	$215,009	$212,978	-$4,572
Other Services.....	12,602	12,044	12,044	15,974	15,647	+3,603
(Automated Data Processing Services).....	(8,632)	(10,440)	(10,440)	(13,164)	(12,837)	(+2,397)
Furniture and Equipment.....	2,922	2,385	2,385	1,682	1,535	-850
All Other.....	17,647	18,885	18,885	20,448	20,448	+1,563
Total.....	229,135	251,955	250,864	253,113	250,608	-256
Pay increase supplemental included above		(13,577)	(12,486)			
Permanent positions-End of Year.....	8,455	8,179	8,179	7,911	7,911	-268
Staff-Years.....	8,693.5	8,692.3	8,653.3	8,429.3	8,347.3	-306.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $1,091 thousand to reflect a reduction of 39 staff-years which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-year reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $2,031 thousand--from $215,009 thousand to $212,978 thousand--is included in this revised request. The reduction is reflective of the following two actions:

--a reduction of 7,000 housing unit reservations for the Section 235 Home Ownership Assistance during FY 1981 included with the Department's overall amended request results in a 19 staff-year reduction for staff associated with that program. The reduced staffing level results in a reduction of $478 thousand for this activity.

--The possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot be yet be fully assessed. However, a pro-rata share reduction of 63 staff-years has been applied. This would reduce the requirement for personal services funds by $1,553 thousand,--from $214,531 thousand to $212,978 thousand. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Automated Data Processing (ADP) - A reestimate of automated data processing costs, which reflects more recent cost and requirements data, results in a reduction of $327 thousand, from $13,164 thousand to $12,837 thousand. This subject is addressed in greater detail in the section for the Working Capital Fund (WCF), included in Part 3 of the Justification, which addresses overall Departmental ADP requirements.

Equipment - The reduction of $147 thousand, from $1,682 thousand to $1,535 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with each particular Budget Activity of "Salaries and Expenses, HUD" is included under each section of the Justifications. All data are presented on a comparable basis for 1979, 1980 and 1981.

BUDGET ACTIVITY 1: HOUSING PROGRAMS

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity ...	$229,135	$251,532	$251,955	$253,113	+$1,158
Pay increase supplemental included above			(13,577)		
Permanent Positions, End of Year	8,455	8,485	8,179	7,911	-268
Staff-years	8,693.5	8,965.0	8,692.3 a/	8,429.3	-263.0

a/ For comparability purposes, excludes 18 staff-years to support the College Housing Loan program which is being transferred in 1980 to the Department of Education pursuant to P.L. 96-88.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request is for $253,113 thousand and 7,911 positions. This represents an increase of $1,158 thousand and a decrease of 268 positions, respectively, compared with 1980.

The additional funding reflects a net change resulting from a decrease of $3,632 thousand for personal services costs which is consistent with the reduced staffing level together with a net increase of $4,790 thousand for support costs. The additional support costs primarily reflect increased automated data processing services ($2,724 thousand), the provision of Technical Assistance to implement Section 504 of the Rehabilitation Act of 1973 which requires that handicapped persons have equal access to all Federally assisted programs and activities ($900 thousand), and the increased costs of equipment rental and communication ($761 thousand).

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 funding level varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original 1980 estimate	$251,532
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses"	-4,249
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-544
Add October 1979 pay increase	+15,401
Less the transfer of College Housing Loan Program positions to the Department of Education	-382
Less the cost of staffing changes resulting from functional transfers	-2,034
Less the cost of staffing changes due to revised workload estimates	-3,428
Less revised estimate for personal services costs	-6,222
Add revised estimate for support costs	+1,881
Current 1980 estimate	251,955

The changes in funding requirements for FY 1980 are the result of the following:

-- Action by the Congress on the Department's 1980 Budget request for "Salaries and Expenses"

  * A share of the $396,000 Departmentwide reduction from the budget request for travel (-$181,000);

  * A share of the $2 million Departmentwide reduction from the budget request for automated data processing (-$660,000);

  * A share of the general Departmentwide reduction of $6.8 million for "Salaries and Expenses" (132.1 staff-years and -$3,408,000);

-- A share of the additional Departmentwide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by the Congress (P.L. 96-86);

-- the additional funds required to implement the pay increase which became effective during October 1979;

-- the transfer of 34 positions and 18 staff-years to the new Department of Education. The transfer is in accordance with Section 306 of Public Law 96-88 which provides for the transfer of the College Housing Loan program to that Department. The transfer is expected to take place on April 1, 1980 and the staff-years reflect one-half year of activity;

-- a decrease of 111 positions due to functional transfers as follows:

	POSITIONS	FUNDING (Dollars in Thousands)
* the transfer of Wage Requirements Clerks to Field Direction and Operational Support in order to consolidate all wage determination functions under that activity ...	-71	-$1,202
* the transfer of Section 312 Rehabilitation Loan Management functions to Community Planning and Development (CPD) in order to consolidate the Section 312 Rehabilitation Loan program in CPD	-40	-832
Total	-111	-2,034

-- a realignment of staffing due to reduced workload estimates related primarily to Single-Family Mortgage Insurance activities and the Public Housing program which resulted in a reduction of 161 positions and 141 staff-years (-$3,428 thousand);

-- a decrease in personal services cost estimates based on more recent average salaries and benefits data (-$6,222 thousand); and

-- an increase of other objects of expense on the basis of more recent cost and requirements data. The increase principally reflects changes in the requirements for costs of equipment rentals, printing, supplies and equipment (+$1,881 thousand).

ANALYSIS OF INCREASES AND DECREASES

	ESTIMATE 1980	ESTIMATE 1981 (Dollars in Thousands)
Prior year obligations	$229,135	$251,955
Increased pay rates:		
October 1978 raise	+220	...
October 1979 raise	+15,401	+205
Cost of within-grade pay increases	+2,701	+2,935
Cost of two extra days' pay in 1980	+1,658	...
Cost of one less day's pay in 1981	...	-818
Changes in personal services costs principally due to changes in employment and average personal services costs	+2,697	-5,954
Changes in travel costs	-145	+459
Changes in rent and communications costs	+1,095	+761
Changes in printing costs	+229	+242
Changes in special contracts	-2,155	+192
Changes in automated data processing services	+1,808	+2,724
Establishment of a Technical Assistance program ...	...	+900
All other changes	-689	-488
Total obligations	251,955	253,113

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost $15,621 thousand in 1980 and $205 thousand in 1981.

Within-grade increases for employees are estimated to cost $2,701 thousand in 1980 and $2,935 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid compared with 260 days in 1979. The two extra days are estimated to require an additional $1,658 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid compared with 262 days in 1980. The one less day is estimated to require $818 thousand less in 1981.

Changes in personal services costs which reflect changes in both average employment and average personnel services costs result in an increase of $2,697 thousand in 1980 and a decrease of $5,954 thousand in 1981. The increase in 1980 is due principally to increased average personal services costs which result from a significant decrease of temporary staff compared with permanent staff. The 1981 decrease primarily reflects the reduced staffing level.

A decrease of $145 thousand in travel costs during 1980 primarily reflects the reduction in travel funds which have been mandated by the Congress. An increase of $459 thousand in 1981 reflects anticipated cost increases for travel for the staff to be supported.

Increased use and costs of leased office equipment and the increased cost of communications require increases of $1,095 thousand and $761 thousand in 1980 and 1981, respectively.

Increases in the cost of printing require an additional $229 thousand in 1980 and a further increase of $242 thousand in 1981.

The reduction of $2,155 thousand for special contracts in 1980 compared with 1979 principally reflects the awarding of a contract for structural defects evaluations during 1979 which was a large one-time requirement. The increase of $192 thousand in 1981 is related principally to required contracts for the development of Public Housing project-based budget data and increased technical support for Environmental Impact Statements.

Changes in automated data processing requirements and costs result in increases of $1,808 thousand and $2,724 thousand during 1980 and 1981, respectively. The increased funding levels reflect the development of new systems, the enhancement and maintenance of current systems and increased usage as well as increased costs for these services.

An increase of $900 thousand in 1981 is required to initiate Technical Assistance services in order to implement the provisions of Section 504 of the Rehabilitation Act of 1973 which provides that handicapped persons have equal access to all Federally assisted programs and activities.

Changes in requirements and costs for various other support services such as supplies and equipment result in net decreases of $689 thousand in 1980 and $488 thousand in 1981.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The largest part of the Housing administrative expense requirements is for salaries and benefits related to permanent staff. A total of 7,911 permanent full-time (PFT) positions is proposed for Housing in 1981. Of this total, 7,145 positions, or 90 percent, are for field operations and the remaining 766 positions are for Headquarters.

The Housing staff is responsible for performing functions pursuant to legislation which authorizes the Department to enter into contracts for the development and operation of projects for occupancy by low-, lower-, and moderate-income households, to provide direct loans to non-profit sponsors for the development of housing for the elderly or handicapped, and to underwrite mortgage or loan insurance to finance new construction, rehabilitation, modernization, or the purchase of existing dwelling units.

The principal legislation authorizing the listed activities is:

-- The U.S. Housing Act of 1937, as amended, which authorizes payments to local Public Housing Agencies (PHAs) to assist in financing the development and operation of housing for low-income households. The Act also authorizes assistance to lower- or moderate-income households under the Section 8 program;

-- The National Housing Act, as amended, which authorizes the provision of mortgage or loan insurance for single-family and multifamily housing and other related facilities such as nursing homes and mobile home courts. In addition, interest reduction payments are authorized for the Section 235 Homeownership Assistance program and the Section 236 Rental Housing Assistance program;

-- Section 202 of the Housing Act of 1959, as amended, which authorizes direct loans for the development of housing exclusively for the elderly or handicapped; and

-- 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.

The principal functions performed by Housing staff are as follows:

-- Performing preapplication and other activities through to construction completion, executing and closing of contracts and/or mortgages and performing inspections to avoid defects;

-- Developing underwriting standards, actuarial determinations and the establishment of fees and premiums for mortgage insurance for homes and projects and other financial and related assistance authorized by the National Housing Act;

-- Participating in the analysis, review and evaluation of HUD-insured and/or Section 8, Public Housing and other multifamily projects during the construction and occupancy stages;

-- Developing new regulations and issuances and revision of ongoing issuances such as Fair Market Rents (FMRs) and Annual Adjustment Factors for the Section 8 program;

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-- Providing guidance and expertise in the management and modernization of Public Housing projects, including issuance of regulations, monitoring the effectiveness of Public Housing Agency (PHA) management, and use of Operating Subsidies through the PHA operating budget review process;

-- Reviewing and monitoring of multifamily projects, including Section 8 projects, to ensure that appropriate management activities are conducted and resources are used in accordance with approved plans and regulatory agreements;

-- Reviewing and monitoring State Agency administration of Federal housing programs;

-- Conducting periodic management reviews of the Public Housing and Section 8 existing housing and moderate rehabilitation programs covering such areas as: (1) income recertifications, (2) occupancy audits, (3) financial reviews, (4) engineering surveys, (5) maintenance inspections, (6) administrative practices and (7) rent determinations;

-- Servicing HUD-insured and HUD-held mortgages for home and multifamily mortgage insurance programs, negotiating forbearance agreements, handling assignments of mortgages, providing assistance under the terms of the Troubled Projects (Flexible Subsidy) program, liquidation and collection functions under Title I of the National Housing Act and the management and servicing of the Housing for the Elderly or Handicapped Loan program;

-- Performing Property Disposition activities which include supervision of Area and Management Brokers, rehabilitation of acquired properties, management of the property inventory and sale of HUD-owned properties; and

-- Managing and liquidating expired or phased out programs such as servicing mortgages in the Community Disposition program covered under the Atomic Energy Community Act of 1955; and supervision and recovery of assets included in the Liquidating Programs account for Public Works Planning Advances, Public Facility Loans, and other inactive programs.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

2. WORKLOAD

Field staff requirements are related primarily to the development and management activities for the various Housing Programs which are listed on the previous pages. A summary of the key workload indicators for Housing Programs follows:

SUMMARY OF SELECTED WORKLOAD INDICATORS

WORKLOAD INDICATOR	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
DEVELOPMENT ACTIVITIES			
Section 8 Program in Year (Units)			
Reservations	269,707	202,220	258,000
Starts	153,251	140,000	121,000
Completions	207,527	243,000	236,000
Public Housing Program in Year (Units) a/			
Reservations	55,368	38,172	42,000
Starts	21,868	40,000	55,000
Completions	44,372	27,000	39,000
Section 202 Program in Year (Units) b/			
Reservations	(22,525)	(20,440)	(18,800)
Starts	(23,860)	(18,000)	(18,000)
Completions	(9,320)	(23,500)	(18,000)
Mortgage Insurance Applications in Year (Units)			
Home Mortgages c/	796,126	715,000	700,000
Multifamily Mortgages	127,259	127,520	130,150
Non-Housing Mortgages	18,419	18,480	18,850
Section 235 Program in Year (Units)			
Reservations	14,471	25,000	25,000
Starts	8,489	17,500	17,500
Completions (Insurance Endorsements)	13,574	17,050	19,000
MANAGEMENT ACTIVITIES			
Section 8 Program, End of Year			
Projects under management	10,287	13,070	15,770
Units under management	898,441	1,141,000	1,377,000
Public Housing Program, End of Year			
PHAs with units under management	3,000	3,000	3,000
Projects under management	10,750	10,791	11,029
Units under management	1,200,000	1,204,000	1,236,000
Loan/Mortgage Management Activities			
HUD-Insured Mortgages, End of Year			
Homes:			
Mortgages	4,680,640	4,707,482	4,734,477
Units	4,929,650d/	4,957,900	4,986,300
Multifamily:			
Mortgages	15,256	15,754	16,268
Units and other facilities	1,767,739d/	1,825,400	1,926,700

a/ Includes Indian Housing.
b/ Data also included under the Section 8 Housing Assistance Payments program.
c/ Includes coinsurance: 1979, 3,160 units; 1980, 2,820 units; and 1981, 2,730 units.
d/ Estimated.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

SUMMARY OF SELECTED WORKLOAD INDICATORS (cont.)

WORKLOAD INDICATOR	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Loan/Mortgage Management Activities (cont.)			
HUD-Subsidized Units Eligible for Payment, End of Year			
Section 235 Homeownership Assistance	235,187	204,000	196,000
Section 236 Rental Housing Assistance	541,460	538,000	533,000
Rent Supplement	178,891	178,000	154,000
HUD-Assigned Mortgages, End of Year a/			
Homes:			
Mortgages	10,401	12,762	11,180
Units	10,683	13,050	11,447
Multifamily:			
Mortgages	1,654	1,560	1,475
Units	219,591	210,276	200,985
Loan Portfolio, End of Year			
Section 202 Housing for the Elderly or Handicapped:			
Loans outstanding	427	657	837
Units	55,448	78,948	96,948
Title I Home Improvement and Mobile Homes:			
Loans in collection	60,545	63,000	63,000
Property Disposition Activities			
Direct Acquisitions and Mortgage Conversions in Year			
Homes:			
Properties	19,010	24,240	24,886
Units	19,092	24,734	25,390
Multifamily:			
Projects	110	170	173
Units	11,855	21,124	21,415
Sales in Year			
Homes:			
Properties	25,850	25,775	24,950
Units	26,212	26,329	25,487
Multifamily:			
Projects	116	174	243
Units	11,999	20,000	28,000
Inventory on Hand, End of Year			
Homes:			
Properties	22,083	20,548	20,484
Units	22,545	20,950	20,853
Multifamily:			
Projects	397	393	323
Units	43,294	44,418	37,833

a/ Excludes Purchase-Money Mortgages.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

EXPLANATION OF STAFFING REQUIREMENTS

A summary of the permanent full-time positions and staff-year requirements follows:

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions					
Headquarters	777	786	766	766	...
Field Staff	7,678	7,699	7,413	7,145	-268
Total positions	8,455	8,485	8,179	7,911	-268
Staff-years					
Headquarters	870.2	836.0	828.6	828.6	...
Field Staff	7,823.3	8,129.0	7,863.7	7,600.7	-263.0
Total staff-years	8,693.5	8,965.0	8,692.3	8,429.3	-263.0

The reduction of 306 positions for both Headquarters and field operations in the 1980 current estimate compared with the 1980 Budget estimate results from:

-- College Housing Loan program staff transferred to the Department of Education pursuant to Section 306 of P.L. 96-88	34
-- staff transferred to Community Planning and Development for Section 312 Rehabilitation Loan Management activities	40
-- staff transferred to Field Direction and Operational Support for wage rate determination activities	71
-- staff adjustments which reflect more current workload requirements principally due to reduced single-family mortgage insurance activities which are partially offset by estimated increases in workload for the Section 8 and Public Housing programs	161
Total	306

The staff-years shown above, except for the 1980 Budget Estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget Estimate would be 9,116.2 staff-years. The decrease of 423.9 staff-years compared with the 1980 Current Estimate consists of 132.1 staff-years related to the general reduction of $6.8 million enacted by the Congress and 291.8 staff-years associated with the position reductions.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

The staff-years consist of the following components:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Permanent full-time personnel	7,903.7	8,364.2	8,087.2
Special employment programs	246.6	56.4	67.9
Other temporary and part-time employees	290.2	52.1	54.6
Terminal leave	61.2	56.1	56.1
Overtime	191.8	163.5	163.5
Total staff-years	8,693.5	8,692.3	8,429.3

The changes in the staff-years for permanent full-time staff reflect the changes in the permanent full-time end of year staffing level. A detailed explanation of the other four components of employment is included in the discussion of "Salaries and Expenses, HUD," in Part 3 of the Justifications. The changes in these components reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment, and special employment programs which include such specialized activities as employment of the handicapped, Vietnam Veterans, and summer college students.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

1. HEADQUARTERS EMPLOYMENT

OFFICE	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent Full-Time Positions, End of Year					
Assistant Secretary	35	33	33	33	...
Policy and Program Development	19	22	19	19	...
Management	148	150	145	145	...
Financial Management	22	25	22	22	...
Independent Living for the Disabled	6	6	6	6	...
Architecture and Engineering Standards	42	43	42	42	...
Housing Operations and Field Monitoring	55	55	55	55	...
Subtotal	327	334	322	322	...
Deputy Assistant Secretary for Public Housing and Indian Programs	13	13	13	13	...
Public Housing	81	81	78	78	...
Existing and Moderate Rehabilitation	17	17	17	17	...
Indian Housing	10	11	10	10	...
Subtotal	121	122	118	118	...
Deputy Assistant Secretary for Single-Family Housing and Mortgagee Activities	6	5	6	6	...
Single-family Housing	97	98	97	97	...
Mortgagee Activities	43	44	41	41	...
Subtotal	146	147	144	144	...
Deputy Assistant Secretary for Multifamily Housing Programs	21	21	21	21	...
Multifamily Housing Development	68	69	68	68	...
State Agency and Bond Financed Programs	18	17	18	18	...
Multifamily Financing & Preservation	43	44	43	43	...
Multifamily Housing Management & Occupancy	33	32	32	32	...
Subtotal	183	183	182	182	...
Total, Permanent Full-Time Positions, End of Year	777	786	766	766	...
Total Staff-Years	870.2	836.0	828.6	828.6	...

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

The decrease of 20 positions in the 1980 Current Estimate compared with the 1980 Budget Estimate reflects Departmentwide staffing adjustments. No additional Headquarters positions are requested for 1981.

The Headquarters staff performs the following principal functions in support of Housing goals:

-- Develops program and policy recommendations for all Housing programs;

-- Directs and coordinates the administration of all Housing programs, and provides technical assistance and procedural guidance to the field staff;

-- Monitors, reviews, and evaluates field program operations and reviews administrative practices of local agencies to ensure that programs are managed efficiently and that services and assistance are provided as intended; and

-- Provides private market financing assistance to local agencies, and administrative, management, statistical, and budget support.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

2. FIELD EMPLOYMENT

FUNCTION	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent Full-Time Positions, End of Year					
Development Activities:					
Regional Offices	59	94	67	67	...
Area & Other Field Offices	4,508	4,137	4,082	3,651	-431
Subtotal, Development	4,567	4,231	4,149	3,718	-431
Management Activities:					
Regional Offices	62	96	56	56	...
Area & Other Field Offices	3,049	3,372	3,208	3,371	+163
Subtotal, Management	3,111	3,468	3,264	3,427	+163
Total Housing Activities:					
Regional Offices	121	190	123	123	...
Area & Other Field Offices	7,557	7,509	7,290	7,022	-268
Total, Permanent Full-Time Positions, End of Year	7,678	7,699	7,413	7,145	-268
Staff-Years					
Development Activities:					
General Direction	796	886	898	898	...
Training	171	126	86	75	-11
Program Functions:					
Section 8 Program	240	334	338	393	+55
Public Housing Program	283	341	353	422	+69
Section 202 Program	160	164	287	254	-33
Multifamily Insured Housing	723	804	615	771	+156
Single-Family Insured Hsg.	2,335	1,753	1,815	1,142	-673
Other Housing Programs	15	35	29	29	...
Subtotal	3,756	3,431	3,437	3,011	-426
Subtotal, Development	4,723	4,443	4,421	3,984	-437
Management Activities:					
General Direction	490	158	371	339	-32
Training	75	71	86	95	+9
Program Functions:					
Section 8 Program	299	506	231	302	+71
Public Housing Program	530	589	774	799	+25
Loan/Mortgage Management	975	1,593	1,284	1,352	+68
Property Disposition	714	719	680	713	+33
Other Housing Programs	18	50	17	17	...
Subtotal	2,536	3,457	2,986	3,183	+197
Subtotal, Management	3,101	3,686	3,443	3,617	+174
Total, Staff-Years	7,823 a/	8,129	7,864	7,601	-263

a/ Does not add due to rounding.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

The decrease of 286 positions in the 1980 Current Estimate for field staff compared with the 1980 Budget Estimate is the effect of:

-- The transfer of College Housing Loan program functions to the new Department of Education	-34
-- The functional transfers within HUD of Wage Requirements Clerks to "Field Direction and Operational Support" and the transfer of Section 312 Rehabilitation Loan Management functions to Community Planning and Development	-111
-- A Departmental staffing realignment due to reduced program estimates related primarily to Single-Family Mortgage Insurance applications and the Section 8 and Public Housing programs	-141
Total	-286

a. Regional Offices. No additional Regional Office positions for Housing Programs are proposed for 1981 over the 1980 level of 123. Regional Office staffs represent the Assistant Secretary for Housing, provide overall coordination of Housing functions to the Department's Area and other Field Offices and monitor field operations. In addition, the Regional Office staffs are responsible for coordinating and providing technical guidance to Public Housing Agencies (PHAs) for project financing and accounting and maintaining liaison with other Federal agencies and State governments.

b. Area and Other Field Offices. The Budget proposes a net reduction of 268 positions for Housing Programs in the Department's Area and other Field Offices from the 1980 level of 7,290 to 7,022 in 1981. This proposed reduction is principally attributable to a decrease in the number of HUD staff required to perform single-family home appraisal and home inspection activities in 1981 because of the pending change to the exclusive use of HUD-approved private appraisers and inspectors to perform these functions. The Area and other Field Offices conduct the development and management activities for the subsidized, assisted, direct loan and insured Housing Programs for assigned jurisdictions and perform liaison functions with local governments and contractors.

(1) Development Staff. The Housing development staff works directly with PHAs and other governmental entities, sponsors, developers, and mortgagees in the preparation, review, and approval of applications for housing assistance, direct loans and mortgage insurance. Staff activities begin with the initial inquiry about obtaining program assistance and continues through the review and approval of the application, the execution of assistance contracts, inspection and completion of construction, closing of loans; execution of Housing Assistance Payment contracts; and/or final endorsement and insurance of the mortgage. These activities are designed to assure protection of the Federal investment. The principal professional expertise and their related major functions follow:

Cost Analysts are responsible for the development and maintenance of construction cost data for the construction of multifamily dwellings. These personnel advise and assist housing sponsors on technical matters regarding construction costs, analyze construction cost data and select prevailing prices for use in making replacement cost estimates. They also prepare quality analyses and construction cost comparisons which reflect locality adjustment percentages for periodic cost reports. Cost analysts also collect home improvement cost data for single-family homes.

Construction Analysts examine working drawings submitted with single-family or multifamily housing assistance applications to assure conformance with Departmental standards, policies and procedures. For large or complex projects, reviews also are performed as appropriate by architects, land planners, and applicable engineers--electrical, mechanical, sanitary, structural, or utility.

Engineers have responsibility for providing consultative services to other staff. They analyze and resolve structural, mechanical and sanitary engineering problems and analyze design, site, construction and the probable effectiveness of proposed utility installations for homes and multifamily projects.

Mortgage Credit Examiners and Financial Analysts determine the financial feasibility of applications for subsidies, loans or mortgage insurance and financing for PHAs, including bonds, notes and other financing instruments. Using information that has been developed by other HUD staff, they determine if the proposed development or purchase is a sound financial undertaking for the particular program, i.e., whether the agency or sponsor or mortgagor has the ability to liquidate the debt to be incurred in the development of the proposed housing. For Public Housing, they assure that PHAs have sufficient funds for project development.

Multifamily Housing Representatives advise the applicant about preparing the applications and ensure that the applications are consistent with program policies and criteria. They also coordinate the review of applications with the staff indicated above and with the appropriate management staff in order to provide liaison among the developers, sponsors or applicants.

(a) Section 8 Program. Field staff are responsible for coordinating the assignment and commitment of Section 8 contract authority and budget authority as discussed in the Annual Contributions for Assisted Housing section of these Justifications. Responsibilities include inviting applications from PHAs and/or private developers for units and unit sizes consistent with the local Housing Assistance Plans (HAPs), determining various program set-asides; providing advice and assistance to PHAs or private developers in preparing applications and interpreting program regulations; evaluating applications and coordinating reviews with other field staff; and reserving authority and executing Annual Contribution and Housing Assistance Payment contracts.

Field staff review the HAPs submitted by localities as part of their Community Development Block Grant applications in order to recommend approval or disapproval of the proportion of units by housing and household types. This information is then considered by the field staff in their sub-allocation of Section 8 authority to the allocation areas within their jurisdiction. They also may negotiate with State Housing Finance and Development Agencies (HFDAs) and with the Farmers Home Administration to establish set-asides for Section 8 projects. The field staff prepare and publish invitations to PHAs or developers to submit proposals. They also review requests for use of alternative procedures, set-asides for specific projects, proposals submitted for compliance with regulations and technical factors such as adequacy of the site, design and rent structure. Ranking of proposals may be necessary and selection of the best proposals is made. Subsequent submissions from the PHAs and developers are reviewed for technical adequacy including the terms and conditions of financing, architectural certifications and legal acceptability. Where applicable, the Section 8 submissions are coordinated with other HUD programs such as Section 202 and the mortgage insurance programs. For HFDA projects and Farmers Home Administration Section 8/515 projects, the field staff review certifications, verify fair market rents and review previous HUD program participation. In all cases, staff review and recommend approval or disapproval of the agreement or contract documents and perform required inspections.

(b) Low-Income Public Housing Program. Field staff are responsible for coordinating the allocation and commitment of Public Housing loan/contract/budget authority. Responsibilities include inviting and reviewing applications from PHAs, providing technical assistance to PHAs in the preparation of applications and in subsequent development steps, reviewing PHA submissions and reserving authority and executing Annual Contribution contracts. Field staff also are responsible for appraising and approving sites, reviewing and approving design documents and performing inspections during construction.

(c) Single-Family Mortgage Insurance Programs. Field staff are responsible for all one-to-four family home mortgage insurance activities as discussed in the Mortgage and Loan Insurance section of these Justifications. These activities include the processing of home mortgage insurance applications and issuance of mortgage insurance commitments and mortgage insurance pursuant to such commitments. The staff also maintain liaison with lending institutions to obtain information on trends in the mortgage market to aid in evaluating housing market conditions in order to identify needs and problems as a basis for local planning and operations. In 1981, all single-family appraisals and inspections will be performed by HUD-approved private appraisers and inspectors and reviewed by HUD staff.

In addition, field personnel are responsible for reviewing and recommending approval or disapproval of requests from builders or sponsors for reservation of Section 235 Homeownership Assistance contract authority and budget authority, processing of applications for firm commitments, issuance of mortgage insurance commitments and monitoring the usage of contract authority and budget authority as discussed in the Section 235 Homeownership Assistance section of these Justifications. The field staff also are responsible for obtaining approval from local governments for any subdivision that has thirteen or more Section 235 units.

(2) Management Staff. The first objective of the management staff in the Area and other field offices is to preserve the quality and fiscal integrity of HUD assisted/subsidized/insured housing. These activities are the responsibility of three staff groups as follows: the Assisted Housing staff are responsible for the subsidized housing programs, including Public Housing and Section 8 units developed or administered by local PHAs; the Loan/Mortgage Management staff are responsible for the management and servicing of HUD-insured and HUD-held mortgages, the administration of the Troubled Projects (Flexible Subsidy) program and the management of the direct loan portfolio; and the Property Disposition staff are responsible for the management and disposition of acquired HUD-owned properties.

(a) Section 8 and Public Housing Programs. The field staff have responsibility for management functions related to Public Housing, including Modernization and Operating Subsidy activities, and the Section 8 Housing Assistance Payments program as discussed in the Annual Contributions for Assisted Housing, Housing Payments, Payments for Operation of Low-Income Housing Projects and the Low-Rent Public Housing Loans sections of these Justifications. In addition to handling special programs aimed at correcting major problems in PHAs (e.g., severe financial or rehabilitation needs), functions include over-all responsibility for ensuring that housing management activities such as financial, physical, social and management policies and procedures are met during and after multifamily housing development stages to help alleviate the causes of many subsequent management problems. Other management activities include review of PHA sponsor and management agent qualifications, operating expense estimates, administrative and management plans, general management feasibility, management criteria for project selection, administrative or management contracts and fees, leases, rent-up and initial operating plans. In addition, activities include processing annual and special rent adjustments and regular monitoring of program activities, including management and financial practices and procedures as well as conducting on-site inspections of dwelling units and participant files under the Section 8 program. Collection and management functions related to programs in liquidation also are performed.

Other activities involve the provision of technical advice and assistance to PHAs and owners about HUD accounting and financial policies, procedures and reporting requirements. Technical assistance also is provided in the areas of supply management and insurance. Activities also include reviewing accounting system proposals of fee contract accountants and data processing firms and assisting new PHAs or Indian Housing Authorities (IHAs) that need help in establishing accounting and financial reporting systems.

Financial management, budgeting and fiscal control of multi-family subsidized housing projects also are performed. The staff review the financial feasibility of proposed projects and Public Housing leases, Public Housing Modernization financing, initial and revised PHA operating budget proposals (including determination of Public Housing Operating Subsidies), budget revisions and financial statements. The field staff also conduct on-site PHA financial management reviews and surveys.

Occupancy Specialists review and monitor HUD rental and occupancy policies and procedures for subsidized projects and make appropriate recommendations to PHA management. This involves initial occupancy plans, rent schedules, income limits, leases, tenant eligibility, income certifications, approvals of monthly payment vouchers, and conduct of occupancy reviews and audits. Special emphasis is placed on HUD policies and standards in areas such as lease and grievance procedures, tenant selection and rent and income criteria.

Assisted Housing Program Specialists ensure that HUD subsidized properties are properly maintained. Maintenance Engineers have responsibility for ensuring that physical plant maintenance, safety and energy policies and procedures are followed during all stages of project life which includes processing, construction, and occupancy. They review maintenance plans, organization and staffing of maintenance activities and perform periodic reviews through on-site inspections. These specialists are the primary HUD contact with PHAs and subsidized project sponsors concerning the physical condition of projects. Special emphasis is placed on ensuring that security hardware is installed in projects where needed and that activities related to security matters are coordinated with appropriate community consumer specialists.

Assisted Housing program personnel have the responsibility for assuring that efficient and economical utility services are provided to projects. Special attention is focused on energy supply problems and conservation measures. Functions include the establishment of prototype utility arrangements, review of utility services selection during the development stages, evaluation of utility operations and coordination of utility requirements with public service commissions.

(b) Loan/Mortgage Management Activities. Loan/Mortgage Management field personnel are responsible for the servicing and management of HUD-insured and HUD-held mortgages. In addition, they perform loan management and servicing functions for the Section 202 Housing for the Elderly or Handicapped Loan portfolio and the Community Disposition program as discussed in the applicable program sections of these Justifications. The loan management function is designed to forestall and reduce losses to the various mortgage insurance and loan programs.

Additional responsibilities include monitoring of project management, performing physical and financial reviews, processing proposed rent increases, transfers of physical assets and releases from reserves and escrows; handling of default problems, mortgage assignments, modifications, forbearance and work-out agreements; recommending action on foreclosures, conveyance or taking deeds in lieu of conveyance; and the administration of the Troubled Projects (Flexible Subsidy) program.

Servicing of single-family mortgages and Title I home improvement or mobile home loans includes the development of a comprehensive program for review of lenders' servicing practices and provision of financial relief through various forms of forbearance to avoid or cure mortgage or loan defaults. Loan and Mortgage Servicing Specialists perform periodic reviews to evaluate the status of mortgages or loans and to identify problems and take actions to avoid potential defaults. Title I Loan Servicing Specialists also provide technical assistance to the U.S. Attorneys in connection with accounts turned over to the Department of Justice for collection.

(c) Property Disposition. Property Disposition field personnel have responsibility for disposing of all HUD-owned properties as discussed in the applicable program sections of these Justifications. Disposition is conducted in the most expeditious manner possible, while at the same time protecting the Department's investment by assuring the maximum dollar return to the FHA Fund or other applicable funds consistent with the need to preserve and maintain the existing housing stock and urban residential areas and communities. These objectives are accomplished through utilization of the private sector of the market consisting chiefly of the real estate industry, repair contractors and mortgage lenders.

Realty Specialists have oversight responsibility for rental, repair, improvement, alteration, maintenance, operation, management and sale of all HUD-owned properties for all HUD housing programs; and supervise and coordinate activities of approximately 1,100 Area Managers and Management Brokers. This staff prepares disposition programs and establishes sales prices; develops manager qualifications; conducts pre-bid meetings; issues invitations to bid; develops financing sources; approves or rejects purchase offers that may be submitted by approximately 45,000 selling brokers; establishes rental rates; administers procurement contracts; develops offering prices on properties; and takes all necessary actions to protect the interest of the Department while disposing of HUD-owned properties.

Also, Construction/Contracting Specialists are responsible for the professional and technical aspects of rehabilitation, repair, upgrading and maintenance of HUD-owned properties. They participate in housing reviews and evaluations, Departmental team reviews and evaluations of field program operations. These personnel obtain procurement contracts for all supplies and services including repairs, maintenance, operation and management and safeguard such property by utilizing the most effective and economical practices to assure compliance with Federal statutory and regulatory requirements. They also develop and participate in training programs covering reconditioning and contracting activities.

3. WORK MEASUREMENT

Work measurement standards and criteria have been established for all significant Housing program activities in the Field Offices. A description of the standards and criteria follows.

a. Standards. During 1980 and 1981, existing standards will continue to be updated and criteria will be tested or retested for sufficient correlation to develop work measurement standards for existing or additional program functions. Estimated field staff requirements are based on the work measurement standards as indicated below which incorporate data obtained from field surveys and detailed analyses performed through December 31, 1979.

b. Criteria. Fully validated standards have not been developed for certain functions due to lack of meaningful data, lack of sufficient correlation of existing data, or due to the recent start-up of a new program(s). Estimated field staff requirements are based on the functions and work measurement criteria as indicated below which incorporate technical estimates and experience in similar activities.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

DEVELOPMENT ACTIVITES

(1) Preliminary Housing Development Activities

(a) Housing Assistance Plan (HAP)

--Work Unit. The work unit for computation is the projected number of HAPs to be reviewed during the fiscal year and applications to be received during the fiscal year.

--Criterion. A total of 12.01 staff-hours per work unit.

(b) Notification of Fund Availability (NOFA)

--Work Unit. The work unit for computation is the projected number of Field Offices that will issue NOFAs during the fiscal year.

--Criterion. A total of 155.36 staff-hours per work unit.

(c) Invitation For Application (IFA), Section 8

--Work Unit. The work unit for computation is the projected number of Field Offices that will issue IFAs during the fiscal year for the Section 8 Existing Housing program, including moderate rehabilitation activities.

--Criterion. A total of 69.26 staff-hours per work unit.

(d) Invitation for Application (IFA), Section 202

--Work Unit. The work unit for computation is the projected number of Field Offices that will issue IFAs during the fiscal year for the Section 202 Loan program for new construction and rehabilitation projects.

--Criterion. A total of 77.68 staff-hours per work unit.

(2) Section 8 New Construction and Substantial Rehabilitation Program

(a) Non-HFDA/HUD-Insured Projects

--Work Unit. The work unit for computation is the projected number of contract authority reservations for Section 8 assistance to be made during the fiscal year for non-HFDA/HUD-insured projects.

--Criterion. A total of 273.17 staff-hours for new construction or 424.84 staff-hours for rehabilitation, including 23.08 staff-hours per work unit for environmental processing for new construction or rehabilitation projects during the fiscal year of contract authority reservation, and 13.63 staff-hours for new construction or 13.5 staff-hours for rehabilitation per work unit during the succeeding fiscal year.

(b) Non-HFDA/Non-Insured Projects

--Work Unit. The work unit for computation is the projected number of contract authority reservations for Section 8 assistance to be made during the fiscal year for non-HFDA/non-insured projects.

--Criterion. A total of 205.76 staff-hours for new construction or rehabilitation, including 23.08 staff-hours per work unit for environmental processing for new construction or rehabilitation during the fiscal year of contract authority reservation, and 45.7 staff-hours for new construction or for rehabilitation per work unit during the succeeding fiscal year.

(c) HFDA/HUD-Insured Projects

--Work Unit. The work unit for computation is the projected number of contract authority reservations for Section 8 assistance to be made during the fiscal year for HFDA/HUD-insured projects.

--Criterion. A total of 168.91 staff-hours for new construction or 270.72 staff-hours for rehabilitation per work unit, including 19.66 staff-hours per work unit for environmental processing for new construction or rehabilitation projects during the fiscal year of contract authority reservation, and 13.55 staff-hours for new construction or 13.66 staff-hours for rehabilitation per work unit during the succeeding year which includes 3.42 staff-hours per work unit for environmental processing for new construction or rehabilitation projects.

(d) HFDA/Non-Insured Projects

--Work Unit. The work unit for computation is the projected number of contract authority reservations for Section 8 assistance to be made during the fiscal year for HFDA/non-insured projects that are processed in part by the HFDA in accordance with special procedures.

--Criterion. A total of 24.52 staff-hours for new construction or rehabilitation per work unit during the fiscal year of contract authority reservation, and 28.57 staff-hours for new construction or rehabilitation per work unit during the succeeding fiscal year.

(3) Section 8 Existing Housing Program

(a) Regular Projects

--Work Unit. The work unit for computation is the projected number of application approvals for Section 8 assistance to be made during the fiscal year for existing housing projects.

--Criterion. A total of 36.97 staff-hours per work unit during the fiscal year of application approval and 14.33 staff-hours per work unit during the succeeding fiscal year.

(b) Moderate Rehabilitation Projects

--Work Unit. The work unit for computation is the projected number of contract authority reservations for Section 8 assistance to be made during the fiscal year for moderate rehabilitation projects.

--Criterion. A total of 203.2 staff-hours per work unit during the fiscal year of contract authority reservation and 38.41 staff-hours per work unit during the succeeding fiscal year.

(4) Public Housing Program

(a) New Construction and Substantial Rehabilitation Projects

--Work Unit. The work unit for computation is the projected number of contract authority reservations to be made during the fiscal year for Public Housing (excluding Indian Housing) conventional construction, turnkey, and acquisition with rehabilitation projects.

--Standard. A total of 225.59 staff-hours for new construction or 434.68 staff-hours for rehabilitation per work unit, including 12.24 staff-hours per work unit for environmental processing for new construction or rehabilitation during the fiscal year of contract authority reservation, and 234.38 staff-hours for new construction or 232.51 staff-hours for new construction and rehabilitation per work unit during the succeeding fiscal year which includes 10.85 staff-hours per work unit for environmental processing for new construction or rehabilitation projects.

(b) Indian Housing Projects

--Work Unit. The work unit for computation is the projected number of contract authority reservations to be made during the fiscal year for Indian Housing projects.

--Standard. A total of 300.49 staff-hours per work unit which includes 12.24 staff-hours per work unit for environmental processing during the fiscal year of preliminary approval and 310.14 staff-hours per work unit which includes 10.85 staff-hours per work unit for environmental processing during the succeeding fiscal year.

(5) Congregate Services

--Work Unit. The work unit for computation is the number of projects receiving Congregate Services funds at year-end.

--Criterion. A total of 210 staff-hours per work unit.

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(6) Section 202 Housing for the Elderly or Handicapped Loan Program

--Work Unit. The work unit for computation is the projected number of fund reservation selection letters to be issued during the fiscal year for Section 202 projects.

--Criterion. A total of 266.67 staff-hours for new construction or 457.47 staff-hours for rehabilitation per work unit which includes 23.08 staff-hours per work unit for environmental processing for new construction during the fiscal year of fund reservation, and 685.24 staff-hours for new construction or rehabilitation per work unit during the succeeding fiscal year.

(7) Section 106(b) Nonprofit Sponsor Assistance Loan Program

--Work Unit. The work unit for computation is the projected number of fund reservations to be made during the fiscal year.

--Criterion. A total of 20.08 staff-hours per work unit.

(8) Multifamily Insured Projects with Section 8 Assistance

--Work Unit. The work unit for computation is the projected number of multifamily insured projects to receive Section 8 contract authority reservations during the fiscal year for non-HFDA new/rehabilitation projects.

--Standard. A total of 92.09 staff-hours for new construction or rehabilitation per work unit during the fiscal year of contract authority reservation, and 525.96 staff-hours for new construction or rehabilitation per work unit during the succeeding fiscal year.

(9) Multifamily Mortgage Insurance Programs

(a) Section 223(f) Existing Projects

--Work Unit. The work unit for computation is the projected number of initial multifamily mortgage insurance applications for existing projects to be received during the fiscal year.

--Standard. A total of 213.79 staff-hours per work unit during the fiscal year of application receipt and 50.18 staff-hours per work unit during the succeeding fiscal year.

(b) Other Projects (except Section 223(f) and Section 8)

--Work Unit. The work unit for computation is the projected number of Site Appraisal and Market Analysis (SAMA) applications to be received during the fiscal year.

--Standard. A total of 270.28 staff-hours per work unit which inludes 27.78 staff-hours per work unit for environmental processing during the fiscal year of application receipt, and 243.72 staff-hours per work unit which includes 1.26 staff-hours per work unit for environmental processing during the succeeding fiscal year.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

(10) Home Mortgage Insurance Programs

(a) Proposed Construction

--Work Unit. The work unit for computation is the projected number of proposed conditional home mortgage insurance commitment applications to be received during the fiscal year.

--Standard. A total of 6.8 staff-hours per work unit.

(b) Existing Housing

--Work Unit. The work unit for computation is the projected number of conditional existing home mortgage insurance applications to be received during the fiscal year.

--Standard. A total of 5.67 staff-hours per work unit.

(c) Section 235 Homeownership Assistance Program

--Work Unit. The work unit for computation is the projected number of firm commitments issued for Section 235 subsidy assistance to be approved during the fiscal year.

--Standard. A total of 9.13 staff-hours per work unit.

(d) Coinsurance Program

--Work Unit. The work unit for computation is the projected number of coinsurance cases to be reviewed during the fiscal year.

--Standard. A total of 1.21 staff-hours per work unit.

(e) Subdivision Processing Activity

--Work Unit. The work unit for computation is the number of subdivisions to be reviewed during the fiscal year.

--Standard. A total of 56.31 staff-hours per work unit.

(f) Developer Certification

--Work Unit. The work unit for computation is the number of subdivisions to be processed for which the developer certifies that the subdivision meets HUD standards.

--Criterion. A total of 5.63 staff-hour per work unit.

(g) Structural Defect Claim Reviews

--Work Unit. The work unit for computation is the projected number of reviews to be made during the fiscal year by Housing personnel of the reexaminations made by contract personnel covering structual defect claims filed pursuant to Sections 518(b) & (d) of the National Housing Act.

--Criterion. A total of 1.0 staff-hour per work unit.

(h) Mortgage Assignment Reprocessing

--Work Unit. The work unit for computation is the projected number of home mortgages which were rejected for assignment between May 1976 and January 1979 and which require reprocessing.

--Criterion. A total of 6.0 staff-hours per work unit.

(11) Section 312 Rehabilitation Loan Appraisal Activity

--Work Unit. The work unit for computation is the projected number of property appraisals for Section 312 Rehabilitation Loans to be performed by Housing personnel during the fiscal year.

--Standard. A total of 2.36 staff-hours per work unit.

MANAGEMENT ACTIVITIES

(1) Section 8 Program

(a) Activities Related to Development of New Construction/ Substantial Rehabilitation/Non-Insured/Non-HFDA Projects

--Work Unit. The work unit for computation is the number of Section 8 project reservations and construction completions accomplished during the year.

--Criterion. A total of 21.8 staff-hours per work unit for reservation proposal processing and 14.4 staff-hours for pre-occupancy services in connection with construction completions.

(b) Activities Related to Development of Existing Housing ("Finders-Keepers")

--Work Unit. The work unit for computation is the number of Section 8 Existing Housing ("Finders-Keepers") reservations made during the year.

--Criterion. A total of 30.4 staff-hours per work unit.

(c) Activities Related to Development of Existing Housing (Moderate Rehabilitation)

--Work Unit. The work unit for computation is the number of Section 8 Existing Housing (Moderate Rehabilitation) applications received during the year.

--Criterion. A total of 40 staff-hours per application received plus 40 staff-hours per PHA with an initial Annual Contribution Contract (ACC).

(d) Management of Section 8 Non-Insured Projects

--Work Unit. The work unit for computation is the number of Section 8 non-HFDA new and rehabilitation projects under management at year-end.

--Standard. A total of 61.7 staff-hours per work unit.

(e) Management of Existing Housing ("Finders-Keepers")

--Work Unit. The work unit for computation is the number of PHAs with Section 8 Existing Housing ("Finders-Keepers") units under management at year-end and the number of such units.

--Criterion. A total of 58.4 staff-hours per PHA performing the function plus 0.2 staff-hour per unit.

(f) Management of Existing Housing (Moderate Rehabilitation)

--Work Unit. The work unit for computation is the number of Section 8 Existing Housing (Moderate Rehabilitation) PHAs with an initial ACC executed, PHAs with units under management at year-end, and the number of such units under management.

--Criterion. A total of 80 staff-hours per PHA performing the function plus 20 staff-hours per PHA with an initial ACC executed and 0.3 staff-hour per unit for dwellings under management at year-end.

(2) Public Housing Program

(a) Activities Related to Program Reservation Processing

--Work Unit. The work unit for computation is the number of Public Housing and Indian Housing project reservations made during the year.

--Criterion. A total of 57.8 staff-hours per work unit for Public Housing and 101.4 staff-hours per work unit for Indian Housing for each project reservation.

(b) Activities Related to Construction

--Work Unit. The work unit for computation is the number of Public Housing and Indian Housing projects under construction during the year.

--Criterion. A total of 81.6 staff-hours per work unit for Public Housing and 72.8 staff-hours per work unit for Indian Housing for each project under construction.

(c) Management Reviews

--Work Unit. The work unit for computation is the number of PHAs or projects under management at year-end. The size categories of PHAs are small (1-500 units under management), medium (501-5,000 units under management), and large (over 5,000 units under management).

--Criterion. A total of 30.2 staff-hours for projects in small PHAs, 87.4 staff-hours for medium PHAs, and 6.3 staff-hours for large PHAs.

(d) Occupancy Audits

--Work Unit. The work unit for computation is the number of PHAs or projects under management at year-end.

--Criterion. A total of 41.3 staff-hours for projects in small PHAs, 78.6 staff-hours for medium PHAs, and 14.3 staff-hours for large PHAs.

(e) Financial Analysis

--Work Unit. The work unit for computation is the number of PHAs or projects under management at year-end.

--Criterion. A total of 39.8 staff-hours for projects in small PHAs, 88.1 staff-hours for medium PHAs, and 6.8 staff-hours for large PHAs.

(f) Engineering Surveys

--Work Unit. The work unit for computation is the number of Public Housing projects under management at year-end.

--Criterion. A total of 9 staff-hours for projects in small PHAs, 6 staff-hours for medium PHAs, and 8.3 staff-hours for large PHAs.

(g) Utility Reviews

--Work Unit. The work unit for computation is the number of Public Housing projects under management at year-end.

--Criterion. A total of 9 staff-hours for projects in small PHAs, 6.5 staff-hours for medium PHAs, and 7.4 staff-hours for large PHAs.

(h) Special Assistance

--Work Unit. The work unit for computation is the number of small/medium PHAs or large projects under management at year-end.

--Criterion. A total of 77.2 staff-hours for projects in small PHAs, 176.5 staff-hours for medium PHAs, and 17.03 staff-hours for large PHAs, plus 21 staff-years for each of the large PHAs.

(i) Indian Housing

--Work Unit. The work unit for computation is the number of Indian Housing Authorities with projects under management at year-end.

--Criterion. A total of 500 staff-hours per work unit.

(j) Modernization Application Processing

--Work Unit. The work unit for computation is the number of final modernization applications approved for PHAs and IHAs during the year.

--Criterion. A total of 67 staff-hours for PHAs and 82.8 staff-hours for IHAs per work unit.

(k) Modernization Programs in Implementation

--Work Unit. The work unit for computation is the number of active modernization programs in PHAs and IHAs being implemented (prior to PHA cost certification) at year-end.

--Criterion. A total of 61 staff-hours for PHAs and 97.5 staff-hours for IHAs per work unit.

(l) Urban Initiatives (Targeted Rehabilitation)

--Work Unit. The work unit for computation is the number of Targeted Rehabilitation Projects under rehabilitation at year-end.

—Criterion. A total of 0.5 staff-year per work unit.

(m) Urban Initiatives (Project-Based Budgeting)

--Work Unit. The work unit for computation is the number of Project-Based Budgeting Systems developed during the year.

--Criterion. A total of 0.5 staff-year per work unit.

(n) Urban Initiatives (Anti-Crime Programs)

--Work Unit. The work unit for computation is the number of anti-crime programs developed during the year.

--Criterion. A total of 0.5 staff-year per work unit.

(o) Comprehensive Coordinated Reviews of Major PHAs

--Work Unit. The work unit for computation is the number of comprehensive coordinated reviews of major PHAs that are required to be conducted during the year.

--Criterion. A total of 0.4 staff-year per work unit.

(3) Liquidating Programs

(a) Public Works Planning Advances

--Work Unit. The work unit for computation is the number of Public Works Planning Advances construction status report reviews to be made during the year.

--Standard. A total of 8.7 staff-hours per work unit.

(b) Public Facility Loans

--Work Unit. The work unit for computation is the number of audit reports for Public Facility Loans to be reviewed during the year.

--Standard. A total of 8.7 staff-hours per work unit.

(4) Multifamily Loan/Mortgage Management

(a) Activities Related to Development Phases

--Work Unit. The work unit for computation is the number of applications for firm commitment received during the year, plus insured projects under construction, plus HFDA non-insured project reservations made in year.

--Criterion. A total of 22.8 staff-hours for insured project processing activities, 58.0 staff-hours for servicing activities related to projects under construction and 13.8 staff-hours for processing HFDA non-insured project applications.

(b) Mortgage/Loan Servicing

--Work Unit. The composite work unit for computation is the total number of projects which have insured and unsubsidized, HUD-held unsubsidized, insured and subsidized, and HUD-held subsidized mortgages; Section 202 Housing for the Elderly or Handicapped projects and Troubled (Flexible Subsidy) Projects under management at the start of the year.

--Criterion. A total of 31.1 staff-hours per work unit for insured and unsubsidized, 62.7 staff-hours per work unit for HUD-held unsubsidized, 74.5 staff-hours per work unit for insured and subsidized, 120.1 staff-hours per work unit for HUD-held subsidized, 44.7 staff-hours per work unit for Section 202, and 26.6 staff-hours per work unit for Troubled (Flexible Subsidy) Projects.

(c) Occupancy

--Work Unit. The composite work unit for computation is the number of units receiving Section 8, Rent Supplement, Section 236 Rental Housing Assistance and Section 236 "Deep-Subsidy" payments.

--Criterion. A total of 0.59 staff-hour per work unit for Section 8 units, 0.54 staff-hour per work unit for Rent Supplement and Section 236 "Deep-Subsidy" units, and .09 staff-hour per work unit for Section 236 units, plus 6.5 staff-hours for contract increase requests for Rent Supplement projects and projects with HUD-insured/HUD-held mortgages receiving Section 8 assistance.

(5) Home Loan/Mortgage Management

(a) Mortgagee Reviews

--Work Unit. The work unit for computation is the number of HUD-approved home mortgagees to be reviewed during the year.

--Standard. A total of 19.6 staff-hours per work unit.

(b) Mortgage Default Servicing

--Work Unit. The work unit for computation is the number of home mortgage defaults and HUD-held home mortgages at the start of the year.

--Standard. A basic requirement of 2.5 staff-years for each field office performing the function plus 0.9 staff-hour per work unit.

(c) Mortgage Assignment Activities

--Work Unit. The work unit for computation is the number of home mortgage assignment requests processed and the number of requests which previously were denied and which are reprocessed.

--Criterion. A total of 6 staff-hours for processing and reprocessing original home mortgage assignment requests.

(d) Title I Home Improvement/Mobile Home Loan Management

--Work Unit. The work unit for computation is the number of Title I Home Improvement and Mobile Home Loans in collection at the start of the year.

--Standard. A total of 5.5 staff-hours per work unit.

(e) Community Disposition Program

--Work Unit. The work unit for computation is the number of mortgage notes in the Community Disposition program in collection at the start of the year.

--Standard. A total of 8.7 staff hours per work unit.

(6) Multifamily Property Disposition

(a) Property Disposition

--Work Unit. The work unit for computation is a composite of the number of multifamily projects in the HUD-owned property inventory at the start of the year, plus the number of projects acquired during the year, plus the number of projects sold during the year.

--Criterion. A basic requirement of 1.0 staff-year for each Field Office performing the function plus 237.5 staff-hours per work unit.

(b) Mortgagee-in-Possession

--Work Unit. The work unit for computation is the number of projects on hand at the start of the year for which HUD is the mortgagee-in-possession.

--Criterion. A total of 165.0 staff-hours per work unit.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

(7) Home Property Disposition

(a) Property Disposition

--Work Unit. The work unit for computation is a composite of the number of home properties acquired during the year, plus the number of home properties sold during the year, plus 30 percent of the number of home properties in the HUD-owned property inventory at the start of the year.

--Standard. A total of 30 staff-hours per work unit for each Field Office with workload up to 500 work units and a basic requirement of 5.4 staff-years for each Field Office with workload over 500 work units, plus 10.4 staff-hours per work unit.

(b) Tax Payments

--Work Unit. The work unit for computation is the number of home properties in the inventory at the start of the year.

--Criterion. A total of 0.8 staff-hour per work unit.

HOUSING DEVELOPMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA

	ESTIMATE 1980			ESTIMATE 1981		
	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS
HOUSING ASSISTANCE PLAN REVIEWS	3,004	12.01	20	2,985	12.01	20
SECTION 8 PROGRAM						
New Construction/Rehabilitation Projects: a/						
Notice of Fund Availability	49	155.36	4	49	155.36	4
Non-HFDA/New/Insured Projects:						
In Process	683	b/	5	...	....	...
FY 1980	400	273.17	61	400	13.63	3
FY 1981	...	...	...	766	273.17	116
Non-HFDA/New/Non-Insured Projects:						
In Process	1,966	b/	35	935	b/	12
FY 1980	361	205.76	41	361	45.70	9
FY 1981	...	...	...	413	205.76	47
Non-HFDA/Rehabilitation/Insured Projects:						
In Process	193	b/	1	...	...	...
FY 1980	146	424.84	35	146	13.50	1
FY 1981	...	...	...	144	424.84	34
Non-HFDA/Rehabilitation/Non-Insured Projects:						
In Process	320	b/	6	152	b/	2
FY 1980	32	205.76	4	32	45.70	1
FY 1981	...	...	...	31	205.76	4
Subtotal, Non-HFDA Projects			188			229
HFDA/New/Insured Projects:						
In Process	179	b/	1	...	...	...
FY 1980	246	168.91	23	246	13.55	2
FY 1981	...	...	...	246	168.91	23

HOUSING DEVELOPMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA (cont.)

	ESTIMATE 1980			ESTIMATE 1981		
	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS
SECTION 8 PROGRAM (cont.)						
New construction/Rehabilitation Projects (cont.):						
HFDA/New/Non-Insured Projects:						
In Process	876	b/	10	199	b/	2
FY 1980	56	24.52	1	56	28.57	1
FY 1981	...	...	...	56	24.52	1
HFDA/Rehabilitation/Insured Projects:						
In Process	50	b/	1	...	...	...
FY 1980	57	270.72	9	57	13.66	1
FY 1981	...	...	...	57	270.72	9
HFDA/Rehabilitation/Non-Insured Projects:						
In Process	179	b/	2	41	b/	1
FY 1980	16	24.52	1	16	28.57	1
FY 1981	...	...	...	16	24.52	1
Subtotal, HFDA Projects			48			42
Subtotal, New Construction/Rehabilitation ...			240			275
In Process			(61)			(17)
FY 1980			(179)			(19)
FY 1981		...	(...)			(239)
Existing Housing Projects:						
Invitation for Application	49	69.26	2	49	69.26	2
Regular Projects ("Finders-Keepers"):						
In Process	795	b/	8	...	...	...
FY 1980	635	36.97	13	635	14.33	5
FY 1981	...	...	...	1,081	36.97	22
Subtotal, Regular Existing Housing Projects .			21			27

HOUSING DEVELOPMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA (cont.)

	ESTIMATE 1980			ESTIMATE 1981		
	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS
SECTION 8 PROGRAM (cont.)						
Existing Housing Projects (cont.):						
Moderate Rehabilitation Projects:						
In Process	...	...	...	...	...	...
FY 1980	667	203.20	75	667	38.41	14
FY 1981	...	...	...	667	203.20	75
Subtotal, Moderate Rehabilitation Projects			75			89
Subtotal, Existing Housing Projects			98			118
In Process			(8)			(...)
FY 1980			(90)			(19)
FY 1981			(...)			(99)
Total, Section 8 Program a/			338			393
In Process			(69)			(17)
FY 1980			(269)			(38)
FY 1981			(...)			(338)
PUBLIC AND INDIAN HOUSING PROGRAMS						
Public Housing New Construction Projects:						
In Process	1,732	b/	149	1,459	b/	154
FY 1980	450	225.59	56	450	234.38	59
FY 1981	...	...	...	570	225.59	71
Public Housing Substantial Rehabilitation Projects:						
In Process	329	b/	29	280	b/	17
FY 1980	106	434.68	26	106	232.51	14
FY 1981	...	...	...	93	434.68	22
Subtotal, Public Housing Projects			260			337

HOUSING DEVELOPMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA (cont.)

	ESTIMATE 1980			ESTIMATE 1981		
	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS
PUBLIC AND INDIAN HOUSING PROGRAMS (cont.)						
Indian Housing Projects:						
In Process	605	b/	64	436	b/	35
FY 1980	176	300.49	29	176	310.14	30
FY 1981	...	...	...	118	300.49	20
Subtotal, Indian Housing Projects			93			85
Total, Public and Indian Housing Programs			353			422
In Process			(242)			(206)
FY 1980			(111)			(103)
FY 1981			...			(113)
CONGREGATE SERVICES PROGRAM	68	210.00	8	68	210.00	8
DIRECT LOAN PROGRAMS						
Section 202 Housing for the Elderly or Handicapped: c/						
Invitation for Application	49	77.68	2	49	77.68	2
In Process	1,124	b/	236	676	b/	88
FY 1980	328	266.67	49	328	685.24	125
FY 1981	...	...	...	260	266.67	39
Subtotal, Housing for the Elderly/Handicapped			287			254
Nonprofit Sponsor Loans	71	20.08	1	71	20.08	1
Total, Direct Loan Programs			288			255
In Process			(236)			(88)
FY 1980			(52)			(125)
FY 1981			(...)			(42)

HOUSING DEVELOPMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA (cont.)

	ESTIMATE 1980			ESTIMATE 1981		
	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS
MULTIFAMILY MORTGAGE INSURANCE PROGRAMS						
Section 8 New and Rehabilitation Projects:						
In Process	2,050	b/	264	1,260	b/	167
FY 1980	849	92.09	43	849	525.96	248
FY 1981	...	...	...	1,213	92.09	62
Subtotal, Section 8			307			477
Section 223(f) Refinancing Projects:						
In Process	147	b/	7	...	b/	...
FY 1980	42	213.79	5	42	50.18	1
FY 1981	...	...	...	95	213.79	11
Subtotal, Section 223(f) Refinancing Projects			12			12
Other New & Rehabilitation Projects:						
In Process	1,230	b/	182	664	b/	64
FY 1980	762	270.28	114	762	243.72	103
FY 1981	...	...	...	769	270.28	115
Subtotal, Other New & Rehabilitation Projects			296			282
Total, Multifamily Mortgage Insurance Programs			615			771
In Process			(453)			(231)
FY 1980			(162)			(352)
FY 1981			(...)			(188)

HOUSING DEVELOPMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA (cont.)

	ESTIMATE 1980			ESTIMATE 1981		
	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS
HOME MORTGAGE INSURANCE PROGRAMS						
Proposed Construction	100,570	6.80	380	97,158	6.80	367
Existing Housing	554,653	5.67	1,747	544,045	5.67	1,714
Section 235 Homeownership Assistance	25,000	9.13	127	25,000	9.13	127
Coinsurance Program	2,320	1.21	2	2,253	1.21	2
Subtotal			2,256			2,210
Less HUD Staff Savings Due to Fee and/or Private Appraisals & Inspections d/			-675			-1,172
Less "CHUMS" Savings e/			...			-40
Subtotal			1,581			998
Other Home Programs:						
Subdivision Processing Activity	5,350	56.31	167	5,100	56.31	160
Less HUD Staff Savings Due to Developer Certifications	5,350	5.63	-17	5,100	5.63	-16
Subtotal			150			144
Structural Defect Claim Reviews	23,000	1.0	13			...
Mortgage Assignment Reprocessing	15,600	6.0	52			...
Section 312 Rehabilitation Loan Application Appraisals	9,900	2.36	13			d/
Rural Initiatives			6 f/			...
Subtotal			84			...
Total, Home Mortgage Insurance Programs			1,815			1,142
SUBTOTAL, HOUSING DEVELOPMENT STAFF-YEARS BASED ON WORK MEASURMENT STANDARDS AND CRITERIA			3,437			3,011

HOUSING DEVELOPMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA (cont.)

	ESTIMATE 1980			ESTIMATE 1981		
	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS	WORK UNITS	STAFF-HOUR REQUIREMENT	STAFF-YEARS
OTHER ACTIVITIES						
General Direction:						
Regional Offices			70			70
Area & Other Field Offices			828			828
Training			86			75
Subtotal, Other Activities			984			973
TOTAL, HOUSING DEVELOPMENT STAFF-YEARS			4,421			3,984

a/ Excludes Sections 8/202 assistance.
b/ The "in process" staff-year requirement is the sum of the staff-year requirements calculated for each processing phase of the pipeline and cannot be expressed as a single factor.
c/ Includes Sections 8/202 assistance.
d/ For 1980, the budget estimates assume that fee contract appraisals will be performed for 85 percent of the 1980 estimated mortgage insurance applications for existing homes and that fee contract inspections will be performed for 70 percent of the 1980 estimated mortgage insurance applications for new homes. For 1981, the budget estimates assume that 100 percent of the appraisals and inspections will be performed by HUD-approved private appraisers and inspectors at no expense to the FHA Fund.
e/ Computerized Home Underwriting Management System (CHUMS).
f/ Special allowance for demonstration program.

HOUSING MANAGEMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA

	BASIC STAFF-YEAR REQUIREMENT	INCREMENTAL STAFF-HOUR REQUIREMENT	ESTIMATE 1980 WORK UNITS	ESTIMATE 1980 STAFF-YEARS	ESTIMATE 1981 WORK UNITS	ESTIMATE 1981 STAFF-YEARS
SECTION 8 PROGRAM (NON-INSURED)						
Non-HFDA/New & Substantial Rehabilitation Projects:						
Proposal Processing		21.8	393	5	444	5
Pre-occupancy Services		14.4	530	4	659	5
Existing Housing Projects:						
Management Processing of Applications ("Finders-Keepers")		30.4	635	11	1,081	18
Moderate Rehabilitation Projects:						
Management Processing of Applications		40.0	1,334	30	1,334	30
Review of Initial Contracts to be Executed		40.0	686	15	167	4
Subtotal, Management Input to Development				65		62
Management Activities:						
Non-HFDA/New & Rehabilitation Projects		61.7	1,000	34	1,832	63
Existing Housing Projects:						
"Finders-Keepers":						
PHAs		58.4	2,212	72	2,318	75
Units		0.2	539,505	60	638,000	71
Moderate Rehabilitation:						
PHAs		80.0	...	...	453	20
PHAs with initial ACC		20.0	...	...	453	5
Units		0.3	...	...	34,000	6
Subtotal, Management Activities				166		240
Total, Section 8 Program (Non-Insured)				231		302
PUBLIC HOUSING PROGRAM						
Activities Related to Program Reservation Processing:						
Public Housing		57.8	556	18	663	21
Indian Housing		101.4	176	10	118	7

HOUSING MANAGEMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA (cont.)

	BASIC STAFF-YEAR REQUIREMENT	INCREMENTAL STAFF-HOUR REQUIREMENT	ESTIMATE 1980 WORK UNITS	ESTIMATE 1980 STAFF-YEARS	ESTIMATE 1981 WORK UNITS	ESTIMATE 1981 STAFF-YEARS
PUBLIC HOUSING PROGRAM (cont.)						
Activities Related to New Construction:						
Public Housing		81.6	359	16	598	27
Indian Housing		72.8	123	5	124	5
Subtotal, Management Input to Development				49		60
Management Activities:						
Management Reviews, Occupancy Audits, and Financial Analyses:						
Small PHAs		111.3	2,487	154	2,490	154
Medium PHAs		254.1	357	50	359	51
Large PHAs (Projects)		27.4	1,316	20	1,345	20
Engineering Surveys and Utility Reviews:						
Small PHAs (Projects)		18.0	5,203	52	5,318	53
Medium PHAs (Projects)		12.5	4,272	30	4,366	30
Large PHAs (Projects)		15.7	1,316	11	1,345	12
Special Assistance:						
Small PHAs (Projects)		77.2	2,487	107	2,490	107
Medium PHAs (Projects)		176.5	357	35	359	35
Large PHAs (Projects)	21.0	17.0	1,316	33	1,345	34
Indian Housing		500.0	144	40	144	40
Subtotal, Management Activities				532		536
Modernization:						
Application Processing:						
Public Housing		67.0	1,160	43	1,200	45
Indian Housing		82.8	75	3	90	4
Programs in Implementation:						
Public Housing		61.0	2,200	74	2,100	71
Indian Housing		97.5	100	5	100	5
Subtotal, Modernization				125		125
Urban Initiatives		900.0	66	33	46	23
Comprehensive Coordinated Reviews		720.0	75	35 a/		55 a/
Total, Public Housing Program				774		799

HOUSING MANAGEMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA (cont.)

	BASIC STAFF-YEAR REQUIREMENT	INCREMENTAL STAFF-HOUR REQUIREMENT	ESTIMATE 1980 WORK UNITS	ESTIMATE 1980 STAFF-YEARS	ESTIMATE 1981 WORK UNITS	ESTIMATE 1981 STAFF-YEARS
LIQUIDATING PROGRAMS						
Public Works Planning Advances		8.7	1,975	10	1,975	10
Public Facility Loans		8.7	1,550	7	1,550	7
Total, Liquidating Programs				17		17
LOAN/MORTGAGE MANAGEMENT ACTIVITIES						
Multifamily Loan/Mortgage Activities:						
Insured and Direct Loan Applications:						
Processing Activities		22.8	1,638	21	1,735	22
Construction Servicing		58.0	1,779	57	1,907	61
HFDA/Non-Insured Project Application Processing		13.8	72	1	72	1
Mortgage/Loan Servicing:						
Insured Unsubsidized Projects		31.1	5,949	103	7,000	121
HUD-Held Unsubsidized Projects		62.7	1,120	39	1,200	42
Insured Subsidized Projects		74.5	7,300	302	8,460	350
HUD-Held Subsidized Projects		120.1	863	58	900	60
Section 202 Projects		44.7	657	16	837	21
Troubled Projects (Flexible Subsidy)		26.6	782	12	717	11
Occupancy Activities b/		...	...	190	...	190
Subtotal, Multifamily Loan/Mortgage Activities				799		879
Home Loan/Mortgage Activities:						
Mortgagee Reviews		19.6	1,450	16	2,800	30
Mortgage Default Servicing	180	0.9	63,800	212	68,992	215
Mortgage Assignment Activities		6.0	21,000	70	10,000	33
Title I Loan Management		5.5	60,545	185	63,000	193
Community Disposition Program		8.7	375	2	325	2
Sutotal, Home Loan/Mortgage Management Activities				485		473
Total, Loan/Mortgage Management Activities				1,284		1,352

HOUSING MANAGEMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA (cont.)

	BASIC STAFF-YEAR REQUIREMENT	INCREMENTAL STAFF-HOUR REQUIREMENT	ESTIMATE 1980 WORK UNITS	ESTIMATE 1980 STAFF-YEARS	ESTIMATE 1981 WORK UNITS	ESTIMATE 1981 STAFF-YEARS
PROPERTY DISPOSITION						
Multifamily Projects:						
Inventory, start of year			397		393	
Acquisitions in year			170		173	
Sales in year			174		243	
Subtotal	49	237.5	741	147	809	156
Mortgagee-in-Possession		165.0	76	7	135	12
Subtotal, Multifamily Projects				154		168
Home Properties:						
Inventory, start of year c/			6,625		6,164	
Acquisitions in year			24,240		24,886	
Sales in year			25,775		24,950	
Subtotal			56,640		56,000	
Offices up to 500 work units		30.0	5,000	83	7,085	118
Offices over 500 work units	135	10.4	51,640	433	48,915	418
Subtotal			56,640	516	56,000	536
Tax Payment Activities		0.8	22,083	10	20,548	9
Subtotal, Home Properties			78,723	526	76,548	545
Total, Property Disposition				680		713
SUBTOTAL, HOUSING MANAGEMENT STAFF-YEARS BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA				2,986		3,183

HOUSING MANAGEMENT FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT STANDARDS AND CRITERIA (cont.)

	BASIC STAFF-YEAR REQUIREMENT	INCREMENTAL STAFF-HOUR REQUIREMENT	ESTIMATE 1980 WORK UNITS	ESTIMATE 1980 STAFF-YEARS	ESTIMATE 1981 WORK UNITS	ESTIMATE 1981 STAFF-YEARS
OTHER ACTIVITIES						
General Direction:						
Regional Offices				59		59
Area & Other Field Offices				312		280
Training				86		95
Subtotal, Other Activities				457		434
TOTAL, HOUSING MANAGEMENT STAFF-YEARS				3,443		3,617
TOTAL, HOUSING DEVELOPMENT AND MANAGEMENT STAFF-YEARS				7,864		7,601

a/ Included are staff-years beyond the incremental staff-hour requirement for very large PHAs.
b/ Staff-years are based on a composite of six criteria.
c/ Represents 30 percent of inventory at start of year.

NOTE: Staff-year calculations have been rounded to the nearest whole staff-year.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

SUMMARY OF OTHER OBJECTS OF EXPENSE

OTHER OBJECTS	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Travel and Transportation of Persons	$8,619	$9,265	$8,474	$8,933	+$459
Transportation of Things	490	363	316	360	+44
Rent, Communications and Utilities	4,612	5,231	5,707	6,468	+761
Printing and Reproduction	2,330	2,148	2,559	2,801	+242
Other Services	12,602	12,743	12,044	15,974	+3,930
Technical Assistance	(...)	(...)	(...)	(900)	(+900)
Special Contracts	(2,510)	(355)	(355)	(547)	(+192)
Other	(10,092)	(12,388)	(11,689)	(14,527)	(+2,838)
Supplies and Materials	1,575	1,474	1,808	1,865	+57
Equipment	2,922	1,338	2,385	1,682	-703
Indemnities for Property Damage	21	29	21	21	...
Total	33,171	32,591	33,314	38,104	+4,790

Costs for these objects of expense are based in a large part on a pro rata share of total Departmental requirements which are discussed in greater detail in the "Salaries and Expenses, HUD" section of the Justifications contained in Volume III. Compared with 1979 actual obligations, funding increases in 1980 and 1981 primarily reflect the increased costs of goods and services rather than increases in the level of goods and services.

The obligations for travel in 1980 include the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress for the Executive Branch in the Joint Resolution (P.L. 96-86) that provided continuing appropriations for 1980. However, since the ultimate impact of the overall reductions on all activities of the Department has not yet been determined, the estimate for travel and transportation of things shown above must be regarded as preliminary.

The additional travel funds for 1981 are primarily for the review and monitoring of multifamily projects, including Section 8 projects and the State Agency administration of Federal housing programs. These travel funds are essential to ensure that appropriate management activities are conducted and resources are used in accordance with approved plans and regulatory agreements. The increase reflects the staff-year reduction proposed for 1981 and is the net of that reduction and the estimated increased cost of travel. A more complete explanation of the Department's travel estimates is included in the "Salaries and Expenses, HUD" section of the Justifications contained in Volume III.

The increases of $761 thousand for Rent, Communications and Utilities, $242 thousand for Printing and Reproduction and $57 thousand for Supplies and Materials primarily reflect anticipated cost increases for these goods and services.

The $703 thousand decrease for Equipment reflects the Department's completion of its five year program to up-grade and replace worn-out office furniture and equipment.

The Other Services category, exclusive of Technical Assistance and Special Contracts, consists principally of automated data processing services. The funds are for the development of new systems and the enhancement, maintenance and operation of systems associated with management and processing activities for the various Housing Programs. Of the total increase of $2,838 thousand for Other Services in 1981,

data processing costs are projected to increase from $10,440 thousand in 1980 to $13,164 thousand in 1981, or an increase of $2,724 thousand to convert existing systems to the Department's new computer configuration. It also reflects expanded usage and increased costs related to the 40 systems currently being utilized. The $114 thousand balance of the increase in Other Services is due to anticipated cost increases for other items such as credit reports and audit services.

The $900 thousand for Technical Assistance is a a new requirement in 1981 in order to implement the provisions of Section 504 of the Rehabilitation Act of 1973. That Act provides that handicapped persons should have equal access to all Federally assisted programs and activities and further provides that a handicapped person cannot solely by reason of his/her handicap be excluded from participation in or be denied the benefits of programs that receive Federal financial assistance. Furthermore, the Department is required by law to publish regulations which provide guidelines and procedures to implement the requirements of Section 504. In order that all affected parties may understand the requirements, the Department must obtain expert guidance and assistance and develop and implement a comprehensive technical assistance program covering the Section 504 provisions. Technical assistance to be obtained from non-Federal sources is required to meet these requirements because the depth of expertise does not exist at this time in the Department. Also, technical assistance is needed to ensure compliance with Departmental policy. Due to the legislative mandate concerning Section 504, funds for this proposed technical assistance are essential in order to continue to be responsive to the housing rights and needs of handicapped individuals.

Special contracts funding requirements are needed to support Housing Programs and are unique to this activity. They are identified in the following table which is followed by a description of the 1981 requirements.

SPECIAL CONTRACTS	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Actuarial Services	...	$20	$20	$25	+$5
Air Courier Services	$19	25	20	25	+5
Environmental Impact Statements	229	310	170	382	+212
Public Housing Project-Based Budget Data Development	...	...	...	75	+75
Rehabilitation Specification Simplification	...	...	...	25	+25
Section 236(b) Audit Review	...	...	...	15	+15
Architectural Barrier-Free Manual	...	...	25	...	-25
Assembly of Multifamily Project Records	...	...	60	...	-60
Tax and Utility Court Settlement Requirements	...	...	60	...	-60
Troubled Multifamily Projects Reporting System	10	...	...	...	...
Troubled Multifamily Projects Legal Assistance	100	...	...	...	...
HUD Tenant Form Testing	10	...	...	...	...
Urban Initiatives Exhibit	60	...	...	...	...
Restructuring Multifamily Loan Management Functions	175	...	...	...	...
Structural Defects Evaluation	1,907	...	...	...	...
Total	2,510	355	355	547	+192

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

1. Actuarial Services ..... $25 Thousand

These funds would continue ongoing contractual services for actuarial and other technical life/health insurance services for Public Housing Agencies (PHAs) and Local Public Agencies (LPAs). This contract is necessary to obtain the services of qualified pension actuaries and employee benefit consultants to ensure that actuarial and technical aspects of PHA and LPA employee benefits plans conform with generally accepted insurance principles and practices. It is vital for the Department to continue to obtain this information because the services are necessary to assure compliance with HUD policy as well as with the Employee Retirement Income Security Act of 1974, as applicable.

2. Air Courier Services ..... $25 Thousand

These funds would continue contractual services to provide insured Air Courier Services for transportation of project notes between HUD offices and purchasing banks in various cities.

3. Environmental Impact Statements ..... $382 Thousand

These funds would continue contractual services to provide technical assistance for the preparation of Environmental Impact Statements (EISs) required by the 1970 National Environmental Policy Act (NEPA). This act requires all Federal agencies to ascertain the environmental impact of significant proposed actions through a specified procedure. To implement the NEPA, HUD adopted regulations which require the Department to prepare an EIS prior to the approval of any proposed project consisting of 500 or more units.

The EIS requirement has placed a heavy workload on HUD offices resulting in project approval delays of up to two years. It is not feasible to provide HUD staff for EIS preparation because the number and size of applications cannot be predicted accurately. A project requiring an EIS may be accepted for processing and will require almost one staff-year to complete. The administrative review requirements established by the Council on Environmental Quality for an EIS alone require 90 days to process. That review cannot be performed by HUD staff without disrupting other priority work requirements, especially in small offices.

The contractors evaluate and discuss the impact of proposed projects on the environment. Evaluations include a review of the physiography, water and air quality, noise, land use, presence of historic archaeological and architectural sites, infra-structures, transportation, community services, neighborhood character, aesthetics and urban design, and other housing in the area. The EISs include descriptions of existing conditions as well as appropriate tabular and graphic materials to supplement and illustrate the subject matter in the text. Further, EISs comply with all applicable HUD regulations, standards and guidelines and are subject to final approval and adoption by HUD. The contractors are responsible also for responding to comments made on the EISs during public review.

Continuation of funds for this special contractual assistance will materially benefit the Department and its clientele by helping to substantially reduce the current project approval backlog in EIS preparation.

4. Public Housing Project-Based Budget Data Development ... $75 Thousand

Funds are required to obtain contractual assistance to develop the Public Housing Project-Based Budget (PBB) data necessary to complete the stratified sample of PHAs which are being surveyed through the Public Housing Urban Initiatives Program (PHUIP). However, due to the nature of the PHUIP selection process, small PHAs (less than 1,250 units) are not included in the group and data from these PHAs will be essential. Since the PHAs in this size range comprise more than 95 percent of all PHAs operating Public Housing projects, the absence of PBB information for this category would create a serious data gap.

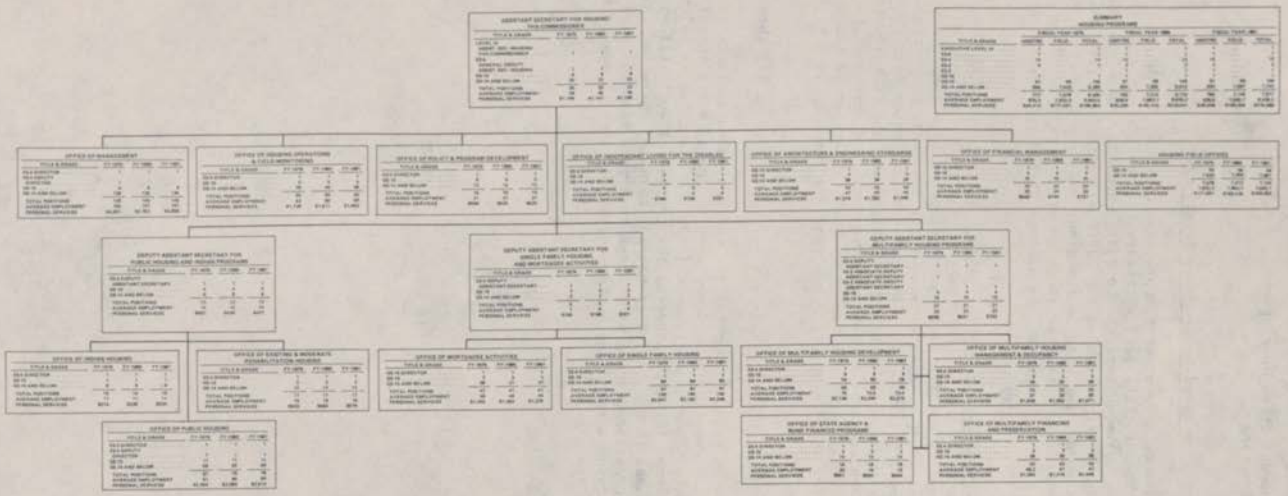
5. Rehabilitation Specification Simplification ..... $25 Thousand

Funds are required to contract for the development of a comprehensive and simplified system of rehabilitation specifications for HUD-owned properties for use by small business and minority firms. The National Rehabilitation Specification System works well in the larger projects to be rehabilitated and for bulk repair contracts where the contractors are experienced and have qualified personnel to develop specifications. However, experience has shown that the system is too technical and sophisticated for small minority firms that are involved in a high percentage of the repair programs.

6. Section 236(b) Audit Review ..... $15 Thousand

Funds are needed in order to provide for contractual assistance to review the administrative and accounting procedures used by the 13 State Agencies which receive Section 236 Rental Housing Assistance funds. Since there is neither a program nor accounting handbook for this program, the contractor would (1) provide guidance for preparing handbooks to use for the remaining terms of these Section 236 contracts, (2) ensure that proper accounting procedures have been employed, and (3) provide guidance in designing a reporting system where necessary to ensure that proper accounting procedures are used.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING PROGRAMS
DETAIL OF FULL-TIME EMPLOYMENT
IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

INTRODUCTION

The Government National Mortgage Association (GNMA) is a corporate entity within the Department of Housing and Urban Development. The Secretary of Housing and Urban Development determines general policies and selects and effects the appointment of qualified persons to fill the Offices of President and Vice President and such other offices as may be provided for in the bylaws. The President of the Association is responsible for the general supervision of GNMA's daily business affairs and for carrying out general policies determined by the Secretary.

Prior to September 1, 1968, the functions of GNMA were carried out by the Federal National Mortgage Association (FNMA). On September 1, 1968, under the provisions of the Housing and Urban Development Act of 1968, the Federal National Mortgage Association was partitioned into two separate and distinct corporate bodies, each possessing continuity and corporate succession. One of these corporations, assuming the functions of the Secondary Market Operations of the original FNMA, is the Federal National Mortgage Association, a Government-sponsored privately owned corporation, which, since September 30, 1968, has not been included within Federal Budget totals.

The other corporation is the Government National Mortgage Association, which remains in the Department of Housing and Urban Development and continues to operate the Special Assistance, the Emergency Mortgage Purchase Assistance, and Management and Liquidating Functions, as well as the Participation Sales Fund and Guarantees of Mortgage-Backed Securities programs.

Beginning in 1980, the Administration has put forward a proposal to establish an Energy Security Trust Fund which will be funded out of amounts collected from the proposed "windfall profits tax". Although program estimates have been included in the 1981 Budget under "Funds Appropriated to the President", appropriations will not be sought for a Solar Energy and Conservation Bank -- which is to be financed from the Trust Fund -- until authorizing legislation has been enacted. In addition, the budget introduces in 1981 a new method of financing HUD-insured project mortgages through a Mortgage Assistance Grant program. The following sections explain in detail the GNMA programs, other than the Solar Energy and Conservation Bank, the Justifications for which will be submitted later when the budget request is actually made.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

SPECIAL ASSISTANCE FUNCTIONS

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Mortgage purchase commitments.....	$2,000,000	$2,000,000	$2,000,000	$1,800,000 a/	-$200,000
Increase to prior year commitments.....	11,110	16,100	4,000	2,000	-2,000
Mortgage purchases.....	149,596	1,217,200	762,600	1,222,400	+459,800
Mortgage sales.....	167,931	879,200	185,000	1,340,000	+1,155,000
Portfolio, end of year.	2,360,278	2,645,503	2,797,878	2,530,278	-267,600
Budget Outlays.....	57,532	286,555	658,532	179,661	-478,871
Budget Authority (Borrowing Authority)	500,000	...	1,822,259	662,093	-1,160,166
Purchase Authority Released in Appropriation Acts...	2,000,000	2,000,000	2,000,000	1,800,000	-200,000
Limitation on Gross Purchase Commitments.	NA	NA	NA	1,800,000 a/	+1,800,000

a/ In addition, a program covering up to $200 million in mortgages would be supported under the proposed Mortgage Assistance Grant Program (See page Q-1).

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

Mortgage Purchase Authority. Mortgage purchase authority of $1.8 billion is being requested in 1981 in order to fund commitment contracts that will provide for the purchase of below-market interest rate (as low as 7-1/2 percent) FHA-insured mortgages earmarked for Section 8 assisted projects under the Section 8 Tandem program and non-assisted projects under the Targeted Tandem program.

Budget Authority. In the past, budget authority for the Special Assistance Functions programs was determined on the basis of the amount of new mortgage purchase authority, not previously released in appropriation acts, which was required in support of proposed program levels. Collections resulting from sales, foreclosures and repayments -- referred to as "recaptured authority" -- were available for mortgage purchase commitments, subject to release in appropriation acts, and were not counted as budget authority. The 1981 Budget reflects an effort starting in 1980, to refine concepts of budget authority to improve consistency and conformance with concepts in the Congressional Budget and Impoundment Control Act of 1974. Under the

refined calculations, budget authority is counted as the amount of borrowing from the Treasury which would be required to finance the total program less collections -- collections here representing, in addition to mortgage sales receipts and principal repayments, interest income and other receipts. The table below presents the calculation of new budget authority for 1980 and 1981:

	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Millions)	
Use of Budget Authority:		
New Commitments	$2,000	$1,800
Increases to Prior Commitments	4	2
Tandem Costs	28	201
Other Costs	448	497
Total Use	2,480	2,500
Deduct Sources of Budget Authority:		
Collections	458	1,638
Cancellation of Prior Commitments	200	200
Subtotal	658	1,838
New Budget Authority Required (Treasury Borrowing)	1,822	662

Federal Credit Limitation. Starting in 1981, direct loan and loan guarantee programs will come under Federal credit control. For the Special Assistance Functions programs, authorization is being sought for $1,800 million of mortgage purchase commitments under the Section 8 Tandem and Targeted Tandem programs. Furthermore, language is necessary under the system to provide for amendments to outstanding commitments and "bona fide" projects -- those Section 236 and Rent Supplement projects which received good faith assurances of HUD commitments prior to the suspension of the two subsidy programs in January 1973.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

The mortgage purchase estimates have been revised to reflect recent experience relating to the rate of mortgage delivery--the time lag between issuance of a commitment and actual purchase. As a result of the decrease in purchase activity, on hand saleable inventory also will decrease. This reduction in saleable inventory translates into a lower volume of sales activity in 1980.

Outlays, for the most part, reflect the relationship between disbursements for mortgage purchases and receipts realized on the sale of mortgages from portfolio. FY 1980 outlays have been revised to reflect the new levels of purchase and sales anticipated for 1980.

EXPLANATION OF INCREASES AND DECREASES

The amount of new Tandem mortgage purchase commitments has been reduced by $200 million from $2.0 billion in 1980 to $1.8 billion in 1981. This reduction in direct purchase assistance is due to a new approach to mortgage financing which is being proposed for 1981 -- mortgage purchase assistance grants -- which will support approximately $200 million of mortgages, offsetting the decrease in Tandem commitments. The new program is discussed under the heading "Mortgage Assistance Grant Program" in these Justifications.

Special Assistance Functions

The increase in purchase activity between 1980 and 1981 reflects the anticipated delivery of many mortgages under 1978 and 1979 mortgage commitment contracts. Purchases are consummated once the project is completed and receive HUD final endorsement. The budget estimates anticipate that many of the construction starts of 1978, 1979 and 1980 will reach completion during fiscal year 1981.

The table below presents the number of purchase commitments outstanding and mortgages purchased as of September 30, 1979 for the Section 8 Tandem and Targeted Tandem programs:

	OUTSTANDING COMMITMENTS	PURCHASES TO DATE	TOTAL
	(Dollars in Millions)		
Section 8 Tandem			
Number of Loans	939	20	959
Number of Units	93,887	1,440	95,327
Mortgage Amount	$2,692.5 a/	$32.9	$2,725.4
Targeted Tandem			
Number of Loans	224	5	229
Number of Units	33,104	459	33,563
Mortgage Amount	$964.0 a/	$9.0	$973.0

a/ Excludes reserves for increases.

The anticipated increase in purchases during 1981 will increase the saleable inventory. This coupled with the marketable portfolio carried into 1981 will provide a basis for increased sales in 1981. In fact, sales activity will surpass purchase activity and outlays are estimated to decrease substantially below levels expected for 1980. The substantial sales in 1981 also will result in collections used to offset budget authority requirements resulting in the $1.2 billion decrease in budget authority.

PROGRAM DESCRIPTION

The Special Assistance Functions programs provide for the financing of selected types of FHA-insured and VA-guaranteed mortgages as a means of stimulating certain types of residential mortgage lending and building activities or to provide support, generally, to the residential housing and mortgage markets when credit conditions so warrant.

Although GNMA holds a sizable mortgage portfolio, recent purchase activities have been followed by a sale of mortgages with GNMA absorbing any discounts resulting from sales. This procedure minimizes budgetary impact while maximizing secondary mortgage market support.

New activity in 1981 will be limited to (1) FHA-insured projects assisted through Section 8, (2) FHA-insured mortgages under the Targeted Tandem program, and (3) assisted housing projects which are still being processed as "bona fide" commitments under the Section 236 and Rent Supplement programs. The programs to be carried on in 1980 and 1981--Section 8 Tandem and Targeted Tandem--are explained in greater detail in the following sections.

Section 8 Tandem. Under this program, GNMA purchases mortgages on Section 8 projects which bear an interest rate as low as 7-1/2 percent, but not lower. The $1.5 billion will support the production of approximately 45,500 new and substantially rehabilitated housing units for low- and moderate-income families assisted under Section 8 in 1981. The program is aimed at reducing debt service requirements and thereby enabling these projects to be economically feasible. The limitation on mortgage amounts is determined by the FHA cost limitations applicable to the area in which the project is located. Projects are eligible for GNMA commitments once an FHA conditional commitment has been issued and the necessary Section 8 assistance has been reserved for the project. The mortgage is purchased by GNMA at a discount price of 97.5 percent and a two percent commitment fee is charged. Commitments are made available on a first come, first served basis and do not conform to any predetermined State by State distribution.

Targeted Tandem. Up to $300 million in GNMA commitments will be made available in 1981 for a program designed to encourage middle income families to move into, or remain in, certain distressed urban areas. The program provides a basis for private financial involvement in urban revitalization efforts. Under the program, mortgages are purchased on unsubsidized housing located in cities and counties which meet the physical and economic distress criteria of the Urban Development Action Grant (UDAG) program. Approximately 15,200 units will be funded under the program in 1980 and another 9,050 units are expected to be financed in 1981.

Other Activity. Activity for other SAF programs is limited to new commitments and amendments to outstanding commitments under Program 17--Section 236 and 221(d)(3) Rent Supplement projects which had received bona fide HUD commitments prior to the January 1973 housing moratorium. Assistance also is provided for Program 21 unassisted HUD-insured projects in the form of increases to outstanding commitments.

GNMA has initiated several changes for 1980 for the tandem programs, including:

-- The provision requiring the GNMA Seller to apply for a GNMA commitment contract within 30 days of reaching eligibility has been eliminated; the Seller may now request a GNMA contract any time after obtaining the minimum FHA documentation but prior to initial endorsement.

-- The initial commitment contract period has been fixed at 24 months; 36-month commitments are no longer available. Extension fees will be charged each time the contract is extended.

-- With respect to Section 8 projects (program 25), the $45,000 mortgage amount limitation per dwelling unit is no longer applicable; under the provisions of the HCD Amendments of 1979, GNMA will accept the project mortgage amount approved by FHA.

In addition, a mortgage purchase assistance grant demonstration program is being proposed for 1981 which will offer the opportunity to evaluate a different approach to mortgage financing. Rather than the purchase and sale method currently employed under Tandem, grant subsidies would be paid to financial institutions which orginate below-market-rate mortgages. The subsidy would compensate lenders for the smaller yield realized on the low-interest loan. The grant program is more fully explained in a subsequent section of this justification.

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Special Assistance Functions

The following table shows the change in portfolio status from 1979 through 1981:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)		
Mortgage Purchase Commitments				
Section 8 Tandem:				
Initial commitments	$1,340,245	$1,425,000	$1,425,000	...
Reserve for increases	159,755	75,000	75,000	...
Total	1,500,000	1,500,000	1,500,000	...
Targeted Tandem:				
Initial commitments	427,642	475,000	285,000	-$190,000
Reserve for increases	72,358	25,000	15,000	-10,000
Total	500,000	500,000	300,000	-200,000
Other Tandem:				
Increase to prior year commitments	11,110	4,000	2,000	-2,000
Total commitments	2,011,110	2,004,000	1,802,000	-202,000
Mortgage Purchases:				
Section 8 Tandem	32,924	562,300	868,600	+306,300
Targeted Tandem	9,033	162,200	307,400	+145,200
Other Tandem	107,639	38,100	46,400	+8,300
Total purchase	149,596	762,600	1,222,400	+459,800
Mortgage Sales:				
Section 8 Tandem	2,036	133,200	951,400	+818,200
Targeted Tandem	1,807	33,300	321,600	+288,300
Other Tandem	164,088	18,500	67,000	+48,500
Total sales	167,931	185,000	1,340,000	+1,155,000
Repayments	132,493	140,000	150,000	+10,000
Portfolio, end of year	2,360,278	2,797,878	2,530,278	-267,600

OPERATING RESULTS

Net income, primarily the excess of interest income over interest expenses, has been retained for losses and contingencies and amounted to about $115 million on June 30, 1968. Since that time, operations have resulted in net losses by reason of heavy purchases of below-market-rate mortgages as well as the payment of discount allowances on tandem sale transactions. Such losses have exhausted retained earnings and have produced a deficit of $2,199.5 million in government equity at September 30, 1979.

It is expected that conditions leading to these operational losses will continue to exist in the future. During 1980 and 1981, net losses are estimated at $302.7 million and $526.2 million, respectively.

Special Assistance Functions

The following table summarizes gross income, expenses, net income and retained earnings for the periods covered by these estimates:

FISCAL YEAR	GROSS INCOME	EXPENSES	NET INCOME OR LOSS(-)	PAYMENTS IN LIEU OF DIVIDENDS TO TREASURY	APPRO-PRIATIONS	GOVERNMENT EQUITY
Cumulative through 1978...	$2,612,791	$4,628,372	-$2,015,581	$2,634	$66,594	-$1,951,621
1979 actual...	128,940	383,645	-254,705	...	6,800	-2,199,526
1980 estimate.	133,236	435,946	-302,710	...	6,500	-2,495,736
1981 estimate.	148,113	674,306	-526,193	...	6,400	-3,015,529

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

MORTGAGE ASSISTANCE GRANT PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Mortgage Assistance Grants	...	...	...	$30,000	+$30,000
Mortgages Assisted (Amount)	...	...	...	200,000	+200,000
Budget Authority (Appropriation)	...	...	...	30,000	+30,000

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

This proposed program is a demonstration which will involve grant payments to financial institutions for originating below-market-interest-rate loans for project mortgages. For 1981, an appropriation is being sought for $30 million for subsidy payments in support of $200 million of low-interest mortgage loans.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

Since this represents a new proposal for 1981, there were no estimates in the 1980 Budget for this program.

PROGRAM DESCRIPTION

Beginning in 1981, the Department is proposing a demonstration program to assist in the financing of multifamily projects. Legislation is being proposed which would authorize GNMA to make payments to financial institutions for the purpose of subsidizing below-market-interest-rate loans which are secured by project mortgages insured under Title II of the National Housing Act. The grant payments will be made in amounts necessary to compensate lenders for the difference in yield between making loans at below-market rates and making loans at market rates of interest. An authorization for appropriations amounting to $30 million is being proposed for 1981.

The grant program is viewed as a possible alternative to the current method of tandem financing which involves the purchase and sale of mortgages. Under the present tandem method, compensation for the yield differential between market interest rates and the below-market rate of tandem mortgages is achieved through a "sales discount" -- i.e., mortgages bearing below-market interest rates are sold at less than the face value of the mortgages. Under the grant approach, a one-time payment would be made to the loan originator in compensation for the yield differential, precluding the need for a purchase/sale type of transaction.

In order to assure that the projects actually will be constructed, the grant will not be disbursed to the lender until the project is completed -- an estimated 24 to 36 months after reservation of funds. The $30 million requested for 1981 will support approximately $200 million of project mortgages, offsetting the $200 million decrease proposed for the Targeted Tandem program in 1981.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

EMERGENCY MORTGAGE PURCHASE ASSISTANCE

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Mortgage Purchase Commitments: Insured mortgages.....	$41,521	$150,000	$60,000	$24,000	-$36,000
Mortgage purchases.....	1,342,062	970,000	1,168,200	537,200	-631,000
Mortgage sales.....	1,317,948	970,000	965,000	1,310,000	+345,000
Portfolio, end of year.	777,488	647,765	968,648	187,848	-780,800
Budget Outlays.....	270,733	125,926	489,850	-423,800	-913,650

SUMMARY OF BUDGET ESTIMATES

1 SUMMARY OF BUDGET REQUEST

No release of mortgage purchase authority is requested for 1981. The authority to make mortgage purchase commitments under Section 313 of the National Housing Act, as amended, expires on October 1, 1980. Legislation is being proposed to extend the authorization, on a standby basis, for two years, until October 1, 1982.

The Emergency Mortgage Purchase Assistance program also is covered under Federal credit controls. However, since no new mortgage purchase commitment activity is anticipated for 1981, specific limitations on program activity have not been established. Activity will be limited to amendments to outstanding commitment contracts and authorization is being requested for such amounts as may be necessary for this purpose in 1981.

The manner in which budget authority is determined has been refined for the mortgage purchase assistance programs. Heretofore, budget authority was counted only to the extent that the use of new mortgage purchase authority, not previously released in appropriation acts, was required. Under the refined calculations, the 1981 Budget will show, starting in 1980, any additional borrowing required from the Treasury net of collections earned within the fiscal year as budget authority. Under the proposed budget programs, no new budget authority would be reflected in either 1980 or 1981 for the Emergency Mortgage Purchase Assistance program.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

Increases to outstanding commitments have not been required in amounts previously anticipated. During 1979, amendments totaling $41.5 million were necessary. Based on this experience, it is estimated that only $60 million will be needed in 1980 for this purpose -- substantially less than the $150 million which had been projected in the 1980 Budget.

Emergency Mortgage Purchase Assistance

Mortgage purchases did not occur in 1979 at the rate previously expected -- $1.34 billion was delivered for purchase as compared with an estimated $1.95 billion. It is now expected that a portion of this "shortfall" will carry over into 1980 and that the amount of mortgages delivered to GNMA in 1980 for purchase will be somewhat higher than had been estimated in the 1980 Budget -- $1.168 billion compared with the earlier estimate of $970 million.

Given current market conditions, it now appears unlikely that an amount of mortgages will be sold in 1980 equal to the amount purchased during the year. It is estimated that sales will reach a level of only $965 million for 1980.

This new relationship between purchase and sales activity will impact on outlays causing them to rise as purchases increase. In addition, deeper discounts resulting from the current high interest rate situation will further increase net outlays for the year. It is now anticipated that net outlays will be $489.9 million for the year.

EXPLANATION OF INCREASES AND DECREASES

No new mortgage purchase commitments are expected for 1981. Amendments to outstanding commitments are recorded by GNMA at the time of delivery for purchase. The amount needed for such increases to prior year contracts is estimated to decline in 1981 -- reflecting a lower volume of purchases anticipated for the year.

There is a considerable lag in time between issuance of a commitment and the actual delivery of the mortgage to GNMA -- the unit must be completed before the mortgage is eligible for purchase by GNMA. GNMA multifamily commitments are for a term of two years, with extensions beyond the initial commitment period should conditions warrant. As of September 1979, a total of approximately $1.76 billion of commitments remained outstanding. Based on the acquisition of $1.17 billion of these mortgages during 1980, a balance of about $590 million would remain outstanding at year end. The bulk of this balance is expected to be purchased during 1981.

A mortgage portfolio amounting to $969 million will carry over into 1981 and another $537 million would be added to the inventory through purchases made in 1981. This would provide a basis for the sale of some $1.3 billion of mortgages during the year.

The low volume of purchases anticipated and the substantial sales activity estimated for 1981 will result in a net receipt for the year amounting to $423.8 million.

PROGRAM DESCRIPTION

The Emergency Home Purchase Assistance Act of 1974 added Section 313 of the National Housing Act by authorizing interim or standby authority to purchase mortgages until October 18, 1975. The Act authorized the purchase of conventional mortgages, as well as mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

The Emergency Housing Act of 1975 extended the mortgage purchase authority to July 1, 1976, fixed the interest rate at the lesser of 7.5 percent or the maximum FHA Section 203(b) rate, and broadened the authority to cover conventional multifamily housing, including cooperatives, condominiums and the individual units therein. Authority to make commitments pursuant to Section 313 was extended by the Housing and Community Development Amendments of 1979 to October 1, 1980 and the Department is proposing legislation to extend this authorization on a standby basis for two years until October 1, 1982.

Emergency Mortgage Purchase Assistance

Under current legislation, in order to qualify for purchase under this program, a mortgage must finance the acquisition of a one- to four-family residence of the mortgagor and involve an original principal obligation not to exceed $42,000 per family residence or dwelling unit, except that such obligation may be higher (up to $55,000) in the case of properties located in Alaska, Hawaii, or Guam. In the case of Section 8 projects located in areas where cost levels warrant an increase, the balance may be as high as $49,000.

The limitations on mortgage amounts are also applicable to multifamily mortgages insured by the FHA. Mortgage amount limitations on conventional multifamily mortgages must be the lesser of the foregoing amounts per family unit, or the unit limitations as applicable under FHA insurance -- Section 207 for rental housing, Section 213 for cooperatives, or Section 234 for condominium projects. Conventional mortgages require private mortgage insurance when the mortgage amounts exceed 80 percent of the value of a single-family residence or condominium unit or 75 percent of the value of a multifamily structure.

Interest rates may not exceed 7.5 percent per annum or the interest rate for FHA Section 203(b) mortgage, whichever is less, although proposed legislation would permit the Secretary to raise the rate to the current FHA rate. Moreover, legislation is also being proposed which would raise the sales price ceiling and revise restrictions on the use of the program for existing homes, so that the program would be ready for use should economic conditions warrant such action.

The program may be activated whenever the Secretary finds the inflationary conditions related to governmental actions or other economic factors are having a severely disproportionate effect on the housing industry, and the resulting reduction in the volume of construction or acquisition threatens seriously to affect the economy and to delay the orderly achievement of national housing goals. However, mortgage purchase authority, including the use of recapture of purchase authority previously released, must be released in appropriation acts.

PROPOSED LEGISLATION

As noted above, in addition to the extension of Emergency Mortgage Purchase Assistance authority to October 1, 1982, several proposals affecting program operations are pending before the Congress. If proposed legislation is enacted, the mortgage limits for single and multifamily units would be raised to the applicable FHA ceiling, with an add-on of 10 percent for high cost areas. The program also would be revised so that limitations on the sales price for single family units would be established at 105 percent of the FHA Section 203(b) mortgage limits, plus a 10 percent override for high cost areas. The legislation would permit the Secretary to set the interest rate on mortgages at a rate no higher than the FHA rate, instead of the 7.5 percent limit which currently exists. Furthermore, the proposal allows the program to be used for existing housing units constructed more than one year prior to the date of commitment.

Emergency Mortgage Purchase Assistance

PROGRAM ACTIVITY

The following table shows mortgage purchase commitments, purchases, sales, and year-end portfolio for fiscal years 1979 through 1981:

STATUS OF COMMITMENTS:	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)		
Commitments outstanding, beginning of year.....	$3,217,243	$1,763,625	$631,425	-$1,132,200
Commitments (increases to prior contracts).....	41,521	60,000	24,000	-36,000
Less cancellations.....	-153,077	-24,000	-3,000	-21,000
Less purchases.....	-1,342,042	-1,168,200	-537,200	-631,000
Commitments outstanding, end of year.....	1,763,625	631,425	115,225	-516,200
STATUS OF PORTFOLIO:				
Portfolio, beginning of year.....	763,767	777,448	968,648	+191,200
Mortgage purchases.....	1,342,062	1,168,200	537,200	-631,000
Mortgage sales.....	-1,317,948	-965,000	-1,310,000	+345,000
Repayments.....	-10,433	-12,000	-8,000	-4,000
Portfolio, end of year.....	777,448	968,648	187,848	-780,800

OPERATING RESULTS

During 1980 and 1981, net losses are estimated at $216.6 million and $315.0 million, respectively. The following table summarizes the cumulative gross income, expenses, net income and retained earnings through 1980:

FISCAL YEAR	GROSS INCOME	EXPENSES	NET INCOME OR LOSS (-)	RETAINED EARNINGS
		(Dollars in Thousands)		
Cumulative through 1978....	$271,912	$740,452	-$468,540	-$468,540
1979 actual.....	70,853	286,673	-215,820	-684,361
1980 estimate.....	58,100	274,690	-216,590	-900,951
1981 estimate.....	36,800	351,830	-315,030	-1,215,981

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

MANAGEMENT AND LIQUIDATING FUNCTIONS

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Portfolio, end of year	$199,305	$172,641	$172,329	$149,299	-$23,030
Budget Outlays	-35,555	-29,000	-34,600	-30,300	-4,300

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUESTS

No appropriation is required for this program.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

Based on actual experience in 1979, estimated outlays for 1980 were revised to reflect a higher rate of principal repayments for 1980.

EXPLANATION OF INCREASES AND DECREASES

The decrease in the portfolio is associated with the continuing normal repayment of mortgages and other liquidations. Outlays for this program are negative, reflecting net receipts to the fund resulting from repayments of principal and interest on mortgages in the portfolio. As the size of the mortgage portfolio decreases, the level of loan repayments and interest income decline and budget receipts are reduced accordingly.

PROGRAM DESCRIPTION

GNMA is responsible for managing and liquidating the portfolio of mortgages acquired prior to the FNMA Charter Act of 1954 and loans or other obligations that were subsequently acquired as authorized by law. In 1955, the Association was given responsibility for managing and liquidating the remaining portfolio of the Reconstruction Finance Corporation Mortgage Company and the Defense Home Corporation.

GNMA is authorized to acquire for this portfolio any mortgages covering residential properties that are offered to it by any Federal instrumentality and to purchase, service and sell any of these obligations. There have been no purchases in recent years.

Liquidation of the portfolio is accomplished primarily through regular principal repayments according to amortization schedules, as well as sale of mortgages in the private market. No such sales are planned for 1980 or 1981. The last sale of mortgages occurred in 1973.

Management and Liquidating Functions

PROGRAM ACTIVITY

1. Status of Funds. The following table summarizes GNMA's mortgage activities since its inception in 1938 and those for the three periods covered by the budget program.

FISCAL YEAR	PURCHASES	SALES	REPAYMENTS a/	FORECLOSURES	YEAR-END PORTFOLIO
Cumulative 1938-1978....	$6,831,923	$3,046,226	$2,995,758	$557,504	$232,435
1979 actual....	...	...	32,561	570	199,305
1980 estimate..	...	...	26,476	500	172,329
1981 estimate..	...	...	22,530	500	149,299

a/ Includes Defense Family Housing and purchase discounts.

2. Financing. The Management and Liquidating Functions are presently financed by borrowing from the United States Treasury, portfolio liquidations, and income from operations. Treasury debt maturing during the 1979-1981 period will be repaid out of net income from operations and from a portion of the receipts received from mortgage sales and loan repayments. A summary of financing is shown in the following table:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Net income or loss (-) from operations	$7,735	$8,550	$8,919
Mortgage sales, repayments and other receipts and disbursements	13,265	-3,550	-3,919
Net borrowings from or repayments to (-) the U.S. Treasury	-21,000	-5,000	-5,000
Total financing	...	...	...

3. Operating Results - Net Income and Retained Earnings. Net income of the Management and Liquidating Functions is derived principally from interest earned on its mortgage portfolio, less charges for interest on borrowing from the Treasury, participation certificates, and other operating costs and expenses.

The following table summarizes the gross income, expenses, net income, payments to the Secretary of the Treasury, and retained earnings of these functions since their inception in 1938 and estimates for 1980 and 1981.

FISCAL YEAR	GROSS INCOME	EXPENSES	NET INCOME OR LOSS(-)	PAYMENTS TO TREASURY	CUMULATIVE RETAINED EARNINGS
		(Dollars in Thousands)			
Cumulative 1938 - 1978	$2,241,348	$1,863,059	$378,288	$264,739	$113,549
1979 actual	27,590	19,855	7,735	...	121,284
1980 estimate	26,941	18,391	8,550	...	129,834
1981 estimate	26,917	17,998	8,919	...	138,753

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

MORTGAGE-BACKED SECURITIES

REVISED BUDGET REQUEST

PROGRAM HIGHLIGHTS

	ESTIMATE 1981	
	PREVIOUS	REVISED
	(Dollars in Thousands)	
Limitation on Federal Credit -- Guarantee Commitments Issued in Year.....	...	$53,000,000

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

The Mortgage-Backed Securities program is included in the Federal Credit Control and is subject to controls on the gross amount of loan activity -- both for direct leveling and loan guarantees. The 1981 Budget initially proposed no specific limitation on the amount of guarantee commitment activity.

However, current economic conditions have made it necessary to subject the credit allocation process to closer examination and more careful consideration of the impact of Federal credit activities on the economy. As part of a program to bring the rate of inflation under control, this budget amendment is proposed to set a specific limitation on the amount of commitments which may be issued by the Government National Mortgage Association (GNMA) for guarantees under the Mortgage-Backed Securities program. For 1981, the limitation that is proposed would provide for $53 billion of commitments to issue guarantees and for $25 million in actual guarantees being issued.

The amounts proposed are the same as estimated in the 1981 Budget, but which are not controlled. No impairment of FHA or VA insurance programs is anticipated as a result of such limitation.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

GUARANTEES OF MORTGAGE-BACKED SECURITIES

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Guarantee commitments issued in year	$41,750,000	NA	$47,200,000	$53,000,000	+$5,800,000
Guarantees issued in year	22,175,900	$16,500,000	20,500,000	25,000,000	+4,500,000
Guaranteed securities outstanding .	70,558,400	73,300,000	85,475,800	104,375,800	+18,900,000
Budget Outlays	-54,625	-49,000	-63,000	-80,200	-17,200

SUMMARY OF BUDGET ESTIMATE

1. SUMMARY OF BUDGET REQUEST

No appropriation is required for this program. Income derived from program operations is sufficient to meet operating costs. GNMA also may borrow from the Treasury, if necessary, to meet guarantee requirements.

Starting in 1981, Federal credit controls are proposed for loan guarantee or direct loan programs. The Mortgage-Backed Securities program is covered under credit controls; however, the budget proposes that commitments to issue guarantees be authorized in such amounts as may be necessary to carry out the purposes of the program.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The increase in the estimates for 1980 over earlier estimates reflects changed conditions in the Nation's housing markets. Housing starts and sales grew at a stronger than expected rate in 1979 which has required a reestimate of 1980 activity as well. This increased level of activity also will cause an increase in the amount of net income to be received in 1980.

EXPLANATION OF INCREASES AND DECREASES

The economy is expected to show improvement during 1981 which will boost housing starts and sales and the estimated level of commitments to issue mortgage-backed securities to $53 billion and securities issued against such commitments to $25 billion. Commitment activity is being shown in the budget for the first time since it is the first point at which there is an approval by the Federal Government. Typically, about half the commitments issued are turned into actual guarantees.

The increase in guarantee activity is reflected in the amount of fees anticipated for the year -- which will increase from an estimated $51.4 million in 1980 to $64.2 million in 1981. The increment in fee income will have a direct bearing on net receipts anticipated for the year. Primarily as a result of fee income, it is estimated that net receipts for 1981 will reach a level of $80.2 million -- an increase of $17.3 million over the revised estimate for 1980.

Guarantees of Mortgage-Backed Securities

PROGRAM DESCRIPTION

This program is designed to stimulate the financing of residential mortgage loans insured or guaranteed by the Federal Housing Administration, the Veterans Administration and the Farmers Home Administration, through investments in long-term securities guaranteed by GNMA which are based on and backed by pools of such mortgages.

Institutions which are engaged in the business of originating and servicing mortgages such as mortgage companies, commercial banks, savings banks and savings and loan associations assemble the pools and issue the securities. Buyers of securities include pension funds, state and municipal retirement funds and other investors who are unequipped and unwilling to assume the complexities of managing mortgage portfolios.

"Traditional" sources of mortgage funds are savings and loan associations, commercial banks and other thrift institutions. Although these institutions provide a substantial portion of the funds being used to finance mortgages, they comprise only 31.7 percent of the Mortgage-Backed Securities program participants. Other types of investors which have in the past accounted for only a small portion of the total funds made available for mortgages are considered non-traditional investors. The non-traditional category comprises 68.3 percent of the program's current participation.

The table below reflects the current distribution of securities investors and the respective ratios in 1978 and 1979:

Type of Investor	Percentage by Type of Investor for Outstanding Certificates Issued as of 9/30/78	9/30/79
Savings Banks	11.7	10.2
Commercial Banks	6.0	6.2
Savings and Loans	14.4	15.3
Pension Funds	11.8	10.2
Mortgage and Investment Bankers	13.2	7.4
Individuals	1.4	1.6
Credit Unions	2.6	2.3
All Others, including Nominees a/	38.9	46.8
Total	100.0	100.0

a/ A nominee is generally a financial institution which buys and holds securities in its name on the behalf of an investor.

GNMA guarantees two classes of securities: "Bond-Type" and "Pass-Through Type".

1. Bond-Type Security. These issues provide for payment of interest semi-annually and principal at stated redemption dates. Issues may be registered or in coupon form, may bear serial maturities and may contain call provisions. The bond-type is a general obligation of the issuer and involves the risks inherent in the investment and reinvestment of mortgage collections awaiting application on the securities. The bond-type is eligible for guarantee only if issued in a minimum amount of $100,000,000 and by issuers having a net worth of $50 million or more. The Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) are the only approved issuers of the bond-type security.

Guarantees of Mortgage-Backed Securities

2. Pass-Through Type Security. The pass-through type security provides for the 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 during the month.

The pooled mortgages which back the securities must cover single family homes, including those insured under Section 245 Graduated Payment FHA Mortgage Insurance program, multifamily projects, or mobile homes, and must be insured or guaranteed for not more than a year at the time that an application for a commitment to guarantee securities is made to GNMA. After the commitment is issued by GNMA, the issuer can then begin to assemble mortgage pools and issue securities up to the amount of the approved commitment. Securities are issued in the minimum face amount of $25,000 and increments of $5,000 thereafter, bear the same aggregate face amount as the aggregate unpaid balance of the pooled mortgages, and bear interest at the rate born by the mortgages, less an amount representing compensation to the issuers for servicing and payment of guarantee fees. The original minimum principal amount of the pooled mortgages for the single family and GPM pools is $1.0 million. For all other types, the minimum is $500,000.

Since the pooled mortgages are insured or guaranteed by Government agencies, GNMA's risk is minimal. Risks relate primarily to unsound issuer management and financial practices, or fraudulent activity.

PROGRAM ACTIVITY

1. Status of Program. During 1979, the Government National Mortgage Association issued guarantees of securities totaling $22.2 billion. Additional guarantees of mortgage-backed securities are estimated at $20.5 billion in 1980 and $25.0 billion in 1981.

The changes in the outstanding principal balance of securities for fiscal years 1979, 1980 and 1981 are shown in the following table:

	SECURITIES OUTSTANDING		
	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Millions)		
Securities outstanding, beginning of year	$52,964.2	$70,558.4	$85,475.8
Issued during year	22,175.9	20,500.0	25,000.0
Principal payments to security holders	-4,581.7	-5,582.6	-6,100.0
Securities outstanding, end of year	70,558.4	85,475.8	104,375.8

2. Financing. Application and guarantee fees and other charges are paid by issuers of guaranteed securities to cover costs incurred by GNMA in issuing guarantees and to establish a reserve against which to pay claims under the guarantee. The Association may borrow from the Treasury as necessary to make claim payments. However, it has not had to use that authority as fee collections have been sufficient for this purpose.

Guarantees of Mortgage-Backed Securities

Expenses are incurred for program administration, and for the payment of claims pursuant to the GNMA guaranty on the securities.

The following table reflects the composition of program net income for 1979, 1980, and 1981:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Income:			
Guarantee fees	$41,131	$51,400	$64,200
Interest	9,853	13,700	18,000
Other (such as repayments of guaranteed payments, etc.)	6,300	7,100	8,600
Gross Income	57,284	72,200	90,800
Expenses:			
Operating Expenses:			
Administrative	1,057	1,460	1,721
Functional Services	654	720	750
Non-operating Expenses:			
Claims	393	1,100	1,100
Other	723	570	464
Total Expenses	2,828	3,850	4,035
Net Income	54,456	68,350	86,765

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

PARTICIPATION SALES FUND

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Certificates retired ...	$162,000	$162,000	$162,000	$127,000	-$35,000
Certificates outstanding, end of year	3,004,000	2,842,000	2,842,000	2,715,000	-127,000
Budget Outlays	-11,682	1,306	375	350	-25
Appropriation for Participation Sales Insufficiencies:					
Annual definite appropriation for 1968-1969 sales	20,477	16,971	16,971	4,967	-12,004
Permanent indefinite appropriation for 1967 sales	4,039	3,394	3,394	3,542	148

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

An appropriation of $4,967,000 is requested for fiscal year 1981 for the payment of participation sales insufficiencies.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

Activity under the Participation Sales program is relatively controlled since schedules for maturity were established and interest rates determined when certificates were sold. Conditions which govern the activities in this program tend to remain constant; therefore, the current estimates for 1980 for certificates retired, certificates outstanding and outlays do not differ from those presented in the 1980 budget.

EXPLANATION OF INCREASES AND DECREASES

The decrease in certificates outstanding reflects the retirement of certificates totaling $127 million during fiscal year 1981. The College Housing Loan program will be transferred to the Department of Education during 1980. Insufficiency requirements accruing in 1981 as a result of past sales of participations in College Housing loan obligations will be met through appropriations sought under Department of Education accounts. This is the reason for the sharp decrease in appropriation requirements between 1980 and 1981. Furthermore, the significant decrease in appropriation requirements reflects the retirement of participation certificates, so that fewer certificates will accrue interest.

Participation Sales Fund

PROGRAM DESCRIPTION

The Housing Act of 1964 vested fiduciary powers in GNMA, with the objective of facilitating the substitution of private financing for Government-owned mortgages or other types of obligations. The program provides for the pooling, under trust indentures, of mortgages or other types of obligations of certain Government departments and agencies, and the sale by GNMA, as trustee, of beneficial interest or participations in these pools. Since the inception of the Participation Sales program in fiscal year 1965, GNMA established four trusts to administer the sales of participation certificates covering assets in 14 funds of five Government agencies. One of these, the Small Business Obligation Trust, was liquidated in 1971.

PROGRAM ACTIVITY

The Participation Sales Act of 1966 authorized appropriations to cover payments for insufficiencies in the amount required to be paid by the trustors on the outstanding participations. These insufficiencies are comprised of interest payments to holders of participation certificates in excess of the interest payments received from the pooled mortgages or other obligations.

For sales authorized in 1967, the Independent Offices Appropriation Act of 1967 authorized a permanent, indefinite appropriation to cover insufficiencies. For sales authorized in 1968, the Independent Offices and Department of Housing and Urban Development Appropriation Act established annual appropriations for insufficiencies.

The permanent indefinite appropriations are estimated at $3,542,000 for 1981 to cover insufficiencies for sales authorized in 1967. An appropriation of $4,967,000 for 1981 will be required to cover insufficiencies for sales authorized in 1968.

The following table shows the amount of definite and indefinite appropriations enacted and proposed for fiscal year 1981:

DEFINITE APPROPRIATIONS - 1968 SALES

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)		
College Housing Loans	$13,097	$12,117	...	-$12,117
Public Facility Loans	1,487	1,354	$1,567	213
Special Assistance Functions Fund	3,700	3,500	3,400	-100
Total	18,284	16,971	4,967	-12,004

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Participation Sales Fund

INDEFINITE APPROPRIATIONS - 1967 SALES

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)		
College Housing Loans	$241	$134	...	-$134
Public Facility Loans	698	260	$542	282
Special Assistance Functions Fund	3,100	3,000	3,000	...
Total	4,039	3,394	3,542	148

Both the definite and indefinite appropriations reflect the transfer of the College Housing Program from HUD. This program will be transferred to the recently established Department of Education during 1980. An appropriation for insufficiencies arising from the sale of participation in College Housing Fund obligations will be sought under the accounts for that Department in 1981. The amount of definite authority appropriated for 1979 -- $20,477 thousand -- was in excess of actual 1979 requirements and there was a lapse of $2,193 thousand.

STATUS OF FUNDS

In the event the principal of pooled loans is not paid in time to meet scheduled retirements of participation certificates, GNMA may sell additional certificates under the original sales authority to refund those coming due. Alternatively, those Trustor Accounts with unobligated balances available may repurchase pooled loans to provide the cash required for scheduled redemptions.

Set forth below is a detailed analysis of participations sold:

PARTICIPATION SALES BY TRUST

ISSUE DATE	MATURITY DATES	ANNUAL INTEREST RATES (%)	MATURITIES NO.	MATURITIES AMT.	TOTAL ISSUED
		(Dollars in Millions)			
Government Mortgage Liquidation Trust:					
11/2/64	Nov. 1, 1965-1974	4.125 - 4.375	10	$30	$300
7/1/65	Jul. 1, 1966-1980	4.375 - 4.50	15	35	525
12/1/65	Dec. 1, 1966-1980	4.625 - 4.70	15	25	375
4/4/66	Apr. 1, 1967-1976	5.40 - 5.50	10	20	200
4/4/66	Apr. 1, 1977-1981	5.25 - 5.45	5	42	210
6/23/66	Jun. 23, 1979-1981	5.375 - 5.40	3	60	180
Total GMLT					1,790
Small Business Obligations Trust:					
6/23/66	Jun. 23, 1967-1971	5.70 - 5.75	5	70	350

Participation Sales Fund

PARTICIPATION SALES BY TRUST (continued)

ISSUE DATE	MATURITY DATES	ANNUAL INTEREST RATES (%)	MATURITIES NO.	MATURITIES AMT.	TOTAL ISSUED
		(Dollars in Millions)			
Federal Assets Liquidation Trust:					
1/19/67	Jan. 19, 1972	5.20	1	275	
	Jan. 19, 1977	5.20	1	275	
	Jan. 19, 1982	5.20	1	550	1,100
4/5/67	Apr. 7, 1969	4.75	1	450	
	Jan. 19, 1972	5.00	1	250	
	Apr. 6, 1987	5.10	1	200	900
6/29/67	Sep. 29, 1969	5.25	1	450	
	Jun. 29, 1972	5.50	1	450	900
4/8/68	Apr. 9, 1973	6.45	1	330	330
Total FALT					3,230
Federal Assets Financing Trust:					
12/11/67	Feb. 11, 1979	6.35	1	$650	
	Dec. 11, 1987	6.40	1	350	$1,000
1/30/68	Feb. 1, 1971	6.00	1	800	
	Feb. 1, 1988	6.05	1	450	1,250
4/8/68	Apr. 8, 1971	6.30	1	335	
	Apr. 8, 1988	6.45	1	335	670
8/12/68	Aug. 14, 1978	6.12	1	500	
	Aug. 12, 1988	6.20	1	830	1,330
Total FAFT					4,250
Total All Trusts					9,620

To date, $6.6 billion in certificates have been redeemed, leaving a balance outstanding of $3.0 billion. The amount and maturity date of those certificates outstanding as of September 30, 1979, are presented in the following table:

	GOVERNMENT MORTGAGE LIQUIDATION TRUST a/	FEDERAL ASSETS LIQUIDATION TRUST b/	FEDERAL ASSETS FINANCING TRUST c/	TOTAL
	(Dollars in Millions)			
Balance Outstanding on 9/30/79	$289.0	$750.0	$1,965.0	$ 3,004.0
Certificates Maturing:				
1980	162.0	...	...	162.0
1981	127.0	...	...	127.0
1982	...	550.0	...	550.0
1983-1986	...	...	...	...
1987	...	200.0	...	200.0
1988	...	...	1,965.0	1,965.0
Total	289.0	750.0	1,965.0	3,004.0

a/ 1966 and prior sales.
b/ 1967 sales - indefinite appropriation.
c/ 1968 sales - definite appropriation.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with the particular Budget Activity of "Salaries and Expenses, HUD," has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980 and 1981.

BUDGET ACTIVITY 2: GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity	$1,695	$2,041	$2,272	$2,668	+$396
Permanent Positions, End of year	45	50	53	61	+8
Staff-Years	47.0	56.0	57.6	65.6	8.0

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request consists of $2,668 thousand and 61 positions. This represents increases of $396 thousand and 8 positions respectively, as compared to 1980.

The additional staff is required for increased workload, primarily in activities in the Mortgage-Backed Securities program. The additional funds consist of $269 thousand for personal services costs, principally to support the increased staffing level and for within-grade increases, and $127 thousand for other costs, primarily for automated data processing services.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 estimate varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate	$2,041
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses"..	-44
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by Congress in P. L. 96-86.....	-3
Add October 1979 pay raise	+104
Add cost of staffing due to revised workload requirements data	+53
Add revised estimates for personal services costs	+13
Add revised estimates for support costs	+108
Current 1980 estimate	$2,272

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Government National Mortgage Association

The changes in funding requirements are the results of:

-- action by the Congress on the departmental 1980 budget request for "Salaries and Expenses";

* a share of the $396,000 department-wide reduction from the budget request for travel (-$1,000);

* a share of the $2 million departmental reduction from the budget request for automated data processing (-$21,000); and

* a share of the general departmental-wide reduction of $6.8 million for "Salaries and Expenses" (.8 staff-years and -$22,000).

-- a share of the $1.1 million reduction in the departmental travel and transportation funding ceiling due to the overall limitation imposed by the Congress on the executive departments (P. L. 96-86);

-- the additional funds required to implement the pay-increase which became effective during October 1979;

-- the addition of 2.0 staff-years (3.0 positions) consistent with current workload requirements; and

-- an increase of other objects of expense on the basis of more recent cost and requirements data.

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$1,695	$2,272
Increased pay rates:		
October 1978 raise	+1	...
October 1979 raise	+104	+2
Cost of within-grade increases	+21	+26
Cost of two extra days' pay in 1980	+13	...
Cost of one less day's pay in 1981	...	-7
Changes in personal services costs, principally due to increases in employment	+309	+248
Changes in ADP services	+65	+98
All other changes	+64	+29
Total obligations	2,272	2,668

EXPLANATION OF INCREASES AND DECREASES

The enacted pay raises are estimated to cost an additional $104 thousand in 1980 and $2 thousand in 1981.

Within-grade increases for employees are estimated to cost $21 thousand in 1980 and $26 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared to 260 in 1979. The two extra days are estimated to require an additional $13 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $7 thousand less in 1981.

Changes in personal services costs which result from increases in employment levels result in increases of $309 thousand in 1980 and $248 thousand in 1981.

The increased use and cost of ADP services requires an additional $65 thousand in 1980 and $98 thousand in 1981.

Changes for all other items, such as travel, equipment rentals, supplies and equipment result in an increase of $64 thousand in 1980 and $29 thousand in 1981.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Government National Mortgage Association is responsible for the administration of activities associated with the Special Assistance Functions Fund, Management and Liquidating Functions Fund, the Participation Sales Fund, and the Mortgage-Backed Securities Program. The Emergency Housing Acts of 1974 and 1975 placed additional responsibilities on the Association for the administration of the Emergency Mortgage Purchase Assistance Program. Starting in 1981, the Department will introduce a new demonstration program involving grant subsidies to lenders initiating below-market interest rate loans secured by project mortgages insured under Title II of the National Housing Act. This program is being evaluated as an alternative to the current tandem (mortgage purchase and sale) type of financing assistance. A brief description of these activities is discussed below:

a. Servicing of Mortgage Portfolio. In accordance with policy and procedures prescribed by GNMA, the purchase, sale and servicing of the mortgage portfolio under Special Assistance Functions, Emergency Mortgage Purchase Assistance, and Management and Liquidating Functions are performed under contract by Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (the Mortgage Corporation).

Servicing of the GNMA mortgage portfolio is a continuous operation involving the supervision of contract servicers, the maintenance of accounts and the follow-up of mortgages in default.

b. Participation Sales. GNMA, as trustee, administers the Participation Sales program involving: the maintenance of account records applicable to the pooled mortgages or other obligations; collections from trustors; payments of interest and principal on certificates of participation; and investment of large amounts of funds generated from collections of principal and interest received from the trustors pending their distribution to certificate holders.

c. Mortgage-Backed Securities. Additional workload will be brought about by the Mortgage-Backed Securities Program. Guaranteeing securities requires examination of applications, preparing and supervising printing of security instruments, reviewing the books and examining records bearing on the guarantee of mortgage-backed securities, and the issuance of certificates to original purchasers and to secondary market assignees. Guarantees of mortgage-backed securities are estimated at $20.5 billion in 1980 and $25.0 billion in 1981. In addition, GNMA proposes to increase its monitoring activities, particularly the outstanding pools in order to avoid losses and to assure accurate and timely payments to securities holders.

d. Emergency Mortgage Purchase Assistance. The Emergency Home Purchase Assistance Act of 1974, amended by the Emergency Housing Act of 1975, added Section 313 to the National Housing Act by authorizing interim or standby authority to purchase mortgages. Authority to make commitments pursuant to Section 313 expires on October 1, 1980, and the Department is proposing a two-year extension to the authority on a standby basis. The Act authorizes the Secretary to direct the Association to make commitments to purchase mortgages whenever inflationary conditions are having a severely disproportionate effect on the housing industry and the resulting reduction of the volume of home construction or purchase threatens seriously to affect the economy.

e. Special Assistance Functions. In 1980, GNMA will issue a number of mortgage purchase commitments in support of units under the Section 8 Tandem and Targeted Tandem programs. The programs will be directed at approximately 66,700 units in 1980 and support for another 54,500 units is being proposed for 1981. This secondary market support under the Special Assistance Functions involves the purchase and subsequent sale of mortgages in order to provide a market for certain select types of units--in this case, units receiving Section 8 subsidy assistance and units slated for distressed urban cities and counties.

f. Mortgage-Assistance Grants. A new approach to mortgage financing is being introduced in 1981--mortgage purchase assistance grants. The demonstration program will test the feasibility of secondary market assistance through direct subsidies to financial institutions which originate below-market-rate loans for insured project mortgages. The subsidy will compensate lenders for the difference between the low-interest loans and the yield which would have been realized if the loans were written at market interest rates.

Pursuant to the Combined Services Agreement between GNMA and FNMA, FNMA provides functional services for GNMA, such as acting as agent for GNMA in contractual activity in mortgage and real estate transactions and in supervising activities of GNMA mortgage sellers and GNMA mortgage-backed securities issuers.

2. WORKLOAD

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Type of Activity by Function			
Guarantees of Mortgage-Backed Securities			
Originated during year	$22,175,000	$20,500,000	$25,000,000
Outstanding, end of year	70,558,400	85,475,800	104,375,800
Number of pools	33,060	40,860	49,560

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Government National Mortgage Association

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Participation Sales Program			
Participations retired (amount) ...	$162,000	$162,000	$127,000
Interest payments	183,963	175,726	167,509
Receipts from trustors	372,042	317,753	256,521
Commitments (units)			
Special Assistance Functions	58,880	66,700	54,500
Mortgage Purchases (units)			
Special Assistance Functions	6,534	23,100	37,000
Emergency Mortgage Purchase Assistance	61,873	35,400	16,300
Total.....	68,407	58,500	53,300
Mortgage Sales (units)			
Special Assistance Functions	8,347	5,600	40,600
Emergency Mortgage Purchase Assistance	62,182	29,200	39,700
Total.....	70,529	34,800	80,300
Mortgage Assistance Grants			
Amount supported	...	...	200,000
Number of loans	...	...	6,050

EXPLANATION OF STAFFING REQUIREMENTS

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Office of the President ..	3	4	4	4	...
Office of the Executive Vice President	13	14	17	20	+3
Office of Vice President, Mortgage Finance	8	8	8	9	+1
Office of Vice President, Mortgage-Backed Securities	21	24	24	28	+4
Total	45	50	53	61	+8
Staff-years	47.0	56.0	57.6	65.6	+8

The staff-years consist of the following components:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Permanent full-time personnel	42.5	50.0	58.0
Special employment programs	1.7	2.0	2.0
Other temporary and part-time employees ...	2.0	4.8	4.8
Terminal leave	...	.2	.2
Overtime	.8	.6	.6
Total staff-years	47.0	57.6	65.6

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Government National Mortgage Association

The changes in staff-years for permanent full-time personnel reflect the full-year impact of prior year staffing changes, as well as current year changes.

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another section of the Justifications. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment, and staff recruitment and development programs such as employment of the handicapped, Vietnam veterans, and summer college students.

The staff-years indicated above, except for the Budget Estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget estimate would be 56.4 staff-years. The 1.2 increase is the net effect of the .8 reduction resulting from the Congressional action, offset by a 2.0 increase resulting from increased staff based on more current workload data.

The following material describes the functions of each of the offices identified in the above table and discusses the request for additional staff:

1. Office of the President. This office directs and supervises the activities of the Association, generally, coordinates the activities of the various offices within the organization, and manages the administrative affairs of the Association.

No additional staff are requested for this Office.

2. Office of the Executive Vice President. This office is responsible for the effective direction, management and coordination of the operating program on a day-to-day basis. It administers the fiscal, budget, accounting, and statistical activities, including development and maintenance of systems and procedures, analysis, control and preparation of statements, reports and estimates. The office also is responsible for evaluating the effectiveness of the various programs and the system for controlling programs and management policies. It provides and coordinates administrative services in the areas of personnel, space planning and utilization, telecommunications, property safety, parking and other services for GNMA.

New positions were added to the Office in 1980, above the 1980 Budget, and three additional positions are being requested for this Office in 1981. The increase is due to an increase in contract monitoring activities, improved program accounting, including internal fiscal control procedures, and enhancement of capabilities in the areas of economic forecasting, planning and evaluation. GNMA has contracts with Federal National Mortgage Association and Federal Home Loan Mortgage Corporation for the performance of certain marketing and servicing functions associated with GNMA programs. It is necessary that the work performed on behalf of GNMA be evaluated, not only in terms of the amount of work performed, but also in terms of the quality of work and conformity with standards established by GNMA. Workload in connection with the proposed Solar Energy and Conservation Bank would also be performed by staff requested by this Office.

3. Office of Vice President for Mortgage Finance. The responsibilities of this office are to administer the Special Assistance and Management and Liquidating Functions, the Emergency Mortgage Purchase Assistance Program and Participation Sales Program. This responsibility includes the issuance of contracts for the purchase of mortgages and the administration of the tandem programs, the purchase and sale of mortgages and the management of the portfolio. This office, through the assistance of the Treasurer, also arranges for all financing activities, manages the investment program, and is responsible for the daily cash management function of the Association.

The increase of one position is required to provide increased financial and statistical analysis to support expanded and enhanced monitoring activities and for increased evaluation responsibilities.

4. Office of Vice President for Mortgage-Backed Securities. This office administers the review and disposition of applications for the guarantee of mortgage-backed securities, the issuance of guarantee commitments, the processing and issuance of securities, and the development of plans and programs to attract new sources of private investors into mortgage-backed securities. The office maintains all documentation in connection with mortgage pools, and monitors the on-going administration of outstanding securities pools.

The additional four positions for this Office are required to support increased monitoring of the Mortgage-Backed Securities Program. The number of mortgage pools is growing rapidly requiring additional staff to monitor pool administration. Also, the increased financial responsibility of issuers requires closer monitoring of their servicing facilities and financial capacity. The additional staff will increase the quality of the oversight of the pools themselves, and the issuers and servicers responsible for pool initiation and management.

The need for increased monitoring has become acute, particularly in view of the amount of activity which has occurred over the past several years. More intensive and frequent reviews of the balance sheets and income statements of issuers will be required, as well as thorough periodic analysis of trading and marketing positions of issuers and servicers. In addition, reviews of the internal control procedures, marketing operations and loan servicing facilities of issuers will be necessary in order to avoid bankruptcies or illiquidity resulting from mismanagement, undue speculation in the mortgage or securities markets or from economic reverses in general.

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	BUDGET ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Travel and Transportation of Persons	$ 20	$ 28	$ 26	$ 33	+$ 7
Transportation of Things	1	4	1	1	...
Rent, Communications and Utilities	28	12	41	49	+8
Printing and Reproduction	71	53	79	88	+9
Other Services	368	439	469	573	+104
Supplies and Materials	9	16	12	13	+1
Equipment	9	...	7	5	-2
Total Other Objects	506	552	635	762	+127

Costs for the above objects of expenses are based in large part on a pro rata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD." However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in the costs of goods and services rather than increases in the receipt of the goods or services themselves.

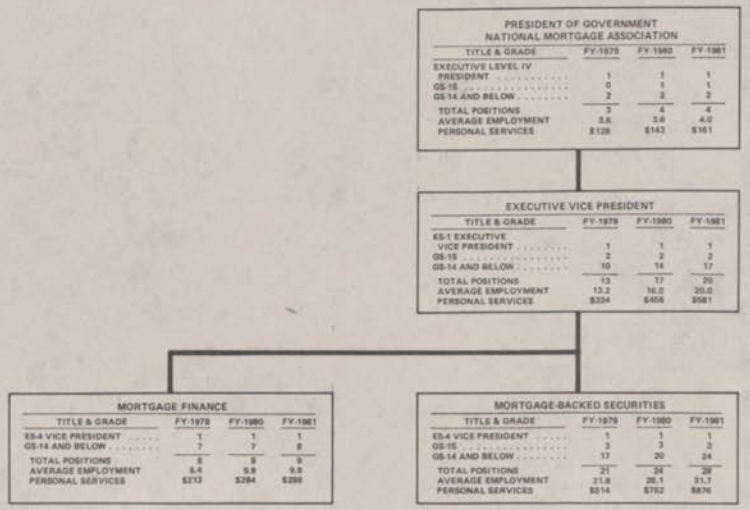
Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Government National Mortgage Association

The obligations for travel in 1980 include the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriations for 1980 (P. L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that estimates for travel and transportation of things shown above must be regarded as preliminary.

Travel funds are used principally for the field monitoring of issuers of GNMA-guaranteed mortgage-backed securities and contractors, such as central registrar and transfer agent for GNMA securities. A more complete discussion of the basis for the travel estimates of the Department is found in the section "Salaries and Expenses" contained in Volume III.

The funds for "Other Services" are primarily for automated data processing services costs related to the operation and maintenance of seven systems utilized for the management and analysis of programs for which this activity is responsible.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



PRESIDENT OF GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

TITLE & GRADE	FY-1979	FY-1980	FY-1981
EXECUTIVE LEVEL IV			
PRESIDENT	1	1	1
GS-15	0	1	1
GS-14 AND BELOW	2	2	2
TOTAL POSITIONS	3	4	4
AVERAGE EMPLOYMENT	3.6	3.6	4.0
PERSONAL SERVICES	$128	$143	$161

EXECUTIVE VICE PRESIDENT

TITLE & GRADE	FY-1979	FY-1980	FY-1981
ES-1 EXECUTIVE VICE PRESIDENT	1	1	1
GS-15	2	2	2
GS-14 AND BELOW	10	14	17
TOTAL POSITIONS	13	17	20
AVERAGE EMPLOYMENT	13.2	16.0	20.0
PERSONAL SERVICES	$334	$468	$581

MORTGAGE FINANCE

TITLE & GRADE	FY-1979	FY-1980	FY-1981
ES-4 VICE PRESIDENT	1	1	1
GS-14 AND BELOW	7	7	8
TOTAL POSITIONS	8	8	9
AVERAGE EMPLOYMENT	8.4	9.9	9.9
PERSONAL SERVICES	$213	$284	$356

MORTGAGE-BACKED SECURITIES

TITLE & GRADE	FY-1979	FY-1980	FY-1981
ES-4 VICE PRESIDENT	1	1	1
GS-15	3	3	3
GS-14 AND BELOW	17	20	24
TOTAL POSITIONS	21	24	28
AVERAGE EMPLOYMENT	21.8	26.1	31.7
PERSONAL SERVICES	$514	$752	$876

SUMMARY GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

TITLE & GRADE	FY-1979	FY-1980	FY-1981
EXECUTIVE LEVEL IV			
PRESIDENT	1	1	1
ES-1 EXECUTIVE VICE PRESIDENT	1	1	1
ES-4 VICE PRESIDENT	2	2	2
GS-15	5	6	6
GS-14 AND BELOW	36	43	51
TOTAL POSITIONS	45	53	61
AVERAGE EMPLOYMENT	47.0	57.6	68.6
PERSONAL SERVICES	$1,189	$1,637	$1,906

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL NATIONAL MORTGAGE ASSOCIATION

The Federal National Mortgage Association (FNMA) is a government-sponsored private corporation. Its purpose is to provide supplementary assistance to the secondary market for home mortgages by supplying a degree of liquidity for mortgage investments, thereby improving the distribution of investment capital available for home mortgage financing.

To carry out this purpose, FNMA buys mortgages insured by the Federal Housing Administration, mortgages guaranteed by the Veterans Administration and conventional mortgages.

The Emergency Home Finance Act of 1970 authorized FNMA, with the approval of the Secretary of HUD, to purchase, service, lend on the security of, sell, and otherwise invest in conventional mortgages. Because conventional mortgages are not insured or guaranteed by the Federal government, FNMA requires that the low downpayment conventional loans it purchases be insured by a private mortgage insurer. FNMA minimizes the additional risk involved in purchasing conventional mortgages by appropriate underwriting standards for such purchase.

At the time that the FNMA Charter Act was enacted in 1954, it was contemplated that FNMA's secondary market operations would ultimately be completely owned and financed by private investors. The split-off of FNMA from HUD was accomplished by the Housing and Urban Development Act of 1968, under which FNMA was converted to a Government-sponsored, privately-owned corporation whose expenditures and receipts are not reflected in the Federal Budget. The same Act also created GNMA as a Government corporation within HUD to handle the Special Assistance and Management and Liquidation functions previously handled by FNMA.

AUTHORITY OF THE SECRETARY

Under the 1968 legislation, the Secretary of Housing and Urban Development retains general regulatory power over the activities of the stockholder-owned FNMA. In addition to general regulatory power, the revised FNMA Charter Act requires specific Secretarial approval of:

-- FNMA conventional mortgage purchase programs;
-- issuance of stock, obligations and other instruments by FNMA;
-- FNMA's debt-to-capital ratio;
-- the amount of stock to be purchased by FNMA mortgage sellers and held by FNMA mortgage servicers; and
-- the rate of dividends paid by FNMA.

The Secretary also may require that a reasonable portion of the corporation's mortgage purchases support the national goal of providing adequate housing for low- and moderate-income families.

SECONDARY MARKET FACILITY

The sensitivity of the mortgage market to changing credit conditions is well established. During periods of credit restraint, funds available for mortgage investments historically have become scarce and, consequently, financing for new construction and sales of existing homes and apartments have declined sharply. FNMA has assisted in the development of a secondary market for mortgages to assist in alleviating these shortages of mortgage funds.

Federal National Mortgage Association

MORTGAGE MARKET SUPPORT

FNMA assists the mortgage market by issuing four-month commitments to purchase mortgages through the biweekly Free Market System Auction and by issuing longer term standby commitments through an administered rate system. In the auction, lenders such as mortgage companies, savings and loan associations, commercial banks, and other institutions may compete for optional delivery commitments. Small non-competitive offers also are accepted at the average auction yield. Under its standby commitment programs, FNMA issues long term commitments (up to 48 months) according to a stated fee schedule and regularly posted yields. For additional fees, FNMA made available extensions of terms and conversion to a four month commitment at an administratively determined price. Because of the long commitment term, the standby programs are of special interest to builders and lenders financing new construction, although commitments are generally available for purchase of mortgages on existing structures as well.

In addition to its Free Market System and standby commitment activities, FNMA has, in the past, participated in the "Tandem Plan" with GNMA through several programs, through which GNMA provides special financing assistance for selected types of mortgage loans to provide assistance to low and middle income homebuyers and help counteract declines in mortgage lending and homebuilding.

RELATIONSHIPS WITH GNMA

The purchase, sale and servicing of the GNMA mortgage portfolio--including those mortgages purchased under the Special Assistance, Emergency Mortgage Purchase Assistance and Management and Liquidating functions--are performed by the Federal National Mortgage Association, under contract, in accordance with policy and procedures prescribed by GNMA. A three-year agreement went into effect on October 1, 1977, under which FNMA will be paid according to the actual cost of services provided.

The contract stipulates a number of expenses which will not be chargeable to GNMA, including entertainment expenses, corporate relations and stockholder-related expenses. Charges arising from research and planning costs will be pro-rated to include only those related to services actually provided to GNMA.

LENDING AUTHORITY OF THE SECRETARY OF THE TREASURY

The FNMA Charter Act, as amended, continues the authority of the Secretary of the Treasury to purchase obligations of the Corporation, with the approval of the Secretary of Housing and Urban Development, up to $2.25 billion. Use of this authority is unlikely, except under extremely critical circumstances.

UNIQUE CHARACTERISTICS OF CORPORATION

The common stock of the Corporation is owned by the public, is fully transferrable and is listed on major stock exchanges. However, there are a number of characteristics of the Corporation as specified in the Charter Act which distinguished it from the normal privately owned corporations:

1. Five of the fifteen members of the Board of Directors are appointed by the President of the United States.

2. Its securities are exempt from SEC regulations.

3. Its obligations have the characteristics of "Federal Agency" status, which usually permits their issuance at favorable interest rates.

4. It is authorized to do business in all States.

5. It is exempt from State and local taxes, other than property taxes.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Justification for 1981 Estimates

Revised Budget Requests

Book 2

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT
NEW COMMUNITIES
NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION
POLICY DEVELOPMENT AND RESEARCH
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

COMMUNITY DEVELOPMENT GRANTS

REVISED BUDGET REQUEST

PROGRAM HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs. 1980
			(Dollars in Thousands)			
Grant Program:						
Program Level (obligations, net):						
Metropolitan Areas	$3,046,397	$3,089,069	$3,049,069	$3,126,040	$3,126,040	+$76,971
Non-Metropolitan Areas	1,033,630	642,834	642,834	704,010	704,010	+61,176
Secretary's Discretionary Fund	101,511	167,878	142,678	109,950	109,950	-32,728
Total	4,181,538	3,899,781	3,834,581	3,940,000	3,940,000	+105,419
Appropriations (Budget Authority):						
Enacted or proposed	3,650,000	3,800,000	3,800,000	3,950,000	3,950,000	+150,000
Proposed rescission	...	...	-65,200a/	...	...	+65,200
Total	3,650,000	3,800,000	3,734,800	3,950,000	3,950,000	+215,200
Budget Outlays	3,103,721	3,400,000	3,400,000	3,673,000	3,648,000	+248,000

a/ The $65,200 thousand reduction is comprised of funds from the following appropriations:

1980 -	$39,396,878
1979 -	25,589,970
1978 -	213,152
Total	65,200,000

Community Development Grants

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs. 1980
			(Dollars in Thousands)			
Categorical Program Financial Settlement Fund (Includes Urgent Needs):						
Program Level (Obligations, net)	$139,935	$127,740	$39,740	...	...	-$39,740
Appropriations (Budget Authority):						
Enacted	100,000	100,000	100,000	...	...	-100,000
Proposed rescission	...	...	-88,000a/	...	...	+88,000
Total, Budget Authority	100,000	100,000	12,000	...	...	-12,000
Budget Outlays	57,508	100,000	79,000	$132,000	$65,000	-$14,000
Section 108 Loan Guarantees:						
Number of Guarantees	10	42	42	63	53	+11
Amount	$31,286	$200,000	$200,000	$300,000	$250,000	+50,000

a/ The $88,000 thousand reduction is comprised of funds from the following appropriations:

1980 -	$85,109,667
1979 -	2,890,333
Total	88,000,000

SUMMARY OF REVISED BUDGET ESTIMATES (1980 RESCISSION AND 1981 BUDGET AMENDMENT)

Grant Program. For fiscal year 1980, the Community Development Block Grant (CDBG) obligation estimate is being reduced $65.2 million from the amount shown in the 1980 column of the 1981 Budget. The reduction in 1980 obligations should not affect 1980 outlays and will result in a lowered 1981 estimate of $25 million.

To effect this reduction, a rescission proposal will be submitted to the Congress. Specific components of the proposal include: (a) $25.2 million from the Secretary's Discretionary Fund, consisting of $14.5 million of Innovative project funds and $10.7 million of Disaster funds; and (b) $40 million of formula entitlement funds, currently estimated to be available for reallocation, in 1980. This includes $11 million available from 1979.

Community Development Grants

The rescission proposal should not affect adversely the on-going operations of the CDBG program. Entitlement communities will not be denied formula funding as a result of the rescission proposal. The $40 million estimated for reallocation occurs primarily when communities do not apply for their entitlement block grant. To the extent these communities do apply and are approved, the amount available for rescission will be reduced. The rescission of the $25.2 million from the Secretary's Discretionary Fund, on the other hand, does reflect a definite amount. To meet any disaster requirements, which cannot be funded from other sources (i.e., President's Disaster Relief Fund), CDBG entitlement communities will be permitted to utilize their basic grants and non-entitlement communities will be given preference in applying for assistance under the "Small Cities" program to the extent feasible under current legislation regulations.

Categorical Program Financial Settlement Fund. A rescission of $88 million is proposed for fiscal year 1980 which should result in $21 million and $67 million less outlays in 1980 and 1981 respectively. As with the reductions affecting the basic grant program, the rescission of Categorical Program Financial Settlement funds is proposed in response to the need for budgetary restraint.

Section 108 Loan Guarantees. The proposed limitation on the volume of Section 108 loan guarantees, in fiscal year 1981, is reduced from $300 million to $250 million. This revision serves to lessen credit demands on the Federal Financing Bank (FFB)--the sole lending source for Section 108 loans. While FFB activities are not included within Federal Budget totals, any lowering of the size of outstanding Federal credit is integral to the anti-inflation effort.

Approximately 10 fewer loan guarantees will be extended as a result of the reduced guarante level. CDBG appropriations and outlays are unaffected by the proposal.

Further Revisions to Outlay Estimates. The outlay estimates shown on the first page are based on the budget submitted in January and have been retained in this presentation to show the impact of the proposed budget reductions. Because of more rapid than anticipated drawdown rates by communities, however, the 1981 Budget Revisions also reflect increased outlays for the Community Development Block Grants. A comparison of the original and revised estimates and the estimates with the outlay reductions follows:

	1980			1981		
	ORIGINAL	INCREASED	WITH REDUCTION ACTIONS	ORIGINAL	INCREASED	WITH REDUCTION ACTIONS
	(Dollars in Millions)					
Outlays:						
Grant Program....	$3,400	$3,700	$3,700	$3,673	$3,868	$3,843
Financial Settlement Fund.....	100	100	79	132	132	65
Total....	3,500	3,800	3,779	3,805	4,000	3,908

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

COMMUNITY DEVELOPMENT GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Grant Program					
Program Level (Obligations, net)	$4,321,473	$3,850,000	$4,027,521	$3,940,000	-$87,521
Appropriations:					
Authorization available or proposed:					
Basic Program	3,650,000	3,800,000	3,800,000	3,950,000	+150,000
Categorical Program Financial Settlement Fund (formerly "Urgent Needs Fund")	100,000	100,000	100,000	...	-100,000
Enacted or Requested	3,750,000	3,900,000	3,900,000	3,950,000	+50,000
Budget Outlays (Net)	3,161,229	3,272,000	3,500,000	3,805,000	+305,000
CDBG Loan Guarantees (Section 108)					
Number of loans guaranteed	10	NA	42	63	+21
Amount	$31,286	NA	$200,000	$300,000	+$100,000

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 Budget requests $3,950 million for distribution under the Community Development Block Grant (CDBG) program. Authorization of $3,950 million is also proposed to support the appropriation request. No appropriation is requested for the Categorical Program Financial Settlement Fund in 1981.

In addition, pursuant to the new Federal Credit Control requirements, the Budget proposes a limitation of $300 million for loan guarantees pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended. No Budget Authority is needed to support the guarantee program. Also, no guarantees are expected to require purchase, therefore no outlays are anticipated.

2. CHANGES FROM ORIGINAL 1980 ESTIMATES

The estimated increase in obligations is the result of more funds being available for obligation in 1980--due to a slightly higher carryover from 1979 than originally estimated; and a $160 million reduction in the projected carryover of unused funds into 1981.

The increase in outlays reflects a higher rate of grant disbursements in relation to program obligations than had been projected previously. The 1979 actual experience indicates communities are drawing down funds at a faster rate with the actual 1979 outlays exceeding the estimate for that year by nearly $300 million.

The budget now reflects loan guarantee activity under Section 108 of the Housing and Community Development Act of 1974, as amended. This data was not shown in prior year budgets and is now included because of the growth of the program and the requirements of the new Federal Credit Control System.

Community Development Grants

EXPLANATION OF INCREASES AND DECREASES

The decrease in 1981 obligations is the result of less funds being available for obligation in 1981 than in 1980. The 1980 estimate includes a carryover of $218 million of unobligated funds from prior years into 1980 thereby increasing the level of 1980 obligations above the appropriation for that year. 1981 obligations are expected to be near the 1981 appropriation level of $3,950 million.

The increases of $150 million in authorization and appropriation for the Basic Program are necessary in order to help provide a constant level of support to communities from 1980 to 1981 in view of increasing costs. The decrease of $100 million for the Financial Settlement Fund reflects the termination of this funding category in 1981.

The increase of $305 million in budget outlays in 1981 represents a continual growth in utilization of funds obligated in prior years for local community development activities.

The increase of $100 million in Section 108 loan guarantees reflects an anticipated increase in utilization of this phase of the program as communities become familiar with the mechanism.

PROGRAM DESCRIPTION

1. Program Purpose. Title I of the Housing and Community Development 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 primary objective of the CDBG program is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low- and moderate-income.

The program is based on the principle that communities have the responsibility to initiate, maintain, discontinue, or expand any community development activity. In addition, instead of competing for categorical project dollars each year, the entitlement communities have a basic grant allocation so they know in advance the amount of Federal funds they will receive.

Legislation is proposed to authorize $3,950 million for fiscal year 1981. No authorization is requested for the Categorical Financial Settlement Fund.

2. Eligible Recipients and Activities

a. Eligible Recipients. These include States, any unit of general local government (city, county, town, township, parish, village or other general purpose political subdivision as determined to be eligible for assistance by the Secretary), the District of Columbia, Guam, Virgin Islands, American Samoa, the Trust Territories of the Pacific Islands, the Indian Tribes, bands, groups, or nations including Alaskan Indians, Aleuts, and Eskimos, and Title IV and VII New Communities.

b. Eligible Activities. Section 105 of the Housing and Community Development Act of 1974, as amended, permits a wide range of activities to be undertaken by communities assisted under the program. The activities, however, must assist in carrying out a comprehensive strategy for meeting community development and housing needs and priorities. Activities must benefit low- and moderate-income persons, and aid in prevention or elimination of slums or blight, or meet urgent community development needs. The sum of activities in any local program must contribute to the primary objective of developing viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low- and moderate-income.

Community Development Grants

The following table reflects how 2,046 entitlement and small cities grantees plan to use 1979 CDBG funds by major activity:

PROPOSED USE OF FISCAL YEAR 1979
FUNDING BY MAJOR ACTIVITY
AS OF DECEMBER 15, 1979
(Dollars in Thousands)

PROGRAM ACTIVITY	AMOUNT	PERCENT OF FUNDS	NUMBER OF COMMUNITIES a/
Acquisition	$142,165	9.4	708
Disposition	3,263	.2	128
Public Facilities and Improvements: Senior Centers	21,022	1.4	165
Parks, Playgrounds and other Recreational Facilities	68,580	4.5	540
Centers for the Handicapped	10,695	.7	56
Neighborhood Facilities	52,767	3.5	276
Solid Waste Disposal Facilities	3,289	.2	27
Fire Protection Facilities and Equipment	12,420	.8	155
Parking Facilities	7,979	.5	107
Public Utilities, other than Water and Sewer Facilities	10,570	.7	80
Street Improvements	247,175	16.3	1,084
Water and Sewer Facilities	171,895	11.3	879
Foundations and Platforms for Air Rights Sites	1,690	.1	5
Pedestrian Malls and Walkways	15,307	1.0	141
Flood and Drainage Facilities	44,427	2.9	203
Specially Authorized Public Facilities and Improvements	3,770	.2	36
Clearance Activities	29,711	2.0	692
Public Services	62,013	4.1	278
Interim Assistance	3,018	.1	40
Completion of Previously Approved Urban Renewal Projects	22,339	1.5	66

Community Development Grants

PROGRAM ACTIVITY	AMOUNT	PERCENT OF FUNDS	NUMBER OF COMMUNITIES
Relocation Payments and Assistance.....	$62,962	4.2	543
Payments for Loss of Rental Income.....	215	...	15
Removal of Architectural Barriers.....	11,409	.8	196
Specially Authorized Assistance to Privately Owned Utilities.....	978	...	8
Rehabilitation and Preservation Activities:			
Rehabilitation of Public Residential Structures.....	19,424	1.3	102
Public Housing Modernization.....	5,593	.4	59
Rehabilitation of Private Properties.	417,196	27.5	1,416
Code Enforcement.....	15,816	1.1	343
Historic Preservation.....	8,746	.6	140
Specially Authorized Economic Development Activities:			
Acquisition.....	7,286	.5	37
Public Facilities and Improvements...	15,494	1.0	63
Commercial and Industrial Facilities.	7,970	.5	44
Special Activities by Local Development Corporations.....	10,891	.7	86
Subtotal-Costs Subject to Program Benefit Rules.....	1,518,075	100.0	NA
Expenditures Principally Benefiting Low-Moderate Income.....	1,382,774	91.1	NA

a/ Column is not totaled as communities have proposed to undertake multiple activities.

Community Development Grants

3. Fund Distribution. The following table shows the actual 1979 distribution of funds as of September 30, 1979, and the currently projected distribution of funds for 1980 and 1981 by recipient category.

RECIPIENT	DISTRIBUTION OF APPROPRIATIONS ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
		(Dollars in Thousands)	
METROPOLITAN AREAS:			
Entitlement/hold-harmless	$2,674,936	$2,749,225	$2,844,040
Discretionary balances	234,026	273,325	285,000
Subtotal, Metropolitan Areas	2,908,962	3,022,550	3,129,040
NON-METROPOLITAN AREAS:			
Hold-harmless Communities (Section 106(h))	76,899	...	...
Discretionary balances	562,589	681,700	711,010
Subtotal, Non-Metropolitan Areas	639,488	681,700	711,010
SECRETARY'S DISCRETIONARY FUND	101,550	95,750a/	109,950
CATEGORICAL PROGRAM FINANCIAL SETTLEMENT FUND (formerly "Urgent Needs")	100,000	100,000	...
Total	3,750,000	3,900,000	3,950,000

a/ Reflects a redirection of $10 million from the Secretary's Discretionary Fund to the basic program to offset the increase in the metropolitan balance statutory set-aside to $275 million. The shift in amounts was directed by the Conference Report of the Housing and Community Development Amendments of 1979. A full 3 percent appropriation distribution would total $105,750 thousand.

4. Grant Approvals by Population Size. The following table shows the distribution by population size of 3,277 grants approved from FY 1979 funds as of November 30, 1979.

POPULATION SIZE	NUMBER GRANTS	NUMBER GRANTEES	GRANT AMOUNTS (Dollars in Thousands)
Under 5,000	842	802	$242,068
5,000 to 9,999	492	395	172,675
10,000 to 19,999	621	472	251,154
20,000 to 24,999	157	123	68,039
25,000 to 49,999	519	385	298,602
50,000 to 99,999	331	294	434,251
100,000 to 249,999	161	133	423,804
250,000 to 499,999	81	65	455,136
500,000 and over	73	60	1,246,854
Totals	3,277	2,729	3,592,583

Community Development Grants

5. Explanation of Fund Allocation by Recipient Category. The following table shows the number of recipients by category and the amount allocated to each category:

	FUND ALLOCATION					
	FY 1979		FY 1980		FY 1981	
	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
	(Dollars in Millions)					
Formula Entitlements:						
Metropolitan Cities.....	562	$2,209	573	$2,295	577	$2,373
Urban Counties.....	84	416	85	454	85	471
Small Hold-harmless Communities:						
Metropolitan Areas.....	257	50	...	...	...	...
Non-Metropolitan Areas.....	432	77	...	...	...	...
Subtotal.....	1,335	2,752	658	2,749	662	2,844
Metropolitan Discretionary.....	570	234	571	273	560	285
Non-metro Discretionary.....	1,260	563	1,577	682	1,625	711
Secretary's Fund.....	NA	101	NA	96	NA	110
Categorical Program Financial Settlement Fund.....	55	100	50	100	...	...
Subtotal.....	1,885	998	2,198	1,151	2,185	1,106
Total.....	3,220	3,750	2,856	3,900	2,847	3,950

a. Allocation Between Metropolitan and Non-Metropolitan Areas. Eighty percent of the funds made available, excluding amounts for the Categorical Program Financial Settlement Fund, the Secretary's Discretionary Fund and amounts provided as an additional set-aside to the metropolitan areas pursuant to Section 103(a)(2), are allocated to metroplitan areas with the balance of 20 percent allocated to non-metropolitan areas. The Housing and Community Development Amendments of 1979 increased the 1980 metropolitan area set-aside from $250 million to $275 million. The Department was directed by the conference report to shift $10 million from the Secretary's Discretionary Fund in order to offset this increase. The amount of set-aside under Section 103(a)(2), proposed for 1981, is $285 million. The $285 million is slightly over 7% of total CDBG funding in 1981 as was the 1980 set-aside of $275 million to total CDBG funding in 1980.

b. Formula Entitlements. The 1974 Act, as amended, provides for the distribution of funds to eligible recipients (metropolitan cities and urban counties) for community purposes utilizing the higher of two objective formulas. Beginning in fiscal year 1978, a recipient received the higher of its allocation under the original formula, its hold-harmless (during the phase-down period), or the second formula.

The two formula legislative change was approved in 1977 and was based on the recognition that the original formula did not adequately assess the relative needs of older urban centers. The two formulas are described as follows:

ORIGINAL FORMULA	SECOND FORMULA
Poverty - 50%	Poverty - 30%
Population - 25%	Population growth lag (1960-1976) - 20%
Overcrowded housing - 25%	Age of housing stock - 50%

"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 difference between the current population of a metropolitan city or urban county and 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.

Community Development Grants

— Metropolitan Cities. Cities in SMSAs with a population of 50,000 and over and central cities of SMSAs are entitled to funding on the basis of one of the formulas. A total of 562 metropolitan cities were eligible to receive grants from 1979 funds. Of these, 545 were approved and 17 did not apply for funding. In 1981, it is estimated that approximately 577 metropolitan cities will be eligible for funding.

— Urban Counties. The legislation also entitles urban counties to formula grants. Of counties meeting the 200,000 population threshold, 84 applied and were funded in 1979. The 84 urban counties included approximately 2,400 cooperating local incorporated units receiving funding under the program. The essential powers test for designation as an urban county requires that the county must 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 incorporated areas either under State law or through agreements with other cooperating local government jurisdictions. 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. In 1980 and 1981, it is estimated that 85 counties will be eligible for funding.

c. Hold-Harmless. Communities eligible for formula entitlement (metropolitan cities and urban counties) which had been receiving a higher level of funding based on their funding experience under the prior categorical programs received that higher level of funding through 1979. This was done by giving a "hold-harmless" grant for the amount they were entitled to receive in excess of the formula amount.

Smaller communities which had been participating in Model Cities, Urban Renewal (including NDP) or Code Enforcement projects also received hold-harmless funding even though they had no formula entitlement. A total of 689 smaller communities were eligible for hold-harmless grants out of 1979 funds. Of these, 666 were approved, 1 was disapproved, and 22 did not apply for 1979 funding. No funding was provided for hold-harmless after fiscal year 1979.

d. Metropolitan/Non-Metropolitan Discretionary Funds. Funds remaining from the amounts allocated to metropolitan and non-metropolitan areas, after all formula requirements are met, are allocated among metropolitan areas and non-metropolitan areas on a State-by-State basis.

Metropolitan and non-metropolitan balances 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. Small communities in metropolitan and non-metropolitan areas then compete for the discretionary funds within their State under the "Small Cities Program."

The Small Cities Program is composed of two basic elements: Comprehensive and Non-Comprehensive grants. The latter is also referred to as the Single Purpose Grants program. Single purpose grants may be provided to undertake a project or projects consisting of a single activity, or a number of activities to address a single community development need, such as housing, public facilities, or economic development.

Community Development Grants

The Comprehensive Grants are designed to address multiple community development needs of a community by providing grants sufficient in size to permit a community to undertake a major program consisting of multiple activities to respond to a substantial portion of its physical development needs within a defined area.

Since the Small Cities program is competitive and the demand for grants far exceeds the available funds, the Department has devised a national rating system to ensure that grants are fairly and equitably awarded. HUD Area Offices are responsible for rating and ranking preapplications in accordance with the national ranking system. Invitations for full applications are based on the final ranking of the preapplications to the extent funds are available.

Some of the factors included in the rating system for the Single Purpose and Comprehensive programs include: 1) Community needs; 2) Impact of the proposed program on needs; 3) Benefit to low- and moderate-income persons; and, 4) Past performance in housing and local equal opportunity efforts.

HUD may make multi-year "commitments" for Comprehensive Grants of up to three years. The length of the commitment will be determined by the nature of the program, the funds required, the past performance of the community and the capacity of the applicant. Funding in subsequent years will be provided subject to the availability of appropriations and adequate performance by the applicant. As of November 30, 1979, 951 comprehensive grants have been approved for $504 million and 871 single purpose grants for $290 million utilizing 1979 appropriated funds.

Preapplications must be filed by all metropolitan and non-metropolitan communities seeking Small Cities grants. The purpose of the preapplication is to determine how well an application will compare with similar applications from other jurisdictions, and to discourage full applications which have little or no chance for Federal funding before applicants incur significant expenditures for preparing full applications. For 1979 funds, 4,771 preapplications were received and grant allocations were available for approximately 1,830 communities out of the metropolitan and non-metropolitan discretionary balances. For 1980 funds, the estimate is 2,198 grants and for 1981, the estimate is 2,185 grants.

6. Secretary's Discretionary Fund. The Secretary's Discretionary Fund consists of eight program categories providing assistance pertaining to: new communities; areawide housing and community development projects; community development for trust territories; innovative community development demonstration projects; disaster recovery; Community Development Block Grant inequities; community development for Indian Tribes and Alaska Natives; and technical assistance in planning, developing and administering programs under Title I of the Housing and Community Development Act of 1974, as amended.

a. Funding. Of the total funds appropriated, less amounts made available pursuant to Section 103(a)(2) and the Categorical Program Financial Settlement Fund, three percent is set aside for use by the Secretary for discretionary activities specified under Section 107(a).

In the Conference Report of the Housing and Community Development Amendments of 1979, the Department is directed to utilize $10 million of the Secretary's Discretionary Fund in 1980 to offset the effects of the increase in the metropolitan balances set-aside of $275 million by shifting the $10 million into the basic portion of the program. No shift of funds is necessary for fiscal year 1981 since the Department is proposing $285 million for SMSA balances in the proposed Housing and Community Development Act of 1980.

The following table shows the expected distribution of the Secretary's Discretionary Fund for 1979, 1980 and 1981. Amounts shown by categories are strictly estimates and may vary during the year.

Community Development Grants

ACTIVITY	DISTRIBUTION BY APPROPRIATION 1979	1980	1981
	(Dollars in Thousands)		
New Communities	$15,000	$8,000	$7,000
Areawide	4,700	10,000	12,158
Trust Territories	5,000	5,000	5,000
Demonstration/Innovative	15,000	9,563 a/	15,000
Disaster	15,232	15,862	16,492
Inequities	...	10,000 b/	...
Indians	28,000	31,000	33,300
Technical Assistance	18,618	16,325	21,000
Total	101,550	105,750	109,950

a/ Reflects intent of the Conference Committee on the HUD-Independent Agencies Appropriation Act, 1980 to reduce funding for demonstration projects by $5 million from the 1980 Budget Estimate of $15 million.

b/ Reflects intent of the Joint Committee of Conference on the Housing and Community Development Amendments of 1979.

b. Allocation Criteria. The Department continually reviews and analyzes Secretary's Discretionary Fund activities to best determine the needs, management capacities and performance of program constituencies. This information is used in the management and allocation of the Secretary's Discretionary Fund.

The allocation for disaster assistance projects has been set at the statutory limit of 15 percent of the Secretary's Discretionary Fund because of the continually high demand for such assistance in recent years.

In 1979 a decision was made by the Secretary to assist only those New Community projects that are viable. Transformation of this decision into budgetary action includes the phasing out of funding grants to new communities, authorized under Section 107(a)(1) of the Housing and Community Development Act of 1974, as amended. Negotiated phase-out funding for each new community will cease after the 1982 program year. The allocation levels for 1980 ($8 million) and 1981 ($7 million) reflect this decision.

c. Management of Secretary's Fund. A new management team was established to provide oversight of the Secretary's Discretionary Fund. This team has established formal procedures for reviewing and evaluating grant and contract applications and proposals which are received through solicitation or which are unsolicited. Furthermore, the Department intends to publish a handbook on procedures for unsolicited proposals by June 1980. The review process includes experts from outside the Department in the review of applications for competitive grant awards. The team has also developed a computerized management and budget information system; improved management of records; and implemented procedures for improved project monitoring.

d. Innovative Grants and Technical Assistance. The Department has established a rating system to review and evaluate Innovative Grant applications. As part of this system, specific threshold criteria are used to determine what proposed projects are "innovative" for purposes of this program. There are five basic criteria, one of which must be met by each successful application:

-- advance the state of the community development art;
-- advance the state of technology;
-- have potential transferability;
-- be untried, unique; and/or
-- test existing processes, techniques, activities, etc., in a different environment.

Community Development Grants

During 1980 and 1981, the Department will continue to test a strategy of providing technical assistance to neighborhood and community organizations.

A system has also been implemented for technical and substantive review of Technical Assistance proposals. Proposals that meet technical (statutory and regulatory) requirements are then reviewed substantively and to determine whether any duplication, conflict, or coordination possibilities exist with other Technical Assistance projects.

The Secretary's Discretionary Fund has been utilized in conjunction with other programs, to support a number of "special program" initiatives. These include the following:

— A technical assistance project known as "HANDI-TAP" to train local officials in practical approaches to meeting the housing and community development needs of handicapped persons.

— An Innovative Grant Program competition that will award a total of $11.4 million to projects exemplifying strategies to either minimize or avoid displacement. The 12 finalists will serve as models for localities across the nation that are experiencing problems associated with the displacement of families in areas undergoing revitalization activities.

— An Innovative Grant competition for "URBAN PARTNERSHIPS" was held for cities demonstrating ways in which living conditions can be improved in and around public housing projects. Three cities were selected as finalists to receive $250,000 each. Among other things, projects will improve the availability of shopping facilities in public housing neighborhoods; establish an urban agricultural park in a public housing area as a means for residents to lower food costs and increase their income; and convert vacant one bedroom units to three bedroom units and develop marketing strategies for attracting working families to these units.

— The State Technical Assistance Grant program awarded $3.5 million in 1978 to 16 states to assist their localities in preparing applications and administering funds in their community development program.

— The Air Quality Technical Assistance Program, part of the President's announced Urban Policy, will help urban areas continue industrial development while meeting clean air quality standards. The 8 urban areas, each received up to $500,000 to plan, implement and evaluate locally developed strategies promoting better air quality and economic development needs.

7. Categorical Program Financial Settlement Fund. The 1977 authorization act, provided for a Categorical Program Financial Settlement Fund. This Fund replaced the Urgent Needs Fund previously authorized by the Housing and Community Development Act of 1974, as amended. The purpose of the Fund is to provide supplemental assistance for the financial settlement, and to the extent feasible, the completion of projects and programs under the Categorical Programs replaced by the Community Development Block Grant program. Funds appropriated for 1980 will be used for financial settlement only. No appropriation is requested for 1981.

The Department continues to utilize its authority to make deductions from a locality's block grant entitlement, where necessary, to assure that the Federal financial interest is sufficiently protected in the categorical projects. The Secretary is authorized to apply up to 20 percent of the grants made or to be made to the locality toward repayment of outstanding temporary urban renewal loans where:

— It is determined, after consultation with the local renewal agency and the Chief Executive Officers of the locality, that an urban renewal project cannot be completed without an additional capital grant; or

— The local government makes an appropriate request.

Community Development Grants

The Secretary may apply a higher percentage of a locality's allocation upon the request of the recipient.

The following table shows the status of Urban Renewal programs at the end of fiscal years 1979 - 1981:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Active programs, start of year.....	467	248	111
Programs completed in year.....	-219	-137	-60
Active programs, end of year.....	248	111	51

8. Monitoring of Grants. Special consideration is being given in the Block Grant program, to improving the rate of drawdown of Block Grant funds by communities. Specifically, the Department has established drawdown targets, for each regional office. These targets are tracked for accomplishment and the results are reported through the Executive Management Review process, identifying those regions where slow drawdown rates are occurring. Each regional office identifies the slowest spending grantees and area offices negotiate with them a plan to accelerate spending. The department also has an objective of terminating non-performing grantees, recapturing the funds, and reallocating the funds to communities that can use them. Other means of identifying slow performance include on-site monitoring of grantee performance by field staff and review of the grantee performance report.

There are a variety of corrective measures that may be used when slow performance has been identified. These measures include: a) providing technical assistance to communities; b) imposition of sanctions which might include reducing grants, revised scheduling, contract conditioning, and c) with respect to Small Cities program, rejection of preapplications for new grants subsequent to the identification of slow performance on an earlier grant, and termination of grants where performance is unlikely to improve.

9. Reallocation of Funds. Any amounts allocated to a formula or hold-harmless community which are not applied for, or are disapproved by HUD, are reallocated for use by other recipients in the following manner:

--Metropolitan Areas. Funds available for reallocation are first made available to metropolitan governments in the same State and then for use in any other metropolitan areas in any State.

--Non-Metropolitan Areas. Funds available for reallocation are made available to non-metropolitan areas in the same State and then for use in any other State.

The Department will change the method used to reallocate CDBG funds which have been returned because of communities not applying, applications disapproved, or grants reduced. The policy will cover both entitlement cities and small cities funds. HUD expects that funds will remain in the State where the funds were originally allocated under the CDBG formula. Metropolitan and nonmetropolitan funds will not cross SMSA boundaries.

Entitlement funds — both metropolitan and nonmetropolitan — available for reallocation will be used first to meet financial settlement needs. If there are none in the State, then metropolitan entitlement funds in excess of $100,000 will be used to provide housing choices for lower income persons, outside areas where concentration of lower income persons exist. These funds may also be used to enable lower income persons to remain in a neighborhood that is in the process of revitalization. All remaining entitlement and small cities discretionary funds will be used for the Small Cities program.

Community Development Grants

10. Loan Guarantee Authority. Under Section 108 of the Housing and Community Development Act of 1974, as amended, the Secretary is authorized to issue Federal loan guarantees for local governments to cover the costs of acquiring real property or the rehabilitation of real property owned by the units of general local government.

The total outstanding loan guarantee for any locality may not exceed three times the amount of the locality's grant. The locality's block grant allocation may be used in the payment of principal and interest on guaranteed obligations including such other costs as HUD may authorize.

The security requirements which localities are required to meet in order to obtain guarantees are as follows:

- the locality must enter into a contract for repayment of guaranteed obligations;
- pledge any grant approved or for which the locality may become eligible under the Community Development Block Grant program; and
- furnish such other security as the Department deems appropriate, including increments in local tax receipts generated by activities assisted under the block grant program or disposition proceeds from the sale of land or rehabilitated property.

Guaranteed obligations are required to be taxable with the Federal Financing Bank serving as the lending source.

Loan guarantees totaling $31 million were issued in 1979. Loan guarantee commitments are projected at $200 million in 1980 and $300 million in 1981. Pursuant to the Federal Credit Control System proposed for implementation in the 1981 Budget, appropriation language is included which provides for the release of $300 million in loan guarantee authority.

11. Grant Application Requirements and Review.

a. Requirements. Communities eligible for grants are required to submit applications for assistance which:

(1) Set forth a summary of a three-year community plan, identifying community development and housing needs, strategies, and objectives. This plan is not required of a city proposing a single purpose program. The actual plan is submitted every three years, beginning in 1978, and includes the following three components:

(a) A summary of community development and housing needs which requires the applicant to identify neighborhoods and areas having significant concentrations of low- and moderate-income persons and deteriorated housing and to state the needs of such areas.

(b) The second component calls for a comprehensive strategy for the use of funds to meet identified needs.

(c) The third component is a three-year activity summary which contains a general description of the activities to be carried out during the three-year period to implement the comprehensive strategy, grouped by the location, the anticipated accomplishments, timing and estimated costs.

(2) Formulate a program for meeting identified needs and objectives.

(3) Describe a program design for eliminating or preventing slum or blight conditions, improving community facilities and services, and improving conditions for low- and moderate-income persons residing in or expected to reside in the community.

(4) Include a housing assistance plan.

(5) Provide opportunity for citizen participation in the development of the application. The applicant must provide citizens with an adequate opportunity to participate in an advisory role in planning, implementing, and assessing the program. In so doing, the applicant shall also provide adequate hearings to obtain views of citizens, and provide citizens an opportunity to comment on the applicants community development performance. The applicant shall prepare a written citizen participation plan that provides procedures by which the above requirements will be implemented.

b. Review of Applications. All applications, except those submitted by Indian tribes, must be submitted for review and comment to an areawide agency. HUD is required by statute to approve applications from metropolitan cities and urban counties unless:

— the description of community development and housing needs and objectives is plainly inconsistent with generally available information.

— the activities proposed are plainly inappropriate to meeting stated needs or objectives; or

— the application does not comply with the requirements of the Title with specific regard to the primary purposes of principally benefiting persons of low- and moderate-income or aiding the prevention or elimination of slums or blight, does not comply with other applicable laws or proposes ineligible activities.

The Housing and Community Development Amendments of 1978 state that an application may not be disapproved on the basis that such application addresses any one of the primary purposes described in the Housing and Community Development Act of 1974, as amended, to a greater or lesser degree than any other. Such application may be disapproved however, if it is determined that the extent to which a primary purpose is addressed is plainly inappropriate to meeting the needs and objectives which are consistent with the community's efforts to achieve the primary objective of the Title.

12. Housing Assistance Plans. Section 101(d)(4) of the 1974 Act mandates the coordination of housing and community development activities. The mechanism which encourages this coordination is the Housing Assistance Plan (HAP).

The Housing Assistance Plan must be submitted as part of most applications for Community Development Block Grant Funds. The HAP, as part of the application, is subject to the same review standards of the application as a whole, in that, plainly inconsistent needs and objectives or plainly inappropriate activities will be cause for disapproval. The plan must:

a. Accurately survey the conditions of the housing stock in the community; assess the housing assistance needs of lower-income persons; and identify housing stock which is in a deteriorated condition.

b. Specify a realistic annual goal for the number of dwelling units or lower-income persons to be assisted including:

— the relative proportion of new, rehabilitated, and existing dwelling units; and

— the sizes and types of housing projects and assistance best suited to the needs of lower-income persons in the community.

Community Development Grants

c. Indicate the general location of proposed housing for lower-income persons with the objective of:

— furthering the revitalization of the community;

— promoting greater choice of housing opportunities; and

— assuring the availability of public facilities and services adequate to serve proposed housing projects.

The Housing Assistance Plans submitted by local governments are to be the basis for allocating all Federal housing assistance to the greatest extent possible. Communities will be encouraged to adequately and honestly assess local needs and plan to take realistic and affirmative actions to meet those needs. Through the use of the Section 213 Chief Executive review process, the Department will secure meaningful input from local officials so sound determinations as to the appropriateness of proposed housing subsidy awards may be made. Local judgment and experience is essential to the determination of where housing assistance can be most effective.

13. Program Review. HUD reviews grantee performance as required by Section 104(d) of the 1974 Housing and Community Development Act, as amended. The purpose of the review is to determine whether:

— the grantee has carried out a program substantially as described in its application;

— the program complied with the requirements of the Act and other applicable laws and regulations;

— the grantee has a continuing capacity to carry out the approved program in a timely manner; and

— funds are spent in a timely manner for the purposes for which they were made available.

HUD's monitoring of grantee performance takes three forms:

— Site visits to selected number of grantees. Site visits may be of a general nature covering specific subjects in detail, such as relocation, environment, equal opportunity, etc.;

— Review of relevant documentation coming to the Department, such as environmental clearance documents, records of drawdown of funds, applications for housing assistance, and citizen complaints; and

— Review of a grantee's annual performance report.

The grantee performance report includes progress in carrying out approved activities, progress in providing housing assistance, evidence of compliance with equal opportunity requirements, and information on the degree to which low- and moderate-income persons are benefiting from the program.

The Department's procedures require that a final in-house review of the above elements be completed for each grantee and the results of that review considered before approving the grantee's next entitlement application. In the case of a discretionary grantee, the review of performance is accomplished annually, as well as prior to making a subsequent grant.

When there is evidence that there are deficiencies in a grantee's performance, the Department may take any of several actions designed to correct or remedy the problem, including the following:

-- request the grantee to submit a progress schedule for completing approved activities;

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— issue a letter of warning that advises the grantee of the deficiency and puts the grantee on notice that more serious sanctions will be taken if the deficiency is not corrected or is repeated;

— advise the grantee that a certification will no longer be acceptable and that additional information or assurances will be required with the next application;

— advise the grantee to reprogram funds from affected activities to other eligible activities;

— change the method of payment from a letter of credit basis to a reimbursement basis; and

— condition the approval of the next year's application.

If the above actions do not correct or resolve the problem, HUD may reduce the next year's grant amount, including a reduction to zero. However, funds already expended on eligible activities may not be recaptured or deducted from future grants made to the recipient. Reductions in grant amounts will be made only after other efforts to resolve the deficiencies have been unsuccessful.

STATUS OF FUNDS

1. Authorization. The authorization proposed for 1981 is $3.95 billion. No request is made for the Categorical Program Financial Settlement Fund.

2. Status of Funds.

a. Unobligated Balances. The following table compares program obligations with funds available for distribution by year:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Unobligated balance, start of year.....	$790,190	$217,521	$90,000
Appropriations.....	3,750,000	3,900,000	3,950,000
Total available.....	4,540,190	4,117,521	4,040,000
Obligations (net).....	-4,321,473	-4,027,521	-3,940,000
Lapsed.....	-1,195	...	...
Unobligated balance, end of year.....	217,521	90,000	100,000

The 1980 Budget assumed that $200 million would be unobligated as of September 30, 1979 which would essentially be comprised of small city funds. The actual amount was $217.5 million, which included only $35.5 million of small city funds and also included $80.1 million of Entitlement Funds. The actual Small Cities carryover was less than anticipated due to more emphasis being placed on the obligation of these funds (i.e., the application process was started earlier in the year than previously). Of the $80 million entitlement carryover, nearly all was reserved during 1979 and obligated by December 31, 1979. The composition is as follows:

Community Development Grants

	AMOUNT (Dollars in Millions)
METROPOLITAN AREAS	
Entitlement	$80.1
Discretionary (Small Cities)	13.4
NON-METROPOLITAN AREAS	
Hold-harmless communities	2.0
Discretionary (Small Cities)	22.1
SECRETARY'S FUND	
Regular	71.9
Transferred from other agencies	.3
CATEGORICAL FINANCIAL SETTLEMENT FUND	27.7
Total	217.5

Part of the unobligated balance for the Secretary's Fund pertains to the cyclical nature of funding projects and conducting grant competitions. For example, a fourth of the funds were not obligated because the grant competitions were cyclical. Also, of the $217.5 million, 67 percent was reserved. During the month of October an additional $55 million was obligated reducing the unobligated balance as of October 31, down to $162.5 million.

b. Obligated Balances. The status of the obligated balances is as follows:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Obligated balance, start of year	$5,279,523	$6,439,768	$6,967,289
Obligations(net)	4,321,473	4,027,521	3,940,000
Subtotal	9,600,996	10,467,289	10,907,289
Outlays	-3,161,229	-3,500,000	-3,805,000
Obligated balance, end of year	6,439,768	6,967,289	7,102,289

The obligated balance at the end of 1979 is as follows:

APPROPRIATION	AMOUNT (Dollars in Thousands)	PERCENT
1979	$3,492,366	54.2
1978	2,408,470	37.4
1977	447,721	7.0
1976	71,347	1.1
1975	19,864	.3
Total	$6,439,768	100.0

As of September 30, 1979, the majority of the 1979 funds had been obligated less than 3 months and the majority of the 1978 funds had been obligated for slightly more than one year. The following table reflects the status of obligated balances by appropriation as of December 31, 1979.

Community Development Grants

APPROPRIATION	AMOUNT (Dollars in Thousands)
1979	$3,414,146
1978	1,764,506
1977	285,013
1976	50,997
1975	16,842
Total	$5,531,504

By September 30, 1980, it is expected that the $6.4 billion obligated balance on hand at the end of 1979, will have been reduced by approximately $3.4 billion (excluding the effect of 1980 appropriations) and most of the remainder will have been obligated for slightly more than one year.

A total of 93.6 percent of the unexpended obligations are comprised of the 1978 and 1979 appropriation.

BUDGET OUTLAYS

The basic disbursement method used in the block grant program is the letter-of-credit. Under this system of disbursement, the recipient receives funds as they are needed for community development purposes.

Budget outlays are estimated at $3,500 million in 1980 and $3,805 million during 1981. However, actual outlays will be governed by the rate at which communities expend funds which have been made available.

OTHER LEGISLATIVE PROVISIONS

1. Noncompliance. If HUD finds after reasonable notice and opportunity for hearing that a recipient of assistance has failed to comply substantively with any provision of the program, HUD may terminate, reduce, or limit the availability of grant payment to the recipient until the noncompliance is remedied. Suits by the Attorney General are also authorized to recover payments in lieu of, or in addition to, reduction or termination of grant payments by HUD.

2. Non-Program Cost Limitation. Language in the 1979 Appropriation Act for the Block Grant program stressed that "Planning and Management" and "Administration" costs should not exceed 20 percent of the grant amount. The Department has implemented this requirement by including instructions, pertaining to this guideline, in the Block Grant application booklets and handbooks, applicable to 1979 and future appropriations. Monitoring for compliance with these instructions will occur during application review and during selected site visits. Clear and precise definitions, relating to "Planning and Urban Environmental Design Costs" and "General Administration Costs", have also been added to the Block Grant applications booklets.

DISTRIBUTION OF FUNDS BY STATE

The table on the following page shows projections of the 1979, 1980, and 1981 appropriations for the Community Development Grants by State. The amounts for 1981 is a preliminary estimate since it is based on currently available data. The final distribution of funds by State, of course, will depend upon the submission and approval of applications for funding eligible recipients.

Community Development Grants

DISTRIBUTION OF COMMUNITY DEVELOPMENT GRANTS
BY STATES AND TERRITORIES
(Dollars in Thousands)

STATE AND TERRITORY	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Alabama	$60,958	$62,842	$65,144
Alaska	4,058	3,491	3,618
Arizona	28,740	30,720	31,851
Arkansas	30,021	30,084	31,188
California	329,890	347,363	360,104
Colorado	30,136	32,131	33,306
Connecticut	51,169	44,684	46,324
Delaware	8,322	8,989	9,319
District of Columbia	27,148	24,119	25,004
Florida	118,258	126,134	130,761
Georgia	68,063	71,318	73,928
Hawaii	13,778	14,714	15,255
Idaho	7,594	7,231	7,495
Illinois	216,431	228,101	236,462
Indiana	64,530	69,099	71,628
Iowa	38,651	39,813	41,273
Kansas	31,218	28,635	29,685
Kentucky	52,040	54,907	56,918
Louisiana	69,411	76,952	79,771
Maine	13,966	14,590	15,123
Maryland	57,055	60,292	62,503
Massachusetts	106,452	109,742	113,760
Michigan	152,492	158,523	164,335
Minnesota	60,679	62,338	64,624
Mississippi	38,510	39,470	40,914
Missouri	86,842	91,070	94,406
Montana	7,762	7,918	8,211
Nebraska	17,852	19,470	20,186
Nevada	4,818	5,408	5,606
New Hampshire	8,999	9,332	9,674
New Jersey	119,956	126,482	131,119
New Mexico	15,256	14,187	14,707
New York	410,118	427,832	443,527
North Carolina	64,319	66,342	68,775
North Dakota	7,204	7,401	7,673
Ohio	178,214	187,017	193,869
Oklahoma	34,002	33,684	34,918
Oregon	26,167	27,221	28,216
Pennsylvania	244,448	251,168	260,384
Rhode Island	18,018	18,378	19,053
South Carolina	35,489	38,028	39,420
South Dakota	8,115	8,298	8,603
Tennessee	62,349	64,118	66,466
Texas	197,620	207,269	214,868
Utah	16,573	17,908	18,563
Vermont	4,645	5,040	5,224
Virginia	63,252	64,170	66,518
Washington	49,296	53,155	55,109
West Virginia	25,854	27,948	28,972
Wisconsin	60,487	65,305	67,698
Wyoming	2,938	3,027	3,139

Community Development Grants

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
STATE AND TERRITORY			
Guam	$317	...	...
Puerto Rico	97,071	$110,792	$114,853
Virgin Islands	899	...	...
Total	3,548,450	3,704,250	3,840,050
Secretary's Discretionary Fund	101,550	95,750	109,950
Categorical Program Financial Settlement Fund	100,000	100,000	...
Grand Total	3,750,000	3,900,000	3,950,000

NOTE: The distribution of funds by States and Territories for 1981 is an estimate since it is based on current available data. The final impact of direct funding for certain urban counties 1981 is not reflected in these amounts. The Secretary will determine eligibility and applicable portions of each eligible county for purposes of fund allocation on the basis of information available from the U.S. Bureau of Census and based on information provided by the county and its included units of general local government. The final distribution of funds, will depend upon the submission and approval of applications for funding by eligible recipients.

DISTRIBUTION OF PROGRAM OBLIGATIONS

The following table shows the distribution of program obligations (net) by funding category in 1979, 1980, and 1981.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Metropolitan Areas (SMSA)			
Entitlement/hold-harmless	$ 2,641,199	$2,829,370	$2,844,040
Discretionary balances	405,198	259,699	282,000
Subtotal, Metropolitan Areas	3,046,397	3,089,069	3,126,040
Non-Metropolitan Areas			
Hold-harmless	75,065	1,996	...
Discretionary balances	958,565	640,838	704,010
Subtotal, Non-Metropolitan Areas	1,033,630	642,834	704,010
Secretary's Discretionary Fund	101,511 a/	167,878 a/	109,950
Categorical Program Financial Settlement Fund & Urgent Needs	139,935	127,740	...
Total	4,321,473	4,027,521	3,940,000

a/ Excludes obligations of $260 thousand in 1979 and $625 thousand in 1980 resulting from transfers from other agencies.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

URBAN DEVELOPMENT ACTION GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Program Level:					
Grant Announcements:					
Number of grant announcements.....	302	270	318	350	+32
Amount.....	$518,500	$675,000	$633,113	$675,000	+$41,887
Grant Obligations:					
Agreements executed..	345	270	384	350	-34
Amount.....	$615,050	$675,000	$740,548	$675,000	-$65,548
Appropriations:					
Authorization Available or Proposed.....	400,000	675,000	675,000	675,000	...
Budget Outlays.....	73,167	170,000	180,000	365,000	+185,000

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget requests $675 million in fiscal year 1981 for Urban Development Action Grants (UDAG). Additional authorizing legislation is required to support the proposed appropriation.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The increase in the estimated number of grant announcements is a direct result of the average grants being smaller than originally projected. The decrease in the amount of grant announcements is due, primarily, to the fact that a portion of 1980 appropriated funds were announced, but not obligated, in 1979, thereby reducing the amount available for announcements in 1980.

The increases in the number and amount of grant obligations are the result of a $65,548 thousand carryover from 1979. The carryover is the result of fund approvals being announced in cycles during the year but not obligated. These preliminary approvals are not obligated until grant agreements have been negotiated.

The increase in budget outlays is due to an increase in the estimated total obligations through 1980 over the amounts previously projected.

EXPLANATION OF INCREASES AND DECREASES

The increase in grant announcements reflects full utilization of all available funds in 1981.

The decreases in the number and amount of grant obligations are the result of the estimated unobligated balance carried over from 1979 to 1980. The unobligated balance, together with the 1980 appropriation, will be fully utilized in 1980, thereby increasing the 1980 obligation level above the appropriation level for 1981.

Urban Development Action Grants

The increase in Budget outlays reflects the increasing level of obligations available for disbursement and the accelerated use of these funds by grant recipients as their projects continue toward completion.

PROGRAM DESCRIPTION

1. Authorization. Section 119 of the Housing and Community Development Act of 1974, as amended, authorizes grants to severely distressed cities and urban counties for the funding of projects which help alleviate physical and economic deterioration. In 1979, Section 119 was amended to include jurisdictions which were previously ineligible due to their generally healthy economic and fiscal conditions but which contain pockets of severe distress requiring increased public and private assistance to provide jobs and enhanced physical environment for the low- and moderate-income residents of the pocket. Section 119 was further amended in 1979 to allow a grant to be made under this section only where the Secretary determines that there is a strong probability that the grant would not substitute for non-Federal funds which are otherwise available to the project.

2. Purpose. The purpose of the Urban Development Action Grants program is to revitalize our distressed communities by stimulating economic development, which in turn will create new permanent jobs and new tax revenues. The program is based on the concept that our cities can be most efficiently revitalized by the private sector, with the public sector providing "gap" money to make opportunities within the distressed cities comparable with opportunities business firms have outside distressed cities. Development within cities involves costs not required in the suburbs, such as relocation, demolition, and structured parking; often these costs are not totally offset by higher rental income. In funding this economic gap, the action grant program makes projects within distressed cities attractive development opportunities for the private sector. The result is economic development through a public/private partnership.

This program differs from previous efforts to aid cities and urban counties in that there must be evidence of private sector financial commitments to a proposed project before action grant funding is approved.

The "pockets of poverty" provision of the action grant program will extend the use of such assistance to nondistressed communities previously ineligible for action grant assistance. It will assist these communities to revitalize relatively large distressed areas within their boundaries, and it will help low- and moderate-income residents of these distressed areas to secure jobs and improve the quality of their lives. The Secretary is authorized to use up to, but not more than, 20 percent of the UDAG funds appropriated for use in any fiscal year for the purpose of making grants to eligible pockets of poverty jurisdictions.

3. Eligible Recipients and Activities.

a. Eligible Recipients. Urban Development Action Grants are restricted, except pursuant to the pockets of poverty provision, to cities and urban counties that meet minimum standards of physical and economic distress; have demonstrated reasonable results in providing housing for persons of low- and moderate-income, especially since 1974; and have demonstrated reasonable results in providing equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups. Not less than 25 percent of funds must be allocated for cities under 50,000 population which are not central cities of a metropolitan area.

There were 225 metropolitan cities and 12 urban counties with populations over 50,000 and 97 metropolitan cities with populations under 50,000 potentially eligible for assistance as of December 31, 1979. The number of small cities potentially eligible for assistance as of October 31, 1979, is as follows: 159--population over 25,000; 1,945--population from 2,500 to 25,000; and 7,919--population under 2,500.

b. Eligible Activities. Activities eligible for assistance under the basic block grant program are also eligible under the action grant program, with the following exceptions:

-- metropolitan cities and urban counties may not use action grant funds for planning the project or developing the application.

-- public services that are eligible for funding under the block grant program may not be undertaken with action grants.

Activities, not eligible under the basic block grant program, may be eligible under the action grant program if they are consistent with the objectives of revitalizing the applicant's economic base or reclaiming neighborhoods having excessive housing abandonment or deterioration. New housing construction may be assisted if the housing is consistent with the applicant's community development and housing strategy and other resources are not adequate.

No assistance will be provided for projects intended to facilitate the relocation of industrial or commercial plants or facilities from one area to another unless this action does not significantly and adversely affect the unemployment level or economic base of the area of origin.

4. Eligibility Criteria.

a. Metropolitan Cities and Urban Counties. These applicants must meet three of six minimum standards of physical and economic distress on the basis of data for the city or county as a whole. HUD publishes notices periodically in the Federal Register which set forth the minimum levels that applicants must meet in the following areas on the basis of data from the Bureau of the Census and the Bureau of Labor Statistics:

— Age of housing
— Per capita income
-- Population lag/decline
— Unemployment
-- Job lag/decline
— Poverty.

If the applicant's percentage of poverty is less than one-half of the HUD established standard, the applicant must meet four of the six factors. If the applicant's percentage of poverty is greater than one and one-half times the HUD standard, it must meet only one other standard.

b. Small Cities. These applicants must meet the minimum standards appropriate for their size. Two size classes are used on the basis of the most recent data estimated by the Bureau of the Census. The exact standards and cities meeting them are published periodically in a Federal Register notice.

(1) Cities of less than 25,000 population generally must meet minimum standards in three of the following four areas:

-- Age of housing
— Per capita income
— Poverty
-- Population lag/decline.

Cities of less than 25,000 population whose poverty level is twice the HUD standard must meet only one other standard. Those cities whose percentage of year round housing units constructed prior to 1940 is twice the HUD standard must meet only the poverty standard.

(2) Cities of 25,000 population but not greater than 50,000 must meet minimum standards in three of five areas:

- Age of housing
- Per capita income
- Poverty
- Population lag/decline
- Job lag/decline.

The same special consideration given to smaller cities is also given to these larger cities having twice the HUD standard for poverty and housing units constructed prior to 1940. In addition, cities whose percentage of poverty is less than one-half the HUD standard must meet four other minimum standards.

c. Pockets of Poverty. A city or urban county not meeting the minimum standards of physical and economic distress on the basis of data for the community as a whole may qualify as an applicant for action grants if it contains a "pocket" consisting of a specifically defined geographic area meeting all of the following criteria:

(1) Metropolitan Cities and Urban Counties.

— Area. The pocket of poverty must be an area composed of contiguous census tracts, enumeration districts or block groups. The defined geographic area must contain at least 10,000 persons or 10 percent of the jurisdiction's population. Enumeration districts and block groups with median income levels greater than 120 percent of the median income of the jurisdiction must be excluded in defining the pocket of poverty.

— Income. At least 70 percent of the persons residing in the pocket of poverty must have incomes below 80 percent of the jurisdiction's median income.

— Poverty. At least 30 percent of the persons residing in the pocket of poverty must have incomes below the national poverty level.

(2) Small Cities. Cities with populations less than 50,000 must meet the same standards as for metropolitan cities except that the defined geographic area must contain at least 2,500 persons or 10 percent of the jurisdiction's population, whichever is greater.

5. Feasibility and Effectiveness Criteria. Grant assistance for the action grant program will be made available so as to achieve a reasonable balance among neighborhood, industrial and commercial projects. Applications may be submitted for projects which address any one of these three types, or a combination of them.

Because the purpose of the program is to assist distressed cities which require increased public assistance and private investment, no application is funded unless there is a firm commitment of private resources to the proposed project. The private commitment must have a clear, direct relationship to the activities for which funding is being requested and must be identified in the application.

6. Criteria for Selection.

a. Cities and Urban Counties. Proposals are funded on the basis of the following criteria.

(1) The primary criterion is the comparative degree of physical and economic distress among applicants, as measured by the differences in the following factors, which are assigned relative weights as follows:

(a) the percentage of their total housing stock that was built prior to 1940 (50 percent);

(b) the percentage of their total current population that was in poverty in 1970 (30 percent); and

(c) the degree to which their population growth rate lags behind that of all metropolitan cities (20 percent).

(2) The comparative degree of physical and economic deterioration of applicants, including per capita income, unemployment, and job lag/decline.

(3) The demonstrated performance of the applicant in carrying out housing and community development programs.

(4) The impact of the proposed project on the special problems of low- and moderate-income persons and minorities.

(5) The nature and extent of financial participation by private entities in the proposed project.

(6) The extent of financial assistance to be made available by the State.

(7) The nature and extent of financial participation by other public entities in the proposed projects.

(8) The impact of the proposed project on the physical, fiscal, or economic deterioration of the community.

(9) The extent to which the project represents a special or unique opportunity to meet local priority needs which are consistent with the objectives of economic revitalization or reclamation of neighborhoods.

(10) The feasibility of accomplishing the projects in a timely fashion within the total resources which will be provided.

(11) Phase-down or elimination of hold-harmless entitlements.

b. Pockets of Poverty Communities. The Secretary will not use as the primary criterion the comparative degree of distress, but rather the comparative degree of distress among pockets of poverty as measured by the eligibility criteria for cities not meeting minimum standards, and by the comparative benefits to be provided to the low- and moderate-income residents of the pocket of poverty.

Proposals for pockets of poverty will be considered separately from those submitted by distressed cities and urban counties. However, the selection criteria of (3) through (11) above will be used to select projects for funding. Each project submitted by a jurisdiction eligible on the basis of a pocket of poverty must compare favorably on its own merits with any other action grant project to be selected for funding.

7. Preapplications.

a. All Applicants. Communities wishing to apply for funding complete the preapplication form (modified Standard Form 424) and submit it to HUD for review. In completing the preapplication, the applicant must provide information showing its results in providing housing for persons of low- and moderate-income, as well as equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups. The Department reviews the preapplication

and makes an eligibility determination. If the potential applicant is found to be eligible for funding, the Department invites a full application.

b. Pockets of Poverty Applicants. In addition to the designation of the pocket of poverty, the Chief Executive Officer must certify in the preapplication that the applicant has on file data and analyses comparing basic services--over which it has control--provided to more affluent areas of its jurisdiction with the level and type of basic services provided to the pocket of poverty. The applicant must document that per capita expenditures are at least equivalent in both areas.

8. Application Requirements.

a. All Applicants. Applications for assistance must contain a community development plan and a housing assistance plan, unless the applicant has current plans in effect. Also required is a brief description of an urban development action program, which must contain an action plan and strategy and related projects to alleviate physical and economic distress. Citizen participation, environmental review, and other certifications must also be submitted with the application, as well as evidence of public and private resources which will be available for completing the project.

The Housing and Community Development Amendments of 1978 provided for an inclusion of a statement analyzing the impact of the proposed Urban Development Action Grants program on the residents, particularly those of low- and moderate-income, of the residential neighborhood, and on the neighborhood, in which the program is to be located.

Applicants must submit a separate application for each proposed project. The proposed project must be able to be carried out in a timely fashion, which generally should not exceed four years. The total amount requested together with other resources available must be adequate to complete the project without additional action grant assistance.

All applications received are first reviewed against the feasibility and effectiveness criteria. The applications meeting the above criteria are then reviewed against the final selection criteria and preliminary funding announcements are made. After grant announcements, but before HUD obligates funds under the grant agreement, HUD and the grantee negotiate the grantee's commitments into contract formats. Prior to any drawdown of action grant funds, the recipients must submit: (1) evidence of legally binding financial commitments from private entities, and (2) an opinion of counsel that the commitments are legally binding under State and local law and conform to the grant agreements executed by HUD and the grantee.

b. Pockets of Poverty Applicants. In addition to the above requirements, applicants applying for action grants under pockets of poverty must make available funding, equal to 20 percent of the amount of the grant requested, to be used as a local match. Such funds may be derived from local funding sources, State funds or from any Federal program which permits the use of financial assistance to meet the non-Federal share requirement of Federal grant-in-aid programs.

Applicants must demonstrate that the proposed project will provide direct benefits to the low- and moderate-income residents of the pocket of poverty and substantially contribute to the physical and economic development of the pocket of poverty.

9. Annual Reviews and Audits. The Department will make reviews and audits at least on an annual basis of the progress of grant recipients in carrying out activities in accordance with approved plans and timetables. The Department may adjust, reduce or withdraw grant funds, or take other action as appropriate in accordance with the findings of such reviews and audits, except that funds already

expended on eligible activities under the program may not be recaptured or deducted from future grants made to the recipient.

PROGRAM ACTIVITY

1. UDAG Preliminary Approvals and Private Investment. Urban Development Action Grants are announced for large and small cities quarterly. Since the inception of the program through January 10, 1980, 467 applications for large cities in the amount of $1,355 million and 510 applications for small cities in the amount of $464 million have been received for funding consideration. As of January 10, 1980, 14 rounds awarding action grants have been announced as follows:

METROPOLITAN CITIES		SMALL CITIES	
Round I	April 6, 1978	Round I	Aug. 2, 1978
Round II	July 11, 1978	Round II	Nov. 3, 1978
Round III	Oct. 5, 1978	Round III	Feb. 1, 1979
Round IV	Jan. 4, 1979	Round IV	May 7, 1979
Round V	April 4, 1979	Round V	Aug. 7, 1979
Round VI	July 12, 1979	Round VI	Nov. 12, 1979
Round VII	Oct. 19, 1979		
Round VIII	Jan. 10, 1980		

In these 14 rounds, 559 projects have been awarded $1,090.4 million of UDAG funds. Three types of projects are eligible for action grants--industrial, commercial and neighborhood. The following table shows the ratio of private funds to UDAG funds, by type of project, for the 14 rounds announced.

PRIVATE INVESTMENT AND UDAG FUNDS BY PROJECT TYPE

	METROPOLITAN CITIES	SMALL CITIES	TOTAL	RATIO
	(Dollars in Millions)			
Industrial				
Number of projects	70	124	194	
Amount:				
Private	$1,029.0	$860.6	$1,889.6	7.71
UDAG	141.9	103.2	245.1	1.00
Commercial				
Number of projects	129	64	193	
Amount:				
Private	$2,790.1	$269.9	$3,060.0	5.58
UDAG	496.6	52.2	548.8	1.00
Neighborhood				
Number of projects	116	56	172	
Amount:				
Private	$1,101.0	$284.6	$1,385.6	4.67
UDAG	247.8	48.7	296.5	1.00
Totals				
Number of projects	315	244	559	
Amount:				
Private	$4,920.1	$1,415.1	$6,335.2	5.81
UDAG	886.3	204.1	1,090.4	1.00

For all grants announced through January 10, action grant funds have leveraged an estimated commitment of $5.81 of private investment for each dollar of action grant funds awarded. This ratio means over $3.9 billion of private money per $675 million of UDAG funds.

2. Creation of Jobs. Urban Development Action Grant projects anticipate the creation of 171,614 new jobs in distressed communities since the beginning of the program at an average cost of $6,354 for each new permanent job. Additionally, about 88,027 jobs, which would otherwise have been lost, are expected to be "saved" or retained in the distressed communities. It is also anticipated that 143,255 construction jobs will be created. The creation of permanent jobs, as well as attracting private investment, is higher in industrial and commercial projects (30 percent and 53 percent, respectively) than in neighborhood projects (17 percent).

NUMBER AND TYPES OF ESTIMATED JOBS RETAINED OR CREATED BY PROJECT TYPE, FOR FOURTEEN UDAG FUNDING CYCLES

PROJECT TYPE	NUMBER OF PROJECTS	NEW PERMANENT a/	RETAINED	CONSTRUCTION	TOTAL
Industrial....	194	51,511 (30%)	35,380 (40%)	33,715 (23%)	120,606 (30%)
Commercial....	193	90,306 (53%)	36,844 (42%)	62,694 (44%)	189,844 (47%)
Neighborhood..	172	29,797 (17%)	15,803 (18%)	46,846 (33%)	92,446 (23%)
Totals...	559	171,614	88,027	143,255	402,896

a/ Estimated net new jobs to be created in distressed cities.

3. Types of Projects Funded. Industrial, commercial, and neighborhood projects are eligible for action grant funding, and the Department is directed to fund a "reasonable balance" among the three types of projects. To date, preliminary approvals have been awarded to projects distributed as follows:

APPROVAL BY PROJECT TYPE

Project Type	Average Grant Amount (Dollars in Millions)	Percent of Projects	Percent of Funding
Industrial.....	$1.26	35	23
Commercial.....	2.84	34	50
Neighborhood.....	1.72	31	27
Total (Average)..	1.95	100	100

Leverage of private investment is highest in industrial projects ($7.71 private to $1 UDAG) and less in commercial projects ($5.58 private to $1 UDAG) and in neighborhood projects ($4.67 private to $1 UDAG).

APPROVALS BY POPULATION SIZE

The following table illustrates the number of eligible UDAG projects funded by population size.

Urban Development Action Grants

NUMBER OF ELIGIBLE UDAG PROJECTS FUNDED BY POPULATION SIZE
AS OF JANUARY 10, 1980

POPULATION GROUPINGS (UPDATED 1970 CENSUS)	TOTAL ALL TYPES OF PROJECTS	
	NUMBER	AMOUNT (Dollars in Thousands)
1 million and over	42	$119,910
500,000-999,999	27	126,613
250,000-499,999	73	245,087
100,000-249,999	73	188,934
50,000-99,999	75	152,907
Total for Cities over 50,000	(290)	(833,451)
25,000-49,999	63	105,942
10,000-24,999	70	68,855
5,000-9,999	54	32,143
Under 5,000	82	50,041
Total for Cities Under 50,000	(269)	(256,981)
Small City Percentages	48.1%	23.6%
Grand Totals	559	1,090,432

The above table demonstrates that the Department has given ample consideration to the needs of small cities by the fact that 48 percent of the number of grants approved has gone to communities having populations under 50,000, and that more than 23 percent of the funds awarded to date has been for these communities.

4. Other Programs and UDAG. There are approximately 19 other Federal programs being used in 126 projects awarded action grants. Participation by other Federal agencies and other public sources, including cities and States, with UDAG funded activities is estimated at $950.5 million. This amount, together with the private investment of $6,335.2 million and $1,090.4 million of action grant funds, totals over $8,376.1 million to support the economic development opportunities of distressed cities, towns and urban counties.

5. Project Activities. A wide range of project activities may be funded with action grant funds used for public improvements, such as roads that will foster economic development, or funds may be granted to cities which will in turn make subordinated loans directly to firms to augment private investment. In the latter case, the repayment of these loans to the city allows recycling of action grant funds to the city for further economic development or other public purposes. Some examples of funded projects are as follows:

a. Boston, Massachusetts. The City has received preliminary approval of an action grant to assist in the development of the Crosstown industrial project located between the Archer and Roxbury neighborhoods. Community Development Corporation (CDC), a local development corporation, will construct a new manufacturing facility to house the expansion of Healthco, Inc., creating 200 new permanent jobs and retaining an additional 130 jobs. The action grant of $1,585 thousand to the City of Boston is to be used for land acquisition, relocation, demolition, and site preparation. The property then will be transferred to CDC, which will utilize a $5 million industrial revenue bond issue, grant funds from the Economic Development Administration, and City general obligation bonds to construct a 160,000 square-foot facility to be leased by Healthco. The City will contract with Opportunities Industrialization Centers and the local CETA agency to recruit and train new workers. A minimum of one-third of all new permanent jobs will go to low-income and minority persons.

b. Cressona, Pennsylvania. On May 7, 1979, HUD announced preliminary approval of an action grant of $3.3 million for the Borough of Cressona to be used as a loan from the Borough to the Cressona Aluminum Company. Together with loans from the Economic Development Administration, the State of Pennsylvania, and private financing, the action grant enabled the Cressona Aluminum Company to acquire, improve, and reopen an old Alcoa Aluminum extrusion plant that had closed two years before. By mid-July the plant was in the initial stages of operation with 80 employees; and, as of December 1979, 225 employees were on the payroll. As the plant builds to full operation and productivity, a total of 600 persons will be employed. Total private investment will exceed $15 million. Proceeds from the repayment of action grant funds, plus interest, will be shared by the Borough with other distressed communities and will be used for other economic development activities.

c. San Antonio, Texas. On April 6, 1978, HUD announced preliminary approval of an action grant of $6.5 million to assist in land acquisition for a 522-room hotel, retail space (50 percent to be occupied by minority entrepreneurs), parking garage, and multilevel pedestrian walkway. This Alamo Plaza-Paseo del Rio linkage project will be part of a comprehensive revitalization of six blocks in the heart of San Antonio's historic downtown area. Groundbreaking for the hotel site occurred during June 1979, and all components of the project are expected to be completed by July 1981. The Mexican-American Unity Council, an Hispanic community development corporation, will have an equity ownership in the hotel along with Ira Hardin Company and AFCO Realty Associates. The Council also will coordinate CETA employment referrals for positions in the hotel. A total of $37.1 million of private funds will be invested in the complex, generating 770 new permanent jobs. Because of continued optimism about the project's potential, the developers recently have decided to add an additional 114 rooms to the hotel.

STATUS OF FUNDS

The following tables show the status of authorizations, appropriations and obligated balances through fiscal year 1981:

STATUS OF AUTHORIZATION

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Authorization available	$400,000	$675,000	...
New authorization proposed	...	...	$675,000
Total availabile	400,000	675,000	675,000
Appropriation	-400,000	-675,000	-675,000
Balance of authorization	...	...	...

STATUS OF APPROPRIATIONS

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Unobligated balance, start of year	$280,597	$65,548	...
Appropriation	400,000	675,000	$675,000
Total available	680,597	740,548	675,000
Obligations	-615,050	-740,548	-675,000
Unobligated balance, end of year	65,548	...	...

Urban Development Action Grants

	STATUS OF OBLIGATED BALANCES		
	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Obligated balance, start of year	$119,403	$661,285	$1,221,833
Obligations, incurred	615,050	740,548	675,000
Subtotal	734,453	1,401,833	1,896,833
Outlays	-73,167	-180,000	-365,000
Total	661,285	1,221,833	1,531,833

The large obligated balances are the result of funds being approved in cycles during the year and not drawn down rapidly. This is due to the fact that construction and public works type projects take longer to complete and the funds are used according to the progress of the project. Further, to the extent possible, grant agreements call for the commitment and expenditure of private funds before action grant funds are spent for project development.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

COMPREHENSIVE PLANNING GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Program Level:					
Grant Reservations (net):					
States	$14,114	$10,160	$10,500	$10,000	-$500
Metropolitan Areawide Planning Organizations	21,042	15,360	17,750	16,250	-1,500
Nonmetropolitan Areawide Planning Organizations	9,778	7,520	8,187	8,000	-187
Localities	8,159	6,200	7,250	5,750	-1,500
Other	935	760	1,000	...	-1,000
Total Grant Reservations (net)	54,028	40,000	44,687	40,000	-4,687
Authorization Available or Proposed a/	57,000	40,000	50,000	40,000	-10,000
Appropriation	53,000	40,000	42,500	40,000	-2,500
Budget Outlays	61,613	56,000	56,000	45,000	-11,000

a/ The unappropriated balance of authorization expires at the end of each fiscal year. Legislation will be proposed to provide the necessary authorization for 1981.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

A $40 million appropriation is requested for the Comprehensive Planning Grants (Section 701) program in 1981.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The increases in authorizations and appropriations are the result of Congressional action. A carryover of $2,187 thousand of prior year funds also is available to increase the grant reservations above the amount appropriated.

EXPLANATION OF INCREASES AND DECREASES

The decreases in all categories are the result of the reduction in the 1981 appropriation. Also, the reduced outlays result from a projected $11 million lower obligated balance at the end of 1980, than at the end of 1979. The reduction in the obligated balance is related directly to a continuing decline in appropriations since fiscal year 1975.

Comprehensive Planning Grants

PROGRAM DESCRIPTION

Section 701 of the Housing Act of 1954, as amended, authorizes grants to support State, areawide and local planning and management programs concerned with urban and rural development. The Federal grant may cover up to two-thirds of the project cost.

The Department is proposing legislation for 1981 to improve the Section 701 Planning Grants program.

ELIGIBLE APPLICANTS

The following table shows a comparison of eligible recipients versus recipients actually funded in fiscal year 1979 and recipients estimated to be funded in fiscal years 1980-1981.

	NUMBER OF ELIGIBLE APPLICANTS	NUMBER AND PERCENT OF APPLICANTS FUNDED					
		ACTUAL 1979		ESTIMATE 1980		ESTIMATE 1981	
		NUMBER	%	NUMBER	%	NUMBER	%
States and Territories....	57	55	96	55	96	57	100
Metropolitan Areawide Planning Organizations..	250	235	94	235	94	235	94
Nonmetropolitan Areawide Planning Organizations.....	389	325	84	325	84	325	84
Localities.....	33,141	725	2	600	2	500	2
Other.....	435	55	13	45	10	...	...
TOTALS.....	34,272	1,395	4	1,260 a/	4	1,117 a/	3

a/ The decrease in the number of applicants funded is the result of reduced appropriations.

ALLOCATION OF FUNDS TO HUD FIELD OFFICES

The formulas used to allocate Section 701 funds to HUD field offices for each of the four applicant categories (States, metropolitan and nonmetropolitan areawide planning organizations and local assistance) have three common factors. The factors are population, poverty and housing deficiencies. The State formula has a fourth factor of land area, while the two areawide formulas include a factor for number of agencies to be assisted with approved land use and housing elements. The local assistance formula has no additional factors. The factors are weighted equally in each formula.

Each HUD Regional Office share of the Section 701 State planning funds is determined on the basis of its share of the national totals of population, poverty, housing deficiencies and land area. Similarly, each Region's share of the Section 701 local assistance funds is on the basis of its share of national totals, excluding large city portions, of population, poverty and housing deficiencies. The two areawide calculations are the same, except that the metropolitan formula includes population, poverty, housing deficiencies and number of agencies for Standard Metropolitan Statistical Areas (SMSA's); the nonmetropolitan formula excludes SMSA data.

The above formulas are used only to allocate funds to HUD field offices. Individual grants to States, areawide planning organizations and local assistance applicants are based on applicant performance in developing, using and coordinating policies, plans and programs in support of National Policy Objectives. These National Policy Objectives are: the conservation and improvement of existing communities, by correcting or modifying conditions of

distress, blight or decline; increasing housing and employment opportunities and choice for the poor, minorities and disadvantaged; and the promotion of orderly and efficient growth and development which prevent future conditions of distress and conserve existing communities.

1980 BUDGET PROGRAM

In 1980, the Section 701 program is funded at a $44.7 million level consisting of an appropriation of $42.5 million and a carryover of $2.2 million. In accordance with the statute, grants will be made only to those States, areawide planning organizations and localities which have received approval of their land use and housing elements.

States and metropolitan organizations apply directly to HUD for assistance, while small communities and counties apply to the States for planning assistance to prepare plans and programs in support of National Policy Objectives consistent with State and regional strategies. Nonmetropolitan areawide planning organizations are also funded by the States. As in prior years, in accordance with Congressional directives, large cities and urban counties, which can use Community Development Block Grant (CDBG) funds for planning, will not receive any Section 701 funding.

Funds in 1980 will be used to continue the 1979 focus of assisting recipients to undertake comprehensive planning strategies which further the following National Policy Objectives in urban and rural areas: (1) the conservation and improvement of existing communities by correcting or modifying conditions of distress, blight or decline; (2) increasing housing and employment opportunities and choice for the poor, minorities and disadvantaged; and (3) the promotion of orderly and efficient growth and development which prevent future conditions of distress and conserve existing communities.

In 1980, strong emphasis is being placed on applicant performance in plan development and endorsement, planning implementation and use of plans, and coordination and management of programs. Applicants will be given great flexibility in choosing the types of activities they need to undertake to achieve the National Policy Objectives. Activities not clearly related to the achievement of these objectives will not be funded. To give additional emphasis to the importance of applicant performance, a special $2.75 million funding competition is being conducted for States and metropolitan areawide planning organizations (APOs). These funds will be provided to those States and metropolitan APOs with the most successful programs of plan development and implementation.

In addition, funds will be used to continue the work study program and to continue funding for Indian tribes to enable them to undertake planning and capacity building activities to deal with tribal problems. However, technical assistance studies under Section 701(f) and disaster and Federal impact assistance will not be funded in 1980 except as may be possible through the use of recaptured funds.

1981 BUDGET PROGRAM

For 1981, the Department is proposing legislation to revise the provisions governing the Comprehensive Planning Grants program and to remove obsolete language. The revision builds upon the regulatory initiatives started under the reoriented Section 701 program in 1979 and requires State and areawide applicants to develop strategies covering major issues and problems that address the National Policy Objectives of community conservation, increasing housing and employment opportunities, especially for the disadvantaged and promoting orderly and efficient growth, taking into account the need for energy conservation. Applicants would be funded only on the basis of their performance in carrying out action programs to implement the strategies.

Comprehensive Planning Grants

The key features of the legislative revisions are: (1) a required strategy statement that identifies policies and programs which address the major issues and problems of the applicant's jurisdiction and are clearly designed to carry out the National Policy Objectives and which can be used for HUD funding decisions; (2) an annual action program which indicates measurable results from the specific implementation activities to be funded; (3) an annual assessment of each applicant's performance as a condition of continued funding to provide incentives for improving the quality of planning and the implementation of plans; (4) HUD coordination with other Federal agencies to achieve consistency among various planning programs and the use of approved State and areawide strategies for funding decision; and (5) encouragement for unified areawide planning organizations and promotion of the one-person, one-vote principle for areawide planning organizations.

Funds covering two-thirds of the project cost will be provided to States, areawide planning organizations, local governments of under 50,000 population and counties (other than urban counties) to implement action programs. Under the statute, large cities (50,000 or more in population), urban counties and Indian tribes will not be eligible. This proposal is consistent with congressional directives prohibiting funding for large cities and urban counties due to the availability of CDBG funds which can be used for planning. States and metropolitan organizations will apply directly to HUD for assistance. Small communities and counties will apply to the States for planning assistance to prepare plans and programs in support of their objectives related to the National Policy Objectives and consistent with State and regional strategies. Nonmetropolitan areawide planning organizations would also be funded by the States.

The Department proposes that the legislative revisions take effect upon issuance of new regulations, but not later than nine months after enactment of the legislation. If the legislation is enacted early in the year, the revisions will guide the 1981 program. However, late enactment, coupled with the current procedures for regulatory review by the public and Congress, will mean that the 1981 program will be conducted in the same manner as the 1980 program; and the revised legislation will govern the 1982 program.

PROGRAM ACHIEVEMENTS

The Section 701 program has continued to support the development of comprehensive planning strategies and implementation programs by States and areawide planning organizations and local governments. Some of the tangible results of these activities include:

— Targeting of State and Federal resources to areas of greatest distress within States.

— Undertaking the development of 95 Areawide Housing Opportunity Plans (AHOPs) designed to increase the housing opportunities for lower income persons outside areas of concentration of lower income and minority persons. To date, 31 AHOPs have been approved and are being used to guide HUD assisted housing allocation decisions to the extent feasible.

— Developing State and regional strategies to promote orderly growth, conserve energy and reduce the cost of housing and encouraging the use of the A-95 process to influence Federal funding decisions in support of these strategies.

— Developing plans and policies for the revitalization of distressed areas and the conservation of existing communities and promoting the use of the community impact analysis to influence Federal funding decisions in support of these policies.

— Increasing the number of disadvantaged and minorities in planning, housing, and community development through the Section 701 work study program.

Comprehensive Planning Grants

— Increasing the capacity of local governments to compete for and wisely use Community Development Block Grant funds and other needed resources.

STATUS OF FUNDS

The following tables show the status of authorizations, appropriations and obligated balances through fiscal year 1981. Since unappropriated balances expire at the end of each fiscal year, funding authorization for 1981 will be requested.

STATUS OF AUTHORIZATIONS

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Authorizations enacted or proposed	$57,000	$50,000	$40,000
Appropriations	-53,000	-42,500	-40,000
Balance of authorization expiring, end of year	4,000	7,500	...

STATUS OF APPROPRIATIONS

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Unobligated, unreserved balance, start of year	$3,216	$2,187	...
Appropriations	53,000	42,500	$40,000
Total available	56,216	44,687	40,000
Net reservations	-54,028	-44,687	-40,000
Unobligated, unreserved balance, end of year	2,187	...	...

STATUS OF OBLIGATED BALANCES

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Obligated balance, start of year	$67,731	$60,489	$49,325
Obligations, incurred	54,372	44,836	40,000
Subtotal	122,103	105,325	89,325
Outlays	-61,613	-56,000	-45,000
Obligated balance, end of year	60,489	49,325	44,325

APPROVALS BY STATE

All States and territories have utilized the Comprehensive Planning Grants program. The following table shows the cumulative net reservations through September 30, 1979, by State. The cumulative approvals shown for each State include funds which may be used by more than one State where there is a multi-State areawide planning body. Thus, the District of Columbia figure includes amounts for the entire Washington Metropolitan Planning Area, and the New York figure includes assistance to the Tri-State Regional Planning Body which consists of portions of the States of New York, New Jersey, and Connecticut. The wide variation among the States is due partly to the differing lengths of time that States and substate units of government have participated in the program.

Comprehensive Planning Grants

CUMULATIVE NET GRANT RESERVATIONS BY STATE
AS OF SEPTEMBER 30, 1979

STATES AND TERRITORIES	FEDERAL GRANTS APPROVED
Alabama	$18,673,861
Alaska	5,568,677
Arizona	9,077,201
Arkansas	13,144,590
California	69,995,135
Colorado	15,366,525
Connecticut	17,121,344
Delaware	4,048,951
District of Columbia	12,081,828
Florida	29,453,653
Georgia	23,538,228
Guam	441,490
Hawaii	4,670,860
Idaho	5,095,109
Illinois	37,401,430
Indiana	17,412,781
Iowa	12,673,858
Kansas	10,674,583
Kentucky	17,985,337
Louisiana	16,379,585
Maine	6,302,268
Maryland	19,540,448
Massachusetts	28,306,845
Michigan	35,945,705
Minnesota	19,338,889
Mississippi	12,865,500
Missouri	23,102,966
Montana	6,857,809
Nebraska	7,582,917
Nevada	3,111,868
New Hampshire	4,964,535
New Jersey	21,820,144
New Mexico	8,547,331
New York	65,718,450
North Carolina	24,362,447
North Dakota	3,980,384
Northern Mariana	80,000
Ohio	40,678,587
Oklahoma	14,996,417
Oregon	15,782,544
Pennsylvania	44,031,129
Puerto Rico	10,866,324
Pacific Trust	223,380
Rhode Island	5,524,534
Samoa	386,195
South Carolina	14,341,141
South Dakota	5,759,121
Tennessee	19,523,494
Texas	48,151,561
Utah	6,948,516
Vermont	5,048,154
Virginia	16,025,749
Virgin Islands	1,287,081
Washington	18,354,576
West Virginia	9,358,023

Comprehensive Planning Grants

STATES AND TERRITORIES	FEDERAL GRANTS APPROVED
Wisconsin	$20,517,762
Wyoming	2,315,899
TOTAL	933,353,719
Studies, Research, and Demonstrations	16,898,309
Urban Systems Engineering	5,060,593
TOTAL PROGRAM GRANTS	955,312,621

INTEGRATED GRANT ADMINISTRATION (JOINT GRANTS MANAGEMENT)

1. Program Description. The Integrated Grant Administration (IGA) pilot program, implemented by the Office of Management and Budget in January 1972 on the basis of Section 601 of the Economy Act of 1932 and Title IV of the Intergovernmental Cooperation Act of 1968, was superseded December 5, 1974, by the Joint Funding Simplification Act of 1974. However, the policies and procedures to be followed in the joint funding of related programs of Federal assistance to State and local governments and private, nonprofit organizations did not become effective until February 24, 1976.

The purpose of the Joint Funding Simplification Act of 1974 is to enable State and local governments and private, nonprofit organizations to use Federal assistance more effectively and efficiently, and to adapt that assistance more readily to their particular needs through the wider use of projects drawing upon resources available from more than one Federal agency, program, or appropriation.

2. Program Activity. The table below shows the existing cumulative agency IGA funding commitments through September 30, 1979, for those projects where HUD has been designated the lead agency. These figures are reflected in the HUD Joint Grants Management Fund.

	(Dollars in Thousands)
Department of Housing and Urban Development	$20,047
Department of Agriculture, Farmers Home Administration	7
Appalachian Regional Commission	511
Department of Commerce	151
Department of Commerce, Economic Development Administration	2,159
Department of Energy	151
Community Services Administration	5,384
Department of Defense, Defense Civil Preparedness Agency	152
Department of Health, Education and Welfare	7,303
Environmental Protection Agency	3,115
Department of Justice, Law Enforcement Assistance Administration	2,801
Department of Labor, Comprehensive Employment Training Act	452
Department of Labor	10,684
Department of Transportation	2,690
Department of Transportation, Federal Aviation Administration	605
Department of Transportation, Urban Mass Transportation Administration	9,534
TOTAL	65,746

RECAPITULATION:	
Cumulative as of 9-30-79	$65,746
Cumulative as of 9-30-78	-53,460
Funds committed FY 1979	12,286

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

REHABILITATION LOANS (SECTION 312)

REVISED BUDGET REQUEST

PROGRAM HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
		(Dollars in Thousands)				
Program Level (Loan Reservations):						
Single Family Program:						
Number of loans.....	11,600	9,550	9,070	9,800	6,100	-2,970
Number of units.....	15,700	12,900	12,255	13,200	8,185	-4,070
Amount (net).....$174,559		$154,000	$146,000	$170,000	$106,000	-$40,000
Multifamily Program:						
Number of loans.....	254	280	130	300	300	+170
Number of units.....	5,408	5,600	2,575	6,000	6,000	+3,425
Amount (net).....	$50,909	$56,000	$26,000	$65,000	$65,000	+$39,000
Nonresidential Program:						
Number of loans.....	126	75	75	70	70	-5
Amount (net).....	$8,400	$5,000	$5,000	$5,000	$5,000	...
Total:						
Number of loans.....	11,980	9,905	9,275	10,170	6,470	-2,805
Number of units.....	21,108	18,500	14,830	19,200	14,185	-645
Amount (net).....$233,868		$215,000	$177,000	$240,000	$176,000	-$1,000
Loan Limitation (Gross).....	NA	NA	NA	255,000	191,000	NA
Appropriations (Budget Authority):						
Enacted or proposed....	231,822a/	135,000	135,000	188,000	124,000	-11,000
Proposed rescission....	...	...	-38,000	...	...	+38,000
Total, Budget Authority.....	231,822	135,000	97,000	188,000	124,000	+27,000
Budget Outlays.....	100,322	170,000	156,000	190,000	118,000	-38,000

a/ Includes reappropriation of $1,822 thousand.

SUMMARY OF REVISED BUDGET ESTIMATES (1980 RESCISSION AND 1981 BUDGET AMENDMENT)

An appropriation rescission of $38 million is proposed in fiscal year 1980 which would reduce the amount of net loan reservations to $177 million. In addition, a Budget Amendment is proposed to reduce the 1981 appropriation request by $64 million to $124 million, resulting in 1981 loan reservations of $176 million. These revisions are estimated to lower 1980 and 1981 outlays by $14 million and $72 million respectively.

Rehabilitation Loans (Section 312)

The funding reductions will be applied to the least distressed cities to the extent feasible. Cities which are affected by this action, and which also receive funding under the Community Development Block Grant program, may use block grant funds for rehabilitation activities.

The proposed limitation on 1981 gross loan commitments is also revised downward to $191 million from the original proposal of $255 million. The revised figure will permit the use of up to $15 million of recaptured funds from prior year commitments, as originally proposed.

The number of loans and the number of dwelling units reflected above are based on procedures in effect when the budget was submitted to the Congress. They are subject to change as more stringent procedures governing the use of Rehabilitation Loans for refinancing purposes, currently under consideration, are adopted by the Department.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

REHABILITATION LOANS

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE+ DECREASE- 1981 vs 1980
			(Dollars in Thousands)		
Program Level:					
Loan reservations:					
Number	11,980	10,100	9,905	10,170	+265
Amount (net)	$233,868	$185,000	$215,000	$240,000	+$25,000
Amount (gross)	...	...	...	255,000	NA
Appropriations:					
Authorization available in year	245,000	130,000	140,000	188,000	+48,000
Enacted or requested	230,000	130,000	135,000	188,000	+53,000
Reappropriation	1,822	...	...	...	...
Budget Outlays	100,322	125,000	170,000	190,000	+20,000

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

An appropriation of $188 million is requested for 1981. The $188 million appropriation, together with projected loan repayments and other income in 1981 and unobligated (unreserved) funds carried over from prior years, will provide for a program level of $240 million. Since the loan authority and appropriation authorization expires on September 30, 1980, legislation is being proposed to extend the loan authority and authorize the $188 million appropriation.

In addition, the 1981 budget proposes, for the first time, Federal Credit Controls for loan programs. Under this proposal, language is included for the Rehabilitation Loan program which would place a gross loan limitation of $255 million on the program. This would allow for the projected $240 million net loan program plus up to $15 million of loans from recaptures of prior year commitments.

Rehabilitation Loans

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

-- The increases in appropriation and authorization are the result of Congressional action.

-- The increase in the amount of loan reservations (net) results, in part, from Congressional action increasing the appropriation. In addition, the carryover balance of unused funds at the end of 1979 was higher than expected, thus providing additional funds for the 1980 program level.

-- The average loan amount projected for the 1980 Current Estimate has increased from the 1980 Budget Estimate in order to reflect the actual 1979 experience. Thus, the estimated number of loans which can be supported per given amount of budgetary resources has been adjusted.

-- The increase in outlays results from the higher 1980 program level plus a recomputation based on changed assumptions on the rate at which funds obligated for the single family program will be disbursed.

EXPLANATION OF INCREASES AND DECREASES

The increased amounts for estimated loan reservations, authorizations and appropriations are needed to support a slightly larger level of dwelling units rehabilitated in 1981 as compared to 1980.

The estimated number of loans for 1981 increases due to the greater amount of funds available for reservation. However, the per unit costs are projected to increase in 1981 over 1980 which will offset the additional units which could otherwise be supported with the increased funds.

The increase in projected outlays corresponds to the above increases.

PROGRAM DESCRIPTION

Section 312 of the Housing Act of 1964, as amended, authorizes the Secretary to make loans for the rehabilitation of single family and multifamily residential properties and nonresidential properties. Loans may only be made if the rehabilitation is a part of, or is necessary or appropriate to, the execution of an approved Community Development program under Title I of the Housing and Community Development Act of 1974, as amended, or an approved Urban Homesteading program under Section 810 of the same Act. Loans may also be approved within certain categorical program areas, i.e., urban renewal projects, neighborhood development and code enforcement.

In making Section 312 loans, priority is to be given to applications submitted by low- and moderate-income persons who own the property to be rehabilitated and will occupy the property upon completion of rehabilitation. However, in certain instances persons who are not of low- and moderate-income may also receive Section 312 loans. It may be appropriate to make loans to higher income persons if it is necessary to promote neighborhood revitalization whenever other sources of rehabilitation financing are not available.

Rehabilitation Loans

For the purpose of the Section 312 program, the term "low- and moderate-income" means an income that is less than 95 percent of the median income of the area adjusted for family size.

Financial assistance for rehabilitation of single family and multifamily residential and nonresidential property is authorized when financing cannot be obtained on comparable terms and conditions from other sources. In most instances the rehabilitation work must make the property conform to applicable rehabilitation standards established by the community. Loans currently bear an interest rate of three percent for terms not exceeding 20 years, or three-fourths of the remaining life of the structure after rehabilitation, whichever is less. The Department is currently developing comprehensive program regulations which will provide for interest rates which will vary depending on the income of the applicant.

1980 LEGISLATIVE AMENDMENTS

The proposed Housing and Community Development Act of 1980 would provide authorization of $188 million for Section 312 funds for 1981.

In addition, Section 312 of the Housing Act of 1964 would also be amended to include a new maximum loan amount of $35,000 per residential unit.

Finally, another amendment to Section 312 would authorize rehabilitation loans for congregate housing, defined as residential buildings in which some or all of the units would be without kitchens and/or bathrooms. The maximum loan amount would be $28,000 per unit. This amount, which is lower than the recommended new maximum loan amount of $35,000 for other residential dwelling units, reflects the general presence of common kitchen, dining and other facilities in congregate housing. In all other aspects, Section 312 congregate housing rehabilitation will adhere to applicable multifamily Section 312 policies and procedures.

PROGRAM ACTIVITY

1. FUNDS AVAILABLE

The following table shows the status of the Rehabilitation Loan Fund:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Source of Funds:			
Unreserved fund balance, start of year	$13,122	$49,216	$9,000
Appropriations	230,000	135,000	188,000
Reappropriation	1,922	...	...
Loan repayments and income	43,402	46,784	59,065
Total funds available	288,346	231,000	256,065
Application of Funds:			
Loan reservations (net)	233,868	215,000	240,000
Loan servicing	2,118	3,500	3,565
Acquired security and collateral	1,321	3,500	3,500
Unobligated balance, expiring	1,822	...	...
Total use of funds	239,129	222,000	247,065
Fund Balances:			
Unreserved balance, end of year	49,216	9,000	9,000

Rehabilitation Loans

2. DISTRIBUTION OF FUNDS

For 1981, the Section 312 Loan Program will continue to complement and support the Community Development Block Grant rehabilitation effort. Localities making good efforts to carry out rehabilitation using funds other than Section 312 are given priority use of Section 312 funds.

The Section 810 Urban Homesteading Program is strongly supported by the use of Section 312 Loan funds. Loans may be approved to rehabilitate HUD-owned properties transferred to the Homesteading Program or privately-owned properties in the Homesteading area. Allocations for Section 312 funds to be used in Urban Homesteading areas are estimated at $20 million in each of the fiscal years 1980 and 1981.

A major new use of Section 312 Loans in 1979 was for the rehabilitation of muiltifamily properties.

On the average, a multifamily property rehabilitated with Section 312 Loan funds in 1979 had approximately 20 dwelling units, was strictly residential and was built before 1939. The average Section 312 multifamily loan went to investor-owners and the amount was approximately $200,000 per project. For the most part, Section 312 funds were used for the rehabilitation of smaller properties (from 5 to 35 dwelling units), which were not being adequately addressed by other rehabilitation programs. The Section 312 Program will continue to focus on this type of multifamily property in 1980 and 1981.

The use of Section 312 funds for multifamily housing is expected to continue to serve the joint objectives of revitalizing neighborhoods most in need of subsidized public investment and directly benefitting persons of low- and moderate-income.

The following table shows the actual 1979 along with anticipated distribution of funds by program category for 1980 and 1981.

SUMMARY OF DISTRIBUTION OF FUNDS

	1979	1980	1981
	(Dollars in Thousands)		
Single Family Program			
Number of Loans	11,600	9,550	9,800
Number of Dwelling Units	15,700	12,900	13,200
Amount	$174,559	$154,000	$170,000
Multifamily Program			
Number of Loans	254	280	300
Number of Dwelling Units	5,408	5,600	6,000
Amount	$50,909	$56,000	$65,000
Nonresidential and Mixed Program			
Number of loans	126	75	70
Amount	$8,400	$5,000	$5,000
Total Program			
Number of Loans	11,980	9,905	10,170
Number of Dwelling Units	21,108	18,500	19,200
Amount	$233,868	$215,000	$240,000

Rehabilitation Loans

It should be noted that the above distribution for 1980 and 1981 represents an estimate only. In 1980, the statutory ceiling on multifamily loans is $75 million and the program level could go up to that amount. For 1981, the program levels represent estimates which are also subject to change. The single family program for both 1980 and 1981 includes $20 million for loans in Section 810 Urban Homesteading areas.

It is also important to note that while the actual dollars projected for rehabilitation loans increase from $215 million in 1980 to $240 million in 1981, the number of dwelling units expected to be rehabilitated will only increase slightly from 1980 to 1981, because of increased per unit costs.

3. ALLOCATION OF FUNDS TO LOCALITIES

Single Family. All localities which are significant users of Section 312 funds are being given specific single family funding allocations. Each allocation has a minimum or "target" and maximum figure or "ceiling". The target amount is computed by a formula using the following three factors:

a. Need, as measured by the Community Development Block Grant formula,

b. Local priority for rehabilitation, as measured by Community Development Block Grant funds programmed for rehabilitation, and

c. Capacity to use funds, as measured by recent past use.

The target amount may be adjusted downward or upward based on the localities' performance in loan delinquency, performance in meeting the Department's priority for low- and moderate-income persons, and program quality and efficiency as judged by performance monitoring. In addition, HUD field offices are working out quarterly use schedules of loan production goals with each locality. Localities which do not reach their quarterly production goals may have funds withdrawn and made available to other cities. The ceiling amount shall be between 110 to 130 percent of the target amount.

Multifamily. Section 312 funds for the rehabilitation of multifamily properties are distributed to Area Offices based on the same formula described above for the single family loan program. However, for the multifamily program, "capacity to use funds" is measured by the actual funds obligated for multifamily loans during FY 1979. Because of limited funds available for multifamily loans, it is not a requirement that these funds be allocated to certain cities as in the single family program. Area Offices may allocate multifamily loan funds to particular localities or they may choose to approve loans for multifamily projects based on evaluation of the merits of individual projects.

Participating Localities. For fiscal year 1980, the Department is allocating Section 312 single family funds to 361 target localities (those localities that warrant an allocation based on the funding allocations system). Other localities may participate on a discretionary basis. It is anticipated that a total of approximately 700 localities will be participating in the program on a target or discretionary basis during 1980 and 1981. As of June 1979, 150 of the cities participating in the Section 312 Program had "local loan approval" authority, an increase from 105 localities that had "local loan approval" authority in February 1979. The term "local loan approval" authority means that a locality has the authority to process and approve loan applications. However, HUD field office staff maintain the fund commitment and control system. It is expected the number of localities that have local loan approval authority will continue to increase during 1980 and 1981. The Department is promoting loan approval authority to localities in order to further streamline the adminstration of the program, increase local responsibility and allow more time for HUD rehabilitation staff to provide technical assistance.

Rehabilitation Loans

4. INCOME LEVEL OF LOAN RECIPIENTS

The following table reflects the income characteristics of 8,429 loan recipients, of a total of 11,600 loan reservations, who were owner-occupants of 1 to 4 unit properties in 1979:

ANNUAL INCOME	DISTRIBUTION OF LOAN RECIPIENTS		DISTRIBUTION OF AMOUNT OF LOANS	
	Number	Percent	Amount (Dollars in Thousands)	Percent
$3,000 and under	135	1.6	$789	.6
3,001 - $4,500	303	3.6	2,338	1.9
4,501 - 6,000	380	4.5	4,038	3.2
6,001 - 7,500	517	6.1	6,454	5.2
7,501 - 9,000	611	7.2	8,628	6.9
9,001 - 10,500	714	8.5	10,418	8.3
10,501 - 12,000	815	9.7	12,161	9.7
12,001 - 13,500	779	9.2	11,829	9.4
13,501 - 15,000	700	8.3	10,339	8.2
15,001 - 16,500	664	7.9	9,584	7.6
16,501 - 18,000	587	7.0	9,340	7.4
18,001 - 22,500	1,104	13.1	18,004	14.3
22,501 - 30,000	781	9.3	14,016	11.2
30,001 - and over	339	4.0	7,722	6.1
TOTAL.....	8,429	100.0	$125,660	100.0

The National median family income for 1978 was $17,640 as reported by the Bureau of the Census. If an inflation rate of 7 percent is assumed, it is anticipated that the National median family income for 1979 would be approximately $18,875. For the Section 312 Program, the term "low- and moderate-income" means income which does not exceed 95 percent of the median income for the area adjusted for family size. Ninety-five percent of $18,875 is approximately $17,950. Thus, those Section 312 borrowers whose incomes are below $18,000 would be considered low- and moderate-income based on the National average. During 1979, 74 percent of the loans were made to the low- to moderate-income priority group.

The Department is taking the following steps to help assure that in making Section 312 loans, priority is given to low- and moderate-income persons:

-- In the funding allocation system, adjustments are made upward or downward based on the locality's compliance with giving priority to low- and moderate-income persons.

-- In-depth monitoring reviews of localities' rehabilitation programs will be made to assure that Section 312 funds are utilized in appropriate areas and that low- and moderate-income applicants are receiving priority.

-- In the Department's comprehensive regulations which are currently being developed and are expected to be published in the Federal Register during 1980, emphasis has been placed on meeting the priority requirements for serving low- and moderate-income persons.

Rehabilitation Loans

5. STATUS OF LOAN SERVICING

The following table reflects the status of rehabilitation loans as of September 30, 1979:

	NUMBER	DOLLARS (Dollars in Thousands)
Loans serviced by FNMA a/	46,585	$397,874
Loans serviced by HUD	8,108	59,430
Total	54,693	457,304

a/ Includes 5,449 delinquent loans with a combined unpaid balance of $59,664,000 on which payments are from 1 to 3 months in arrears.

The Department has implemented a number of changes in the servicing of Section 312 loans which should markedly decrease the level of delinquencies and strengthen the overall management of the loan-servicing function.

The Federal National Mortgage Association (FNMA), under contract with HUD, manages the servicing of Section 312 loans through a network of local servicing organizations. As of September 30, 1979, FNMA is servicing about 46,585 loans. In the past, loans that become seriously delinquent (either more than 6 months in arrears or no payment received for 3 consecutive months) were returned to HUD for further servicing or for foreclosure. As of September 30, 1979 HUD was servicing approximately 8,108 loans that have been returned by FNMA, however, it is estimated that about 10 percent of these loans are now current.

One reason for the current delinquency rate is a previous policy permitting only minimal servicing by FNMA. Minimal servicing meant that only one notification was sent to the delinquent borrower. The FNMA contract has been altered to require intensive servicing.

Several recommendations for improvement of management, accounting and program requirements, have already been implemented. In particular:

- An interim agreement with FNMA has required loan servicers to use expanded collection practices.
- A computerized central accounting system has been developed to accurately track and report the status of all delinquent accounts held by the Department.
- The annual funding allocation system has been revised to make the delinquency rate a factor in determining the level of Section 312 money which a community will receive each year.
- Increased monitoring and technical assistance to localities has been provided to improve the quality of loan origination.
- Increased levels of delinquency counseling have been provided by localities and the scope and quality of such programs has been improved.
- The penalty charge for late payments has been raised from 1 percent to 4 percent.
- The overall responsibility for loan servicing has been transferred from the Assistant Secretary of Housing to the Assistant Secretary for Community Planning and Development, Office of Urban Rehabilitation and Community Reinvestment. This Office is also responsible for loan origination.

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Rehabilitation Loans

All of these changes have made a measurable impact on the delinquency rate of the Section 312 program in a relatively short time. From February 1979 to September 30, 1979 the delinquency rate of the FNMA portfolio has been reduced from 14.7 percent to 11.7 percent and the total number of delinquent loans has decreased from 6,253 to 5,449.

With the transfer of Section 312 loan servicing responsibility to Community Planning and Development, which became effective on October 11, 1979, some additional initiatives aimed at reducing the overall delinquency rate and improving program management have been developed.

-- Processing procedures have been developed to systematically review each of the estimated 8,108 seriously delinquent loan accounts held by the Department with the objective of effecting a loan resolution through forbearance, modification, legal or administrative action at the earliest possible date. A review of each loan will be coordinated by CPD with assistance from the Assistant Secretaries for Administration, Housing and the General Counsel. This process commenced in January 1980 and a decision on the disposition of each case should be completed by approximately October 1980.

-- Negotiations with FNMA and the Mortgage Bankers Association have been held as a basis for a new servicing agreement to go into effect in the spring of 1980, which will provide for "full service" collection up to foreclosure.

-- Improved computer accounting and loan status tracking systems have been designed.

-- Preparation of a Request For Proposal for a more comprehensive, long term servicing contract is being developed by CPD.

-- CPD will increase, and make more specific, the role of local public agencies in reducing outstanding loan delinquencies.

-- Consolidation and improved maintenance of all outstanding Section 312 case files will be initiated as part of the transfer of all loan servicing responsibilities from Housing to CPD.

The Department will continue to take every opportunity to develop new management initiatives in the servicing of Section 312 Rehabilitation loans.

6. PROGRAM EVALUATION

The Housing and Community Development Amendments of 1978 require HUD to report to Congress on the Section 312 Program in conjunction with the annual reports on the CDBG program required by Section 113(a) of the Housing and Community Development Act of 1974. The report is a summary of the use of Section 312 funds, particularly with regard to the types of neighborhoods and persons aided, and an evaluation of progress made toward community development goals under Section 312. This report will be transmitted to Congress on March 31, 1980 and will be a separate report from the annual Block Grant report. The new law also required HUD, to submit to Congress an interim report evaluating the use of Section 312 funds for multifamily properties. This report has been transmitted to Congress.

Rehabilitation Loans

7. CLARIFICATION AND UPDATING OF PROGRAM POLICIES

— Program Regulations. The Department is currently developing comprehensive program regulations which will incorporate recent legislative changes as well as clarify and update existing program policies and procedures. Publication of these regulations in the Federal Register are expected in 1980.

— Handbook. Following publication of the regulations, The Rehabilitation Financing Handbook (7375.1 Rev.) will then be revised and upoated to reflect the regulations.

— Multifamily Pre-Applications. A pre-application form will be used for all multifamily Section 312 loan applications to assure proper underwriting and to help HUD Area Offices evaluate projects on a comparative basis for funding.

8. STATUS OF PROGRAM OBLIGATIONS

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Obligated balance, start of year...	$18,299	$102,964	$123,404
Obligations:			
Loans.....	224,949	230,224	240,000
Other program expenses.....	3,439	7,000	7,065
Subtotal.....	228,388	237,224	247,065
Less:			
Repayments and other income.....	-43,401	-46,784	-59,065
Outlays.....	-100,322	-170,000	-190,000
Obligated balance, end of year.....	102,964	123,404	121,404

Program obligations lag behind reservations primarily in the urban homesteading program where funds are reserved for particular cities but actual loans to individuals (obligations) may not be made until later. It is anticipated that, by FY 1981 obligations and reservations will be equal.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

URBAN HOMESTEADING

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Program Level:					
Properties conveyed:					
Number	950	3,200	1,500	1,500	...
Amount	$7,178	$23,610	$11,550	$12,600	+$1,050
Appropriation (Budget Authority)	20,000	...	...	...	...
Budget Outlays:					
In FHA Funds a/	7,178	3,610	11,550	2,881	-8,669
From appropriation	...	15,000	...	9,719	+9,719
Total	7,178	18,610	11,550	12,600	+1,050

a/ Budget authority through 1978 was included in the FHA Fund. Outlays resulting from the pre-1979 budget authority are shown here for comparability.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 Budget proposes no appropriation for Urban Homesteading. The 1981 program will continue to be financed out of prior year appropriations. The Budget also proposes language to allow Urban Homesteading funds appropriated in 1979 to be available to reimburse the Administrator of Veterans Affairs and the Secretary of Agriculture for the value of properties to be used in HUD-approved Urban Homesteading programs.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

The decreases in program level and budget outlays reflect a more realistic appraisal of the local demand for the Homesteading program based on the actual experience in 1979.

EXPLANATION OF INCREASES AND DECREASES

The increases in program level and outlays represent a small increase in the average value of properties conveyed. However, the number of properties to be conveyed is estimated at 1,500 each for 1980 and 1981.

PROGRAM DESCRIPTION

Section 810 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to transfer (without payment) to a unit of general local government, State or public agency, any HUD-owned, unoccupied one- to four-family residence which the Secretary determines is suitable for use in an Urban Homesteading program. In the Housing and Community Development Amendments of 1979, Veterans Administration (VA)-owned and Farmers Home Administration (FmHA)-owned properties also were made eligible for the program. In addition the property must have been requested by the unit of general local government, State or public agency for use in an Urban Homesteading program.

Urban Homesteading

The inventory of HUD-owned properties is decreasing and the VA and FmHA properties can help sustain the revitalization momementum achieved by the program. A number of localities have confirmed that there is considerable interest at the local level to use VA and FmHA properties in the Urban Homesteading program.

Urban Homesteading programs approved by HUD must be part of a coordinated approach toward neighborhood improvement which includes the upgrading of community services and facilities. A locality participating in the program must have an equitable procedure for selecting the recipients of the unoccupied residential property. This procedure must give special consideration to the recipients' need for housing and their capacity to accomplish any necessary repairs and improvements.

HUD-owned single-family properties are transferred through the locality to individuals or families, without substantial consideration, subject to the following conditions:

-- The property must become their principal residence for at least three consecutive years;

-- Repairs required to meet minimum health and safety standards for occupancy must be made prior to occupancy;

-- Additional repairs needed to meet applicable local standards for decent, safe and sanitary housing must be made within 18 months after occupying the property; and

-- The recipient of the property must permit reasonable, periodic inspection by the locality.

The appropriation provided for the Urban Homesteading program is used to reimburse the Federal Housing Administration Mortgage Insurance Funds for the fair market value of HUD-owned properties transferred for use in the program. Each locality, that is participating in the Urban Homesteading program, receives a dollar allocation of Section 810 funds for acquisition of HUD-owned single-family properties to be used in its Urban Homesteading program. This dollar allocation is based on the number of properties available or anticipated to be available in the designated neighborhood times the average value of the HUD-owned properties. Each time a locality selects a property for transfer under Section 810, the value of that property is deducted from its allocation. A city can continue to select properties during the term of its Urban Homesteading agreement with HUD until it fully utilizes its Section 810 allocation.

Each time a locality selects a property for homesteading, the appropriate HUD field office prepares a closing statement which indicates the "as is" fair market value of the property. This amount is deducted from the locality's allocation. The HUD field office forwards the closing statement to the Office of Finance and Accounting in the HUD Central Office. The closing statement is processed and the appropriate HUD/FHA Mortgage Insurance Fund is reimbursed from funds appropriated for Urban Homesteading for the fair market value of the property. This is the point at which obligations are recorded in the Urban Homesteading account.

For 1981, the Budget proposes that Section 810 funds, appropriated in 1979, be available to reimburse the Veterans Administration and the Farmers Home Administration for the value of properties to be used in HUD-approved Urban Homesteading programs. The expansion of the program to include these additional properties is authorized by the Housing and Community Development Amendments of 1979.

Urban Homesteading

REHABILITATION FINANCING

HUD-owned properties are transferred to individuals and families without substantial cost. The recipient is required to pay for rehabilitation of the property needed to bring it up to the required local standards. The principal financing sources are local banks and thrift institutions, local government loan programs, Community Development Block Grant funds and Section 312 Rehabilitation Loan funds.

Each community that has participated in the Urban Homesteading program has received some low interest Section 312 Rehabilitation Loan funds. The use of Section 312 loan funds is restricted to the designated Urban Homesteading neighborhood, but the community may use these funds for the rehabilitation of nonhomesteading properties as part of its coordinated approach toward neighborhood improvement. As of September 30, 1979, nearly $36 million in Section 312 loan funds had been allocated to Urban Homesteading programs. Allocations for Section 312 funds for Urban Homesteading programs are approximately $20 million in fiscal year 1980 and are estimated at the same amount in fiscal year 1981.

PROGRAM ACTIVITY

The Urban Homesteading program began as a demonstration in the fall of 1975 when the first agreements were executed with 23 demonstration cities which had been previously selected in open competition. The first appropriation of $5 million was made in June 1976. In May 1977, an additional 16 cities were selected to participate in the program, again through open competition.

As of September 30, 1979, a total of $34.2 million has been allocated to 72 cities participating in the Urban Homesteading program. These funds are used to acquire HUD-owned, vacant one- to four-family properties for use in this program. Each of the cities selected to participate has received Section 312 loans to finance either the repair of urban homesteads or the rehabilitation of other properties in areas designed for urban homesteading.

The following table shows the allocations of Section 810 Urban Homesteading funds and Section 312 Rehabilitation Loan funds as of September 30, 1979, for the 72 cities participating in the program:

CITIES	SECTION 810 ALLOCATION	SECTION 312 ALLOCATION
	(Dollars in Thousands)	
Akron, Ohio	$150	$350
Anderson, South Carolina	...	172
Athens, Ohio	25	100
Atlanta, Georgia	1,130	1,978
Babylon, New York	140	100
Baltimore, Maryland	600	1,020
Benton Harbor, Michigan	65	150
Berkeley, Missouri	50	120
Boston, Massachusetts	470	1,420
Chicago, Illinois	2,709	2,000
Cincinnati, Ohio	590	80
Cleveland, Ohio	250	315
Columbus, Ohio	1,732	1,214
Compton, California	1,000	880
Dade County, Florida	875	300
Dallas, Texas	1,850	1,100
Dayton, Ohio	360	350

Urban Homesteading

CITIES	SECTION 810 ALLOCATION	SECTION 312 ALLOCATION
	(Dollars in Thousands)	
Decatur, Georgia	$875	$1,200
Dekalb, Georgia	557	200
Des Moines, Iowa	75	200
Detroit, Michigan	480	399
East St. Louis, Illinois	565	1,135
Flint, Michigan	300	225
Freeport, New York	610	200
Gary, Indiana	882	1,332
Highland Park, Michigan	107	200
Indianapolis, Indiana	958	940
Islip, New York	970	285
Jefferson County, Kentucky	150	150
Jennings, Missouri	51	120
Jersey City, New Jersey	60	910
Joliet, Illinois	275	545
Kansas City, Missouri	950	1,300
Lawrence, Massachusetts	50	400
Lebanon, Pennsylvania	...	120
Los Angeles, California	384	480
Madison Heights, Michigan	100	200
Milwaukee, Wisconsin	1,508	590
Minneapolis, Minnesota	912	1,284
Montgomery County, Ohio	139	100
Nassau County, New York	655	215
Newark, New Jersey	60	200
New York, New York	365	530
Oakland, California	1,700	1,900
Omaha, Nebraska	90	215
Palm Beach County, Florida	250	25
Patterson, New Jersey	200	...
Philadelphia, Pennsylvania	1,152	568
Phoenix, Arizona	880	920
Pine Lawn, Missouri	50	158
Pinellas County, Florida	300	95
Piqua, Ohio	25	100
Plainfield, New Jersey	490	160
Rochester, New York	560	290
Rockford, Illinois	600	700
Saginaw, Michigan	120	96
St. Louis, Missouri	350	600
St. Petersburg, Florida	300	280
Shamokin, Pennsylvania	...	140
Sioux City, Iowa	75	200
South Bend, Indiana	362	908
Springfield, Massachusetts	175	730
Steubenville, Ohio	...	...
Tacoma, Washington	930	713
Toledo, Ohio	360	650
Village of Hempstead, New York	192	170
Warner Robins, Georgia	200	125
Warren, Ohio	100	100
Wilmington, Delaware	550	400
Xenia, Ohio	25	100
York, Pennsylvania	...	200
Youngstown, Ohio	100	100
Total	34,170	35,752

Urban Homesteading

Under Section 810 of the Housing and Community Development Act of 1974, as amended, a total of $67.3 million has been authorized for use of which $55 million has been appropriated through fiscal year 1980. The number of cities participating in the program is projected to increase from 72 to 85 in fiscal years 1980 and 1981.

PROGRAM ACCOMPLISHMENTS

The following table reflects the status of HUD properties used in the Urban Homesteading program as of September 30, 1979:

CITIES	PROPERTIES TRANSFERRED FROM HUD TO CITIES	HOME-STEADERS SELECTED	PROPERTIES TRANSFERRED FROM CITIES TO HOMESTEADERS	PROPERTIES OCCUPIED
Akron, Ohio	0	0	0	0
Anderson, South Carolina	0	0	0	0
Athens, Ohio	0	0	0	0
Atlanta, Georgia	140	110	110	100
Babylon, New York	0	5 a/	0	0
Baltimore, Maryland	62	49	49	27
Benton Harbor, Michigan	10	10	10	8
Berkeley, Missouri	0	0	0	0
Boston, Massachusetts	34	30	26	24
Chicago, Illinois	176	173	173	169
Cincinnati, Ohio	46	46	45	36
Cleveland, Ohio	30	26	26	16
Columbus, Ohio	186	186	146	85
Compton, California	39	117 b/	19	14
Dade County, Florida	0	0	0	0
Dallas, Texas	355	355	355	350
Dayton, Ohio	54	53	33	23
Decatur, Georgia	103	84	69	64
Dekalb, Georgia	13	0	0	0
Des Moines, Iowa	4	2	2	1
Detroit, Michigan	0	0	0	0
East St. Louis, Illinois	123	107	107	64
Flint, Michigan	13	13	13	13
Freeport, New York	55	85 b/	37	37
Gary, Indiana	243	314 b/	243	150
Highland Park, Michigan	9	9	9	0
Indianapolis, Indiana	169	147	147	145
Islip, New York	95	72	72	60
Jefferson Co., Kentucky	0	0	0	0
Jennings, Missouri	0	0	0	0
Jersey City, New Jersey	17	14	8	8 c/
Joliet, Illinois	24	22	20	20
Kansas City, Missouri	101	101	89	75
Lawrence, Massachusetts	0	0	0	0
Lebanon, Pennsylvania	0	0	0	0
Los Angeles, California	24	22	17	17
Madison Heights, Michigan	0	0	0	0
Milwaukee, Wisconsin	173	172	172	168
Minneapolis, Minnesota	83	83	77	74
Montgomery County, Ohio	0	0	0	0
Nassau County, New York	32	79 b/	29	25
Newark, New Jersey	6	0	0	0
New York, New York	29	29	29	29
Oakland, California	119	113	92	86

Urban Homesteading

CITIES	PROPERTIES TRANSFERRED FROM HUD TO CITIES	HOME-STEADERS SELECTED	PROPERTIES TRANSFERRED FROM CITIES TO HOMESTEADERS	PROPERTIES OCCUPIED
Omaha, Nebraska	25	15	15	12
Palm Beach Co., Florida	7	0	0	0
Patterson, New Jersey	0	0	0	0
Philadelphia, Pennsylvania	362	d/	d/	d/
Phoenix, Arizona	88	123 b/	54	54
Pine Lawn, Missouri	0	0	0	0
Pinellas Co., Florida	3	0	0	0
Piqua, Ohio	0	0	0	0
Plainfield, New Jersey	20	9	0	0
Rochester, New York	93	86	45	39
Rockford, Illinois	106	106	98	98
Saginaw, Michigan	0	0	0	0
St. Louis, Missouri	77	54	29	26
St. Petersburg, Florida	23	10	0	0
Shamokin, Pennsylvania	0	0	0	0
Sioux City, Iowa	6	2	0	0
South Bend, Indiana	74	69	67	44
Springfield, Massachusetts	33	33	27	20
Steubenville, Ohio	0	0	0	0
Tacoma, Washington	57	57	54	54
Toledo, Ohio	52	52	52	33
Village of Hempstead, New York	21	0	0	0
Warner Robins, Georgia	16	0	0	0
Warren, Ohio	0	0	0	0
Wilmington, Delaware	83	71	71	46
Xenia, Ohio	0	0	0	0
York, Pennsylvania	0	0	0	0
Youngstown, Ohio	0	0	0	0
Totals	3,713	3,315 d/	2,736 d/	2,314 d/

a/ The city of Babylon selects homesteaders prior to receiving Section 810 properties.

b/ City selects alternate homesteaders for each property.

c/ Jersey City has one case in which the rehabilitation of the property is complete, but the homesteader had not moved into the property as of 9/30/79.

d/ Data is not available at this time; consequently, totals exclude Philadelphia.

Urban Homesteading

The following table reflects the status of rehabilitation activity (including Section 312) in Homesteading properties as of September 30, 1979:

CITIES	PROPERTIES TRANSFERRED FROM CITIES TO HOMESTEADERS	REHABILITATION STARTED	REHABLITATION COMPLETED
Akron, Ohio	0	0	0
Anderson, South Carolina	0	0	0
Athens, Ohio	0	0	0
Atlanta, Georgia	110	100	88
Babylon, New York	0	0	0
Baltimore, Maryland	49	37	15
Benton Harbor, Michigan	10	9	0
Berkeley, Missouri	0	0	0
Boston, Massachusetts	26	26	16
Chicago, Illinois	173	167	64
Cincinnati, Ohio	45	39	35
Cleveland, Ohio	26	17	3
Columbus, Ohio	146	146	49
Compton, California	19	19	14
Dade County, Florida	0	0	0
Dallas, Texas	355	350	350
Dayton, Ohio	33	23	10
Decatur, Georgia	69	69	62
Dekalb, Georgia	0	0	0
Des Moines, Iowa	2	2	1
Detroit, Michigan	0	0	0
East St. Louis, Illinois	107	84	64
Flint, Michigan	13	13	0
Freeport, New York	37	51 a/	37
Gary, Indiana	243	138	64
Highland Park, Michigan	9	9	0
Indianapolis, Indiana	147	146	145
Islip, New York	72	72	68
Jefferson County, Kentucky	0	0	0
Jennings, Missouri	0	0	0
Jersey City, New Jersey	8	11	9 b/
Joliet, Illinois	20	21	18
Kansas City, Missouri	89	89	73
Lawrence, Massachusetts	0	0	0
Lebanon, Pennsylvania	0	0	0
Los Angeles, California	17	17	17
Madison Heights, Michigan	0	0	0
Milwaukee, Wisconsin	172	172	81
Minneapolis, Minnesota	77	77	53
Montgomery County, Ohio	0	0	0
Nassau County, New York	29	29	25
Newark, New Jersey	0	0	0
New York, New York	29	29	29
Oakland, California	92	92	85
Omaha, Nebraska	15	13	12
Palm Beach County, Florida	0	0	0
Patterson, New Jersey	0	0	0
Philadelphia, Pennsylvania	c/	c/	c/
Phoenix, Arizona	54	68 a/	54
Pine Lawn, Missouri	0	0	0
Pinellas County, Florida	0	0	0
Piqua, Ohio	0	0	0
Plainfield, New Jersey	0	0	0

Urban Homesteading

CITIES	PROPERTIES TRANSFERRED FROM CITIES TO HOMESTEADERS	REHABILITATION STARTED	REHABILITATION COMPLETED
Rochester, New York	45	44	1
Rockford, Illinois	98	98	91
Saginaw, Michigan	0	0	0
St. Louis, Missouri	29	26	6
St. Petersburg, Florida	0	0	0
Shamokin, Pennsylvania	0	0	0
Sioux City, Iowa	0	0	0
South Bend, Indiana	67	67	41
Springfield, Massachusetts	27	27	18
Steubenville, Ohio	0	0	0
Tacoma, Washington	54	54	54
Toledo, Ohio	52	52	0
Village of Hempstead, New York	0	0	0
Warner Robins, Georgia	0	0	0
Warren, Ohio	0	0	0
Wilmington, Delaware	71	65	29
Xenia, Ohio	0	0	0
York, Pennsylvania	0	0	0
Youngstown, Ohio	0	0	0
Totals	2,736 c/	2,568 c/	1,781 c/

a/ City begins rehabilitation prior to transfer of the property to a homesteader.

b/ Jersey City has one case in which the rehabilitation of the property is complete, but the homesteader had not moved into the property as of 9/30/79.

c/ Data is not available at this time; consequently, totals exclude Philadelphia.

STATUS OF FUNDS

The following table shows the status of appropriations through fiscal year 1981:

STATUS OF APPROPRIATIONS

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Unobligated balance, start of year	$21,609	$34,431	$22,881
Appropriations	20,000	...	...
Total available	41,609	34,431	22,881
Obligations (Reimbursement to FHA Funds and other Agencies)	-7,178	-11,550	-12,600
Unobligated balance, end of year	34,431	22,881	10,281

NOTE: The unobligated balance of $34,431 thousand, at the end of 1979, includes $13,601 thousand "reserved" in Homesteading Agreements. The $22,881 thousand, at the end of 1980, and the $10,281 thousand, at the end of 1981, likewise represent amounts "reserved" in Homesteading Agreements.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

URBAN RENEWAL PROGRAMS

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Program Level:					
Net Grant Reservations.....	$10,152	...	$2,556	...	-$2,556
Appropriation - Liquidation of Unfunded Contract Authority.....	...	...	...	$121,489	+121,489
Budget Outlays:					
Grants.....	308,978	$280,000	260,000	174,825	-85,175
Loans.....	-27,879	-15,000	-18,125	-4,825	+13,300
Total.....	281,099	265,000	241,875	170,000	-71,875

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No new budget authority is requested for the Urban Renewal programs in 1981. Pursuant to Section 116(a) of the Housing and Community Development Act of 1974 (P.L. 93-383), no new grants or loans may be made for Urban Renewal programs after January 1, 1975, except with respect to projects and programs for which funds have been previously committed. The program has been superseded by the Community Development Block Grant program.

Pursuant to the new Federal Credit Control requirements, the Budget does propose a continuation of normal Federal direct loan and guarantee activity "in such amounts as may be necessary in connection with previously approved Urban Renewal projects."

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

The increase in net grant reservations in 1980 reflects estimated use of balances recaptured or carried over from amounts appropriated prior to 1975 to provide amendments to existing projects and assist in their completion as authorized by Section 116(a) of the Housing and Community Development Act of 1974. The 1980 Budget assumed all unreserved grant funds would be committed in 1979.

The decrease in outlays reflects a reestimate based, primarily, upon less actual obligated grant balances available for disbursement, at the end of 1979, than was projected in the 1980 Budget. Outlays will continue to decline as the number of active projects decreases and the larger and more complex programs proceed to completion.

EXPLANATION OF INCREASES AND DECREASES

No grant reservations for project amendments are anticipated in 1981, and no unreserved grant fund balances are expected to be available for that purpose.

An appropriation of $121,489 thousand to liquidate unfunded contract authority will be needed in 1981 to meet projected 1981 cash disbursement requirements.

The decrease in budget outlays reflects a further decline in the number of active urban renewal projects and in the amount of undisbursed grant obligations.

Urban Renewal Programs

PROGRAM DESCRIPTION

Title I of the Housing Act of 1949, as amended, provided for Federal assistance in the form of grants, direct loans, and loan guarantees to local public agencies for the prevention and elimination of slum and blight conditions in urban areas; the preservation of the existing stock of low- and moderate-income housing; and the provision of maximum opportunity for private enterprise to redevelop such areas.

The eligible activities for which Federal funds have been used include acquisition of real property; demolition and removal of buildings; installation, construction or reconstruction of streets, utilities and other site improvements; rehabilitation and repair of structures; and administration and interest costs to carry out the project. With certain limited exceptions, Federal grants may provide up to two-thirds of the net project cost.

Temporary loan assistance for planning, initial financing of projects under contract, and for other purposes has been available from a Treasury borrowing authority of $1 billion. Most loans are obtained by borrowing on the private market and are repaid from the proceeds of land sales and from local and Federal cash grants. The Budget proposes loan activity continue until all projects previously approved are settled.

PROGRAM ACTIVITY

The Urban Renewal program activities will continue to be reflected through the disbursement of grant and loan funds until all projects are financially completed. The following tables show the status of obligated grant balances and project completions:

	STATUS OF OBLIGATED BALANCES		
	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Obligated balance, start of year	$865,419	$532,963	$356,343
Obligations incurred (net)	-23,478	83,380	...
Subtotal	841,941	616,343	356,343
Grant disbursements (net)	-308,978	-260,000	-174,825
Obligated balance, end of year	532,963	356,343	181,518

	STATUS OF PROJECT COMPLETIONS		
	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Urban Renewal, Neighborhood Development and Code Enforcement Projects:			
Active, start of year	467	248	111
Completed in year	-219	-137	-60
Active, end of year	248	111	51
Completed, start of year	2,322	2,541	2,678
Completed in year	219	137	60
Completed, end of year	2,541	2,678	2,738
Total Urban Renewal Programs:			
Active, end of year	248	111	51
Completed, end of year	2,541	2,678	2,738
Total	2,789	2,789	2,789

Urban Renewal Programs

Permanent Indefinite Appropriation to Liquidate Unfunded Contract Authority. Prior to 1966, appropriations were requested and enacted only for amounts needed for payment on contracts entered into under prior "back-door" financing procedures. After 1966, appropriations for urban renewal were equal to the new authority released in Appropriation Acts. The program was terminated for new approvals by the Housing and Community Development Act of 1974.

To fund any remaining unfunded balances, Section 117(a) of the Housing and Community Development Act of 1974 provides a permanent indefinite appropriation for the liquidation of contracts for projects or programs for which funds have been committed prior to January 1, 1975.

At the end of fiscal year 1979, the balance of unfunded contract authority was $303,007,000. An appropriation of $121,489 thousand will be required in 1981 to meet estimated grant disbursement requirements.

The status of the cash balances in the Urban Renewal Grant Fund and the amount of permanent indefinite appropriations required to meet grant disbursement needs are shown in the following table:

STATUS OF CASH BALANCES

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Cash balance, start of year	$622,314	$313,336	$53,336
Permanent indefinite appropriation	...	...	121,489
Grant outlays	-308,978	-260,000	-174,825
Cash balance, end of year	313,336	53,336	...

The status of the unfunded contract authority is shown as follows:

STATUS OF UNFUNDED CONTRACT AUTHORITY

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Unfunded balance, start of year	$303,007	$303,007	$303,007
Appropriation to liquidate contract authority	...	...	-121,489
Unfunded balance, end of year	303,007	303,007	181,518

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 3: COMMUNITY PLANNING AND DEVELOPMENT

ACTIVITY HIGHLIGHTS

		ESTIMATE 1980		ESTIMATE 1981		REVISED ESTIMATES
	ACTUAL 1979	PREVIOUS	REVISED	PREVIOUS	REVISED	1981 vs 1980
		(Dollars in Thousands)				
TOTAL FUNDING BY OBJECT						
Personal Services....	$45,714	$55,567	$55,360	$56,960	$56,464	+$1,104
Other Services.....	4,323	5,278	5,278	6,567	6,419	+1,141
(Automated Data Processing Services).....	(3,832)	(4,635)	(4,635)	(5,845)	(5,697)	(+1,062)
Furniture and Equipment.....	607	495	495	350	319	-176
All Other.....	3,466	4,147	4,147	4,679	4,679	+532
Total.....	54,110	65,487	65,280	68,556	67,881	+2,601
Pay increase supplemental included above		(2,573)	(2,366)			
Permanent positions-End of Year.....	1,814	1,881	1,881	1,899	1,899	+18
Staff-Years.....	1,777.2	1,952.9	1,943.9	1,961.9	1,946.9	+3.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $207 thousand to reflect a reduction of 9 staff-years which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-year reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $496 thousand--from $56,960 thousand to $56,464 thousand--is included in this revised request. The reduction reflects the possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 15 staff-years has been applied. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Salaries and Expenses, Housing and Urban Development
Revised Budget Request

Automated Data Processing (ADP) - A reestimate of automated data processing costs, which reflects more recent cost and requirements data, results in a reduction of $148 thousand; from $5,845 thousand to $5,697 thousand. This subject is addressed in greater detail in the section for the Working Capital Fund (WCF), included in Part 3 of the Justification, which addresses overall Departmental ADP requirements.

Equipment - The reduction of $31 thousand, from $350 thousand to $319 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with each particular budget activity of "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 3: COMMUNITY PLANNING AND DEVELOPMENT

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity	$54,110	$65,645	$65,487	$68,556	+$3,069
Pay increase supplemental included above			(2,573)		
Permanent Positions- End of Year	1,814	1,857	1,881	1,899	+18
Staff-years	1,777.2	1,950.0	1,952.9	1,961.9	+9.0

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request is for $68,556 thousand and 1,899 positions. This represents increases of $3,069 thousand and 18 positions, respectively, as compared to 1980.

The additional staff are required in field offices primarily to manage the increasing number of Urban Development Action Grants (54.6 staff-years) offset by reductions in other program areas.

The funding increase consists of: $1,393 thousand for personal services costs for within-grade increases, increased staffing level and other personal services costs changes; and $1,676 thousand for support costs, primarily for automated data processing and travel.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 funding level varies from the 1980 Budget estimate as follows:

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Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

	(Dollars in Thousands)
Original estimate	$65,645
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses"	-1,181
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-122
Add October 1979 pay raise	+3,596
Add the cost of staffing changes resulting from functional transfers	+649
Less cost of staffing changes due to revised workload requirements data	-203
Less revised estimate for personal services costs	-3,328
Add revised estimates for support costs	+431
Current 1980 estimate	65,487

The changes in funding requirements for FY 1980 are the result of the following:

-- Action by the Congress on the Department's 1980 budget request for "Salaries and Expenses"--
  * A share of the $396,000 department-wide reduction from the budget request for travel (-$42,000)
  * A share of the $2 million department-wide reduction from the budget request for automated data processing (-$282,000)
  * A share of the general department-wide reduction of $6.8 million for "Salaries and Expenses" (-28.5 staff-years and -$857,000)

-- A share of the additional department-wide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by the Congress (P.L. 96-86);

-- The additional funds required to implement the pay-increase which became effective during October 1979;

-- A re-examination of workload which resulted in the reduction of 5 positions and 7.1 staff-years;

-- A net increase of 29 positions due to functional transfers as follows:

	POSITIONS	AMOUNT (Dollars in Thousands)
* The transfer of wage requirements clerks to the activity Field Direction and Operational Support in order to consolidate all wage determination functions.	-11	-$183
* The transfer of Section 312 Loan Servicing functions from Housing programs in order to consolidate that program in Community Planning and Development.	+40	+832
Total	+29	+649

— A decrease of personal services cost estimates based on more recent average salaries and benefits data; and

— An increase of other objects of expense on the basis of more recent cost and requirements data, principally for equipment rental, printing and supplies.

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$54,110	$65,487
Increased pay rates:		
October 1978 raise	+43	...
October 1979 raise	+3,596	+51
Cost of within-grade increases	+674	+788
Cost of two extra days' pay in 1980	+424	...
Cost of one less day's pay in 1981	...	-218
Increase in personal services costs, principally due to an increase in average employment	+5,116	+772
Changes in travel costs	+165	+353
Changes in rents and communications	+400	+88
Changes in special contracts	+182	+43
Changes in automated data processing services	+803	+1,210
All other changes	-26	-18
Total obligations	65,487	68,556

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost $3,639 thousand in 1980 and $51 thousand in 1981.

Within-grade increases for employees are estimated to cost $674 thousand in 1980 and $788 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared with 260 days in 1979. The two extra days are estimated to require an additional $424 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $218 thousand less in 1981.

Increases of $5,116 thousand in 1980 and $772 thousand in 1981 reflect changes in employment and average personal services costs; the latter resulting from reduced use of temporary staff, as compared to permanent staff.

Travel increases of $165 thousand in 1980 and $353 thousand in 1981 are to support the increased staffing and program levels as well as reflect the increased cost of travel.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

Increased use and cost for rental of office equipment and increases in communications costs result in an additional requirement of $400 thousand in 1980 and $88 thousand in 1981.

Special contract costs increased $182 thousand in 1980 principally for environmental and Block Grant data studies. The increase of $43 thousand in 1981 will be utilized in support of the Urban Development Block Grant data studies.

Changes in automated data processing costs and requirements account for increases of $803 thousand in 1980 and an additional $1,210 thousand in 1981. The increased funding levels provide for the development of new systems, enhancement of operational systems, and expanded usage of automated data processing, as well as the increased cost of such services.

Changes for all other items, such as supplies, equipment, transportation and printing, result in a net reduction of $26 thousand and $18 thousand in 1980 and 1981, respectively.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The staff funded under this activity administers the Community Development Block Grant (CDBG) program including the Secretary's Discretionary fund and Section 108 Loan Guarantees, the Urban Development Action Grant (UDAG) program, the Comprehensive Planning Grant program (Section 701), the Section 312 Rehabilitation Loan program, and the Urban Homesteading program. Community Planning and Development has a Department-wide responsibility in the areas of Urban Policy, relocation standards, environmental functions, and clearinghouse functions for Federal project review criteria and procedures as required by OMB Circular A-95. CPD also has monitoring and completion responsibility for former categorical programs which have been replaced by the Community Development Grant program.

2. WORKLOAD

The largest share of the workload under Community Planning and Development program activity is directly related to the Community Development Block Grant program, including the Secretary's Discretionary fund, which was authorized by Title I of the Housing and Community Development Act of 1974, as amended; the Urban Development Action Grant program, authorized by Section 119 of the 1974 Act, as amended; the Comprehensive Planning Grant program, authorized by Section 701 of the Housing Act of 1954, as amended; and the Section 312 Rehabilitation Loan program authorized by the Housing Act of 1964, as amended. Additionally, there remains a considerable volume of activity under the categorical grant and loan programs which have been replaced by the Community Development Grant program. These programs include: Model Cities, Urban Renewal, Open Space Land, Grants for Neighborhood Facilities, and Grants for Basic Water and Sewer Facilities. CPD also has a large monitoring workload in the area of Relocation and Environmental concerns, and is responsible for managing the Urban Homesteading program.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

EXPLANATION OF STAFFING REQUIREMENTS

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Headquarters	366	357	376	376	...
Field Staff	1,448	1,500	1,505	1,523	+18
Total	1,814	1,857	1,881	1,899	+18

The increase of 24 positions in the current estimate for 1980, as compared to the Budget estimate, is the net result of:

-- The transfer of Section 312 Rehabilitation Loan servicing functions from Housing to Community Planning and Development	+40
-- The transfer of the wage requirements function to the Field Direction and Operational Support activity	-11
-- A redistribution of Departmental staff on the basis of current workload requirements	-5
Total	+24

The increase of 18 positions in the field for 1981 reflects significant workload increases in the Urban Development Action Grant (UDAG) program partially offset by reduced staff requirements in other areas.

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Headquarters	399.4	371.0	388.5	388.5	...
Field Staff	1,377.8	1,579.0	1,564.4	1,573.4	+9.0
Total	1,777.2	1,950.0	1,952.9	1,961.9	+9.0

The staff-years indicated above, except for the 1980 Budget estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget estimate would be 1,959.9 staff-years, and the 7.0 reduction, as compared to the current estimate, reflects the net effect of the 28.5 staff-year reduction resulting from Congressional action partially offset by a net increase of 21.5 staff-years from internal functional transfers and workload adjustments.

The staff-years consist of the following components:

	1979	1980	1981
Staff-years of permanent full-time personnel	1,646.2	1,863.6	1,892.6
Special employment programs	67.0	50.8	37.8
Other temporary and part-time employees	44.3	20.5	13.5
Terminal leave	9.3	8.0	8.0
Overtime	10.4	10.0	10.0
Total Staff-Years	1,777.2	1,952.9	1,961.9

Salaries and Expenses, Housing and Urban Development
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The changes in staff-years for permanent full-time personnel reflect the full-year impact of prior year staffing changes, as well as current year changes.

A description of the last four categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another section of the justifications. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment, and special employment programs which include such specialized programs as employment of the handicapped, Vietnam veterans, and summer college students.

1. HEADQUARTERS EMPLOYMENT

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent Full-Time Positions, End of Year:					
Office of Assistant Secretary	23	18	20	20	...
Legislative & Urban Policy Staff	9	18	14	14	...
Office of Block Grant Assistance	41	48	42	42	...
Office of Management	56	55	55	55	...
Office of Field Operations and Monitoring	43	42	40	40	...
Office of Planning and Program Coordination	25	23	24	24	...
Office of Evaluation	25	24	25	25	...
Office of Policy Planning	21	18	19	19	...
Office of Environmental Quality	35	30	31	31	...
Office of Urban Development Action Grants	46	40	55	55	...
Office of Urban Rehabilitation and Community Reinvestment	42	41	51	51	...
Total - permanent full-time positions, end of year	366	357	376	376	...
Staff-Years	399.4	371.0	388.5	388.5	...

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The increase of 19 positions in the 1980 current estimate, as compared with the 1980 Budget estimate, results from the following transfers:

-- The transfer of 13 positions from field offices to Headquarters to manage an expanded UDAG program in 1980; and

-- The transfer of 6 positions from Housing to carry out Section 312 loan servicing functions transferred to Community Planning and Development.

Other increases and decreases among offices reflect current priorities and the need to expand Headquarters staffing in order to process applications for and manage an expanded UDAG program.

The Headquarters staff is responsible for providing overall supervision and direction in the administration of Community Planning and Development programs and activities and to assure uniform administration and the most efficient management of Federal assistance activities. This includes: (1) the development, promulgation, execution, and control of policies, standards, and advisory materials for Community Development Block Grants; the Secretary's Discretionary Fund programs which include New Communities, Indian grants, Innovative grants, Disaster grants, Technical Assistance grants and contracts, grants to Trust Territories and Areawide Grants; Section 108 Loan Guarantees; Urban Development Action Grants; Comprehensive Planning Assistance; Section 312 loans, including the loan servicing functions; Urban Homesteading; and the terminated categorical programs; (2) the evaluation of CPD programs to determine their effectiveness in meeting national goals and objectives, and local needs; and (3) the coordination of program resources through the distribution of program funds and staffing resources among field offices.

The Headquarters staff is also responsible for determining the criteria for distress for metropolitan cities and small cities under the Urban Development Action Grant program. In addition, it makes final determinations of eligibility or ineligibility in those cases where an Area Office recommends a negative finding based on the applicant's past performance in providing housing for low- and moderate-income persons or in providing equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups. The Headquarters UDAG staff is responsible for proposal formulation and structuring with public and private sector participants, assessment of public benefit, interagency coordination and funding review, contract negotiation and post-approval implementation. These functions include the processing and recommendation of all Action Grant applications, including review of private financial commitments, the terms and conditions related to private commitments, project financing, and the comparative analyses of projects based on the Action Grant selection factors. The staff provides detailed guidance and assistance to distressed cities in the development of Action Grant applications and assists in the coordination of Federal economic development assistance for distressed cities and urban counties. The Headquarters staff is also responsible for negotiating the terms of grants with recipients and for the development of policies and procedures for evaluating the progress of approved projects.

The Headquarters staff responsibility includes Urban Policy and Urban Program Coordination. On a Department-wide basis, it develops policies, standards, and procedures for all HUD programs pertaining to: (1) relocation assistance and property acquisition, under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, to ensure that these policies and procedures reflect the social and economic aspects of displacement and rehousing; (2) environmental functions required by the National Environmental Policy Act, other environmental legislation, and the guidelines of the Council on Environmental Quality; and (3) Federal project review criteria and procedures for OMB Circular A-95, pursuant to the Intergovernmental Coordination Act of 1968, as amended.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

2. FIELD OFFICE EMPLOYMENT

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Community Development Block Grants	650.0	805.2	769.4	740.8	-28.6
Urban Development Action Grants	42.0	129.0	115.4	170.0	+54.6
Comprehensive Planning Grants ..	64.8	76.0	76.0	76.0	...
Rehabilitation Loans	76.4	90.6	156.4	154.3	-2.1
Urban Homesteading..	6.2	17.8	10.1	10.1	...
Relocation	55.3	62.3	62.3	62.3	...
Environmental Activities	68.9	77.8	78.8	78.8	...
Categorical Programs	45.0	49.8	49.8	22.7	-27.1
Urban Renewal.....	...	(47.3)	...	...	...
Model Cities	...	(1.7)	...	...	...
Resources programs	...	(.8)	...	...	...
Direct Staff-Years..	1,008.6	1,308.5	1,318.2	1,315.0	-3.2
General Direction ..	238.2	130.9	116.1	126.1	+10.0
Training	60.9	57.6	55.1	57.3	+2.2
Regional Office Management	70.1	82.0	75.0	75.0	...
Total Staff-Years ..	1,377.8	1,579.0	1,564.4	1,573.4	+9.0
Total, permanent full-time positions, end of year	1,448	1,500	1,505	1,523	+18

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

The increase of 5 positions in the current estimate for 1980, as compared to the Budget estimate, is due to:

-- The transfer of the Section 312 Rehabilitation Loan servicing function from Housing to Community Planning and Development	+34
-- The transfer of the wage requirement function to Field Direction and Operational Support	-11
-- The transfer of 13 positions from field offices to Headquarters to manage an expanded UDAG program	-13
-- The reduction of the staffing level to reflect current workload estimates	-5
Total	+5

The 1981 request provides for an increase of 18 positions. This increase will be needed to manage the UDAG program. Additional increases for UDAG needed for 1981 will be offset by decreases in the Block Grant and categorical programs.

a. WORK MEASUREMENT

Work measurement standards have been developed for most Community Planning and Development activities being carried out in field offices and in 1981, approximately 90 percent of field staff years will be operating under work measurement standards.

The work standards used for developing the 1981 staffing requirements are based upon surveys conducted in 1978 with the exception of the Section 312 program for which standards were reviewed and extensively revised in 1979 to reflect new processing and management policies.

The standards were developed by listing tasks that are done by field staff for each major field activity along with flow charts of the most efficient processing procedures. These task lists and flow charts were discussed with selected field office staff to verify their completeness and accuracy. The final task lists and flow charts were validated by the field offices.

Interviews were conducted with a variety of field specialists to determine the amount of time required to do an adequate job in accomplishing each task. The times for each task, once verified, were then aggregrated to get the total time required of all disciplines to complete a major activity, e.g., processing a block grant entitlement application. Based on the information gathered, the standards were set for the major activities. These standards are re-evaluated periodically against new information and will be continuously refined and revised as appropriate. This is a part of the Department's continuing effort to bring workload standards current and assure that they reflect currently existing program policies and procedures.

The work measurement system is the major tool available to determine the manpower requirements of Community Planning and Development functions. The system is used within the budget process to develop staffing requirements and is also the major tool used to allocate staff resources between the field offices.

b. COMPUTATION OF FIELD STAFFING REQUIREMENTS

The tables beginning on page 11 show for 1980 and 1981 the workload items and the work measurement standards. A workload item is multiplied by the work measurement standard and then divided by 1,800 hours which is the equivalent of a productive staff-year. The result equals the staff-year requirement for each workload item.

The workload items shown in the table reflect the major activities undertaken by field staff and are based upon numbers of active projects, actual and proposed appropriation requests, and the volume of workload accomplished in prior years.

The following key points for each major program or activity area should be considered when reviewing the tables beginning on Page 11.

(1) Community Development Block Grants (CDBG)

-- The work measurement standard shown for entitlement applications processed is a composite of several standards based upon the population size of grantees.

-- In both 1980 and 1981, it is assumed that 10 percent of discretionary applications received during the year will remain in processing at the end of the same fiscal year (current year carryover).

(2) Urban Development Action Grants (UDAG)

-- Applications receive a preliminary review in the field offices to determine the general feasibility of the project proposed and its relationship to other activities planned in the city, with particular emphasis on the relationship to community development and housing activities. Applications are then submitted to Headquarters for in-depth technical analysis and final funding decisions.

-- Grants approved during the year from prior year funds will be active on an average of 75 percent of the year, while those approved during the year from current year funds will be active on an average of 50 percent of the year.

(3) Comprehensive Planning Grants

-- The staffing level for 1981 has been held to the 1980 level. A shortfall is reflected in strategy certification and consistency review in both years.

(4) Categorical Programs

-- Sufficient staff resources are not available in 1980 to allocate the full work measurement standard for Urban Renewal program management. The 1981 request reflects the full standard for Urban Renewal program management.

-- Staff levels needed in this area continue to decline as the number of active projects decline.

Salaries and Expenses, Housing and Urban Development
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(5) Rehabilitation Loans

-- Staff levels in 1980 and 1981 reflect the transfer of the loan servicing function to Community Planning and Development.

(6) Urban Homesteading, Relocation, and Environment

-- Workload and staffing for these three areas are expected to remain constant from 1980 to 1981.

(7) Functional General Direction

-- This category represents CPD supervisory and administrative personnel in Area Offices, and reflects a 10 percent add-on to the direct staffing requirements mentioned above. However, due to staff-year limitations, a shortfall of staff-years allocated to this category is shown in both years.

(8) Training

-- This category represents time the field staff spends in training. This requirement is a 4 percent add-on to direct time plus functional general direction.

(9) Regional Office Management

-- Staffing for this category is used to monitor and evaluate the performance of Area Offices, coordinate and manage program production in accordance with established goals, process appeals from decisions of subordinate office officials, and allocate staff among the Area Offices. Also included in the category is a special allocation for rural initiatives in 1980 and 1981.

COMPUTATION OF FIELD STAFFING REQUIREMENTS

COMMUNITY DEVELOPMENT BLOCK GRANTS:	WORK MEASUREMENT STANDARD a/	1980 WORKLOAD	1980 STAFF-YEARS	1981 WORKLOAD	1981 STAFF-YEARS
Entitlement, Discretionary Balances (Small Cities Program), Secretary's Fund, and Financial Settlement Fund:					
Entitlement:					
Applications processed	119 b/	658	51.0	662	51.2
Program management:					
Active programs	191	1,356	134.1 c/	1,125	119.4
Closeouts in year ..	96	...	...	235	12.5
Grants closed out ...	34	...	...	235	4.4
Monitoring visits ...	33	7,069	129.6	5,913	108.4
Subtotal			314.7		295.9

a/ Standard is shown in staff-hours. The workload times the standard divided by 1,800 staff-hours per staff-year results in the staff-years as shown.
b/ Composite standard is 119; staff-year requirements are derived by applying a separate standard to each group of grant recipients by population size.
c/ Full standard was not applied due to shortfall of available staff-years.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

COMMUNITY DEVELOPMENT BLOCK GRANTS: (cont.)	WORK MEASUREMENT STANDARD a/	1980 WORKLOAD	1980 STAFF-YEARS	1981 WORKLOAD	1981 STAFF-YEARS
Discretionary (Small Cities):					
Preapplications processed	27	4,500	67.5	4,500	67.5
Applications processed:					
Prior year carryover	7	...	...	215	.8
Current year approvals	68	1,933	73.0	1,967	74.3
Current year carryover	61	215	7.3	218	7.4
Program Management:					
Grantees with single purpose programs	55	2,272	69.4	2,272	69.4
Grantees with comprehensive programs	132	1,179	86.5	1,179	86.5
Monitoring Visits:					
Single purpose programs	24	2,302	30.7	1,553	20.7
Comprehensive programs	24	3,069	40.9	2,498	33.3
Projects closed out	34	1,800	34.0	1,800	34.0
Subtotal			409.3		393.9
Secretary's Fund:					
Preapplications processed-Indians	27	280	4.2	350	5.3
Applications processed-Indians	68	216	8.2	217	8.2
Program management-Indians:					
Grants active all year	55	339	10.4	420	12.8
Grants approved in year	14	216	1.7	217	1.7
Grants completed in year	27	59	.9	135	2.0
Monitoring visits	24	454	6.0	555	7.4
Grants closed out	34	59	1.1	135	2.6
Allowance for other Secretary's Fund grants	NA	NA	11.0	NA	11.0
Subtotal			43.5		51.0
Financial Settlement Fund:					
Applications processed	68	50	1.9	...	...
Total - CDBG			769.4		740.8

a/ Standard is shown in staff-hours. The workload times the standard divided by 1,800 staff-hours per staff-year results in the staff-years as shown.

Salaries and Expenses, Housing and Urban Development
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URBAN DEVELOPMENT ACTION GRANTS:	WORK MEASUREMENT STANDARD a/	1980 WORKLOAD	1980 STAFF-YEARS	1981 WORKLOAD	1981 STAFF-YEARS
Applications processed..	80	812	36.1	950	42.2
Program management:					
Grants from prior year funds approved in year	143	34	2.7	...	...
Grants from current year funds approved in year.....	96	350	18.7	350	18.7
Grants active all year	191	390	41.4	699	74.2
Grants closed out in year.....	96	...	...	75	4.0
Monitoring visits.....	33	900	16.5	1,465	26.9
Grants closed out.....	96	...	...	75	4.0
Subtotal.....			115.4		170.0
COMPREHENSIVE PLANNING GRANTS:					
Applications approved...	74	410	16.9	450	18.5
Program management:					
Projects active all year	86	365	17.4	397	19.0
Projects approved in year	22	410	5.0	450	5.5
Projects completed in year	43	424	10.1	378	9.0
Site visits.....	14	1,125	8.7	1,125	8.8
Projects completed.....	28	424	6.6	378	5.9
Strategy certification and consistency review.	120	268	11.3 b/	268	9.3 b/
Subtotal.....			76.0		76.0
CATEGORICAL PROGRAMS:					
Urban Renewal program management.....	315	248	38.4 b/	111	19.4
Urban Renewal closeouts.	77	137	5.9	60	.2.6
Model Cities program management.....	207	16	1.8	4	.5
Resources program management.....	55	121	3.7	6	.2
Subtotal.....			49.8		22.7
REHABILITATION LOANS:					
Applications processed:					
Single family.....	7.97	10,250	45.4	9,800	43.4
Multifamily.....	65.6	300	10.9	300	10.9

a/ Standard is shown in staff-hours. The workload times the standard divided by 1,800 staff-hours per staff-year results in the staff-years as shown.

b/ Full standard was not applied due to shortfall of available staff-years.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

REHABILITATION LOANS: (cont.)	WORK MEASUREMENT STANDARD a/	1980 WORKLOAD	1980 STAFF-YEARS	1981 WORKLOAD	1981 STAFF-YEARS
Non-residential and mixed	65.6	75	2.7	70	2.6
Localities with programs	31.3	700	12.2	700	12.2
Technical assistance	68	700	26.4	700	26.4
Monitoring visits	46	970	24.8	970	24.8
Loan servicing	NA	NA	34.0	NA	34.0
Subtotal			156.4		154.3
URBAN HOMESTEADING:					
Cities with programs	214	85	10.1	85	10.1
RELOCATION:					
Localities with programs	52	1,550	44.8	1,550	44.8
Monitoring visits	18	1,750	17.5	1,750	17.5
Subtotal			62.3		62.3
ENVIRONMENT:					
Review and process request for release of grant conditions	1	7,379	4.1	7,379	4.1
Site visits	22	1,135	13.9	1,135	13.9
Special clearances reviewed	4	1,532	3.4	1,532	3.4
EIS's reviewed	38	211	4.5	211	4.5
Other agency EIS's reviewed	20	826	9.2	826	9.2
Local Agency Certification	50	249	6.9	249	6.9
Technical assistance	NA	NA	36.8	NA	36.8
Subtotal			78.8		78.8
Total Direct Staff-years			1,318.2		1,315.0
Functional General Direction	10%		116.1 b/		126.1 b/
Training	4%		55.1 b/		57.3 b/
Regional Office Management	NA		75.0		75.0
Total CPD Field Staff-Years			1,564.4		1,573.4

a/ Standard is shown in staff hours. The workload times the standard divided by 1,800 staff hours per staff-year results in the staff years as shown.

b/ Full standard was not applied due to shortfall of available staff-years.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

The following is a detailed discussion of field operations by major programs and activities.

(1) Community Development Block Grants

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Staff-years	650.0	769.4	740.8	-28.6

Staff resources are decreasing in this area from 1980 to 1981 primarily as a result of fewer monitoring visits planned for both entitlement and small cities grantees. The following table reflects the magnitude of workload related to the funding levels for the three years covered in this Justification.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Entitlement applications processed	1,296	658	662
Discretionary preapplications processed	4,771	4,500	4,500
Discretionary applications processed ..	3,212	1,933	2,182
Monitoring visits	10,559	12,440	9,964

Field staff responsibilities for the CD Grant program in 1981 will primarily be in the following areas:

-- Policy dissemination of program information to current and prospective recipients including States and other Federal agencies.

-- Receive, review, process and approve applications, including the Housing Assistance Plan, determine eligibility of activities, and review to determine that the program meets the primary legislative objectives of the Act of principally benefiting low- and moderate-income persons. The field staff must also ascertain that applicants have utilized the OMB A-95 Circular review procedure and have met environmental requirements. The staff also reviews the community's own performance report to make the determination required by Section 104(d) of the 1974 Act before a subsequent funding can occur. Section 104(d) provides HUD with the authority to review and audit programs to determine whether they conform with the intent of the law.

-- Preapplications for small cities funds are submitted and reviewed prior to submission and approval of a full application. All applications for assistance under the Categorical Program Financial Settlement Fund and some applications under the Secretary's Discretionary Fund are also reviewed in field offices. The largest field office workload under the Secretary's Fund is the Indian Program. Activities carried out by field staff in this program include: conduct of competitions for Indian grants including preapplication and application review and selection; technical assistance to Tribes in planning and packaging CPD programs; technical assistance to Tribes in planning and executing grants; and monitoring grants.

-- The Department has successfully established a tracking system to identify, on a periodic basis, small city grantees who are performing inadequately, so that their performance can be improved and the close out of each grant can proceed on schedule. Once slow performers are identified, CPD field staff, in cooperation with communities, develop strategies so that successful completion and close out schedules can be achieved or the grant terminated. The communities are then closely monitored for adherence to these schedules.

-- Monitoring and evaluating program activities, and compiling basic data for reporting on the use of funds to the President, the Congress, and the public. Through its in-house review, site visits and project servicing activities, CPD reviews local performance under the Housing and Community Development Act of 1974, as amended, and HUD regulations. This includes monitoring for compliance with the 20 percent non-program costs limitation enacted in recent Appropriations Acts. The findings bear directly on whether a city is to receive future funding.

-- Audit findings must be resolved by CPD field staff. The resolution process involves working closely with the affected communities to correct that portion of their program procedures which do not comply with Federal legislation and regulations. The Audit Report usually establishes a period of time for all issues to be resolved and it is the responsibility of CPD field staff to achieve this schedule.

-- Providing training, information and technical assistance to local programs.

Approximately 662 applications will be submitted by entitlement applicants in 1981. This number is reduced from 1979 because of the phase-out of hold-harmless communities. However, these hold-harmless communities will still have active programs that will need to be managed and monitored by field staff in 1981. Each entitlement community will be required to submit an application which identifies community development and housing needs and includes a program of activities and a Housing Assistance Plan. Before acting on the application, HUD field offices must consider whether the results of the annual review required under Section 104(d) of the Act are cause for a change in funding level or other sanctions against the applicant. A 75 day maximum review period for entitlement applications is established by legislation. All applications must be submitted for review and comment to an areawide agency.

In addition, HUD in 1981 will administer applications requesting funding from metropolitan and non-metropolitan discretionary balances (Small Cities Program), and the Secretary's Discretionary Fund. In order to reduce unproductive and costly efforts of communities applying for such assistance, a two-stage application process has been established. The initial stage includes the submission of a preapplication whereby an applicant need only submit a brief description of its needs, activities proposed to meet those needs, and the estimated cost. Preapplications are rated against objective criteria and the highest scoring communities are invited to submit full applications. The second stage involves the submission and review of a full application before a final funding decision can be determined.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

The Department's monitoring responsibility with regard to the CD Grant program is stated in Section 104(d) of Title I of the Housing and Community Development Act of 1974, as amended. Section 104(d) provides that:

> "The Secretary shall, at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine whether the grantee has carried out a program substantially as described in its application, whether that program conformed to the requirements of this title and other applicable laws, and whether the applicant has a continuing capacity to carry out in a timely manner the approved Community Development Program. The Secretary may make appropriate adjustments in the amount of the annual grants in accordance with this finding pursuant to this subsection."

In addition, the House Committee on Banking, Currency, and Housing in its Report No. 93-1114 on the Housing and Community Development Act of 1974 stated, "The Committee wishes to emphasize the importance of these post-audit and review procedures to be conducted by the Secretary. Since Federal application review requirements are being simplified to such a great extent, the post-audit and review requirements will serve as the basic assurance that block grant funds are being used properly to achieve the Bill's objectives."

The types of monitoring to be undertaken in 1981 with respect to the CD Grant program are as follows:

(a) Annual in-house reviews will be made for all grantees to determine the status of approved grants. Entitlement cities and discretionary recipients, which seek repeat funding, will be reviewed prior to being refunded.

(b) On site monitoring visits will be made to all formula entitlement grantees and small cities comprehensive grantees with multi-year commitments. Other CDBG grantees may be monitored on a sample basis. Areas currently being emphasized in monitoring are: program progress; program benefit; Housing Assistance Plan (HAP) implementation; and citizen participation.

Monitoring of grantee performance on-site serves several purposes for both HUD and grantees.

(a) While the grantees are required to submit a report on an annual basis on the progress and problems relating to their approved programs, the reports have been designed to require only enough detail to allow identification of possible problem areas and to assist in selecting projects to be examined more closely on-site. Monitoring is therefore the primary means by which the Department carries out its program management responsibilities. These responsibilities include insuring that funds are spent in a timely manner for the purposes for which they were made available, and that programs are carried out in accordance with applicable laws and regulations. Based on this review, the Department must determine whether grantees have the capacity to carry out approved programs and to implement additional programs for which they may apply.

(b) Monitoring activities should also be helpful to grantees. Such activities should assist grantees in systematically assessing the progress of their programs, in identifying potential or existing obstacles to successful program implementation, and helping to identify alternative solutions to problems.

Thus, monitoring is an important part of HUD's effort to work with communities in a cooperative manner toward common objectives. Whenever possible, deficiencies are corrected through discussion, negotiation, or technical assistance, and in a manner that preserves local discretion.

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In addition, CPD staff is involved in general project management and servicing to include financial management, routine and Congressional correspondence, litigation activities, meetings held at localities' request, GAO and internal audit activities, telephone communication, technical assistance, and responses to complaints.

These various types of monitoring and project servicing are all related to each other. The annual in-house review will make the fullest possible use of the results from all types of site monitoring which have taken place. The annual in-house reviews may in turn identify the need for various types of site monitoring.

The field staff conducts monitoring reviews to determine that grantees:

-- Are carrying out the community development programs as a whole and individual projects and activities as described in their applications and contracts;

-- Are carrying out the program or project in a timely manner, in accordance with the schedule included in the application or grant agreement, or the grantee's own schedule if not provided to HUD;

-- Are charging costs to the program or project which are both eligible under applicable regulations and are within the 20 percent limitation for planning and administrative costs;

-- Are carrying out their programs in a manner which minimizes the opportunities for fraud, waste, and mismanagement;

-- Are complying with other applicable laws, regulations, and terms of the grant agreement; and

-- Have a continuing capacity to carry out, in a timely manner, the approved program or project, and other grants for which they may apply.

Monitoring activities related to environmental activities and relocation under the CD Grant program are discussed later in this justification under the environmental and relocation sections.

(2) Urban Development Action Grants (UDAG)

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Staff Years	42.0	115.4	170.0	+54.6

Staff levels are increasing from 1980 to 1981 as a result of the increase in the number of active programs. The following table reflects the magnitude of workload for the three years covered in this Justification.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Number of applications reviewed	518	812	950
Number of active programs	390	774	1,124

Field staff responsibilities for the UDAG program in 1981 will primarily be in the following areas:

-- Disseminating program information to current and prospective recipients and prospective private sector participants;

-- Determining applicant eligibility based on the minimum standards of distress, and satisfactory performance in providing housing for low- and moderate-income persons, and in providing equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups. Eligibility determination under recently enacted "Pockets of Poverty" legislation is a new responsibility beginning in 1980;

-- Providing Area Office position papers with the Area Managers recommendation on Action Grant applications for funding. Applications are reviewed to determine the following: (1) that the applicant has the capacity to carry out the proposed project, (2) that the proposed project is consistent with the Community Development Program and the Housing Assistance Plan, (3) the possible impact of any proposed relocation on the locality's existing relocation workload and resources, and (4) the feasibility of the project. In addition, the field staff must ascertain that applicants have utilized the OMB Circular A-95 review procedure and have met environmental and citizen participation requirements;

-- Monitoring and evaluating program activities being carried out by grantees; and

-- Providing training, information and technical assistance to local programs.

(3) Comprehensive Planning Grants

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Staff-years ..	64.8	76.0	76.0	...

Staff years are shown as a constant from 1980 to 1981. Selected workload involved in managing the Section 701 program follows:

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Applications processed.....	392	410	450
Active projects in year.....	1,289	1,199	1,225
Project completions.....	500	424	378

Field staff responsibilities in the initial phase of Section 701 (Comprehensive Planning Grants) administration include assistance and advice to grantees concerning National objectives, review of applicant "Overall Program Designs", negotiation of specific activities for which 701 grants will be made, review of other Federal agency plans and applications per interagency agreements, processing applications for annual and special projects, and making grant awards. A second phase involves review, approval and certification of strategies based on statutory land use and housing elements. This phase involves an assessment of the consistency of the strategies and related policies with National Policy Objectives, an identification of urban impacts and the eligibility of work activities having urban impacts. A third phase of activities includes monitoring State and local activities and provision of technical assistance to applicants. The technical assistance provided ranges from information and guidance on the preparation of Areawide Housing Opportunity Plans (AHOPs) to the accomplishment of interagency coordination. A fourth phase includes processing of grant and program amendments, processing project completion reports and clearing audit findings.

Presently, a portion of the administration of the Section 701 program is shared by the States and HUD. The field staff will continue to engage in joint State/HUD monitoring of State grants to voluntary applicants and the selective review of other State subgrant activities and continue capacity building efforts to improve the State capacity for administering grants.

Another area affecting the field office workload is the continuing need to coordinate Section 701 funded activities with those of the Departments of Transportation, Agriculture, and Energy and the Agencies for Environmental Protection, Coastal Zone Management and Economic Development. These activities are essential at the applicant level to mitigate problems with program activity funding, OMB Circular A-95 review and comment, Joint Funding administration, and land use planning, and to implement planning program simplification objectives addressed by OMB at the President's direction. The proposed legislative revisions to the Section 701 program will not require additional staffing.

(4) Categorical Programs

STAFF-YEARS	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Urban Renewal	33.9	44.3	22.0	-22.3
Model Cities	2.2	1.8	.5	-1.3
Resources Programs	8.9	3.7	.2	-3.5
TOTAL	45.0	49.8	22.7	-27.1

Salaries and Expenses, Housing and Urban Development
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Staff-years for these activities are decreasing as the number of active programs decrease.

Since no further approvals of new categorical projects are permitted under the Housing and Community Development Act of 1974, field staff will be concerned primarily with assisting communities with active categorical programs to make the transition to funding under the CDBG program. This means assisting in the completion of categorical programs through the expeditious disbursement of grant or loan balances, the use of Categorical Program Financial Settlement funding under the CD Block Grant program through 1980 and the use of Section 112 of the 1974 Act where appropriate. A categorical project closeout team located in Headquarters sets priorities for closeouts and works directly with field offices to accomplish them.

Field staff has a responsibility to monitor all projects until completion in order to assure that all applicable policies, requirements, and procedures are being complied with by grant recipients. In addition, the Department has a long range post completion statutory responsibility with respect to the Open Space Land and Neighborhood Facilities programs to assure that land or facilities are not converted to inappropriate uses.

Number of Categorical Development Programs Active at the Start of 1979 - 1981

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Urban Renewal Projects, NDP's and Code Enforcement projects	467	248	111
Model Cities	36	16	4
Resources Programs	245	121	6
Total	748	385	121

Number of Categorical Program Completions in Year

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Urban Renewal projects, NDP's and Code Enforcement projects	219	137	60
Model Cities	20	12	4
Resources Programs	124	115	6
Total	363	264	70

(5) Relocation

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Staff-years	55.3	62.3	62.3	...

Workload and staffing are expected to remain constant from 1980 to 1981. The following table reflects the workload for 1979 through 1981:

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

WORKLOAD	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Localities with active programs...	1,616	1,550	1,550
Site visits.....	1,382	1,750	1,750

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 applies to displacements of persons occurring as a result of the acquisition of real property by a public agency under all HUD programs. The Uniform Act sets forth mandatory payments and services to be provided to displaced persons and procedures for land acquisition. The Department is responsible for ensuring that compliance with the Uniform Act is satisfactory. This responsibility has been delegated to CPD.

Compliance with the Uniform Act is to be ascertained by field staff both by in-house activities and by site visits.

Examples of in-house activities include:

-- review of CDBG, UDAG, and assisted Housing applications;
-- review of relocation agency reports;
-- review of relocation grievances;
-- technical assistance provided recipients;
-- audit reviews;
-- litigation matters;
-- correspondence; and
-- training local agency staff.

The other aspect of relocation compliance is monitoring site visits. During the site visit, field staff inspect records and acquisition transactions and interview displaced persons and persons whose property has been acquired, and inspect replacement housing units to which persons have moved. A significant sample of all transactions will be inspected by a physical review of records and interviews to determine whether persons received the benefits provided by law. The timing of visits and the size of the sample will reflect field judgment of past performance of different localities.

(6) Rehabilitation Loans

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Staff-years.....	76.4	156.4	154.3	-2.1
Loans obligated...	11,429	10,625	10,170	-455

Staffing for this activity will show a slight decrease from 1980 to 1981 because the number of loan obligations are decreasing. Activities undertaken by field staff related to the management of the Section 312 loan program include the following:

-- assisting localities to obtain self approval authority;
-- developing funding recommendations for individual localities;
-- providing technical assistance to loan recipients and localities and training to localities;
-- application processing (approval/rejection);
-- post settlement activities, including final inspection;
-- monitoring visits and program review (usually annual); and
-- loan servicing.

(7) Urban Homesteading

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Staff-years.....	6.2	10.1	10.1	...
Cities with programs	72	85	85	...

Workload and staffing are expected to remain constant from 1980 to 1981. Activities carried out by field staff include the following:

-- Provide technical assistance to cities in packaging various Federal/local programs into a city rehabilitation strategy, i.e., Section 312, Section 8, CDBG;

-- Assist cities in the preparation of their homesteading applications (including both Federal and local properties and, beginning in 1981, Veterans Administration (VA) and Farmers Home Administration (FmHA) properties);

-- Process and monitor Section 312 loans targeted for HUD properties;

-- Review applications to assure that the proposed program meets all statutory requirements and approve or disapprove the applications;

-- Work with HUD housing staff and locality staff to determine which HUD properties can be made available for homesteading and provide similar assistance regarding VA and FmHA properties;

-- Monitor how communities are handling HUD properties that have been transferred; and

-- Make recommendations to Headquarters regarding allocation and reallocation of Section 810 and 312 funds.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

(8) Environmental Acitivities

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Staff-years ...	68.9	78.8	78.8	...

Workload and staffing are expected to remain constant from 1980 and 1981. The following table reflects selected workload activity for 1979 through 1981.

WORKLOAD	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Review and process request for release of grant conditions ...	7,229	7,379	7,379
Monitoring site visits	1,251	1,135	1,135
Draft and final EIS's reviewed..	167	211	211
Review of Other Agencies' EIS's.	854	826	826
Local Agency certification	...	249	249

Community Planning and Development has a Department-wide responsibility for environmental concerns. This responsibility includes implementation of the National Environmental Policy Act of 1969 as it relates to HUD programs, and implementation of related statutes, Executive Orders, and regulations such as Historic Preservation, Endangered Species, and Wetlands. In order to carry out these responsibilities it is necessary to have CPD environmental professionals at the Area and Regional Office levels to advise management on environmental matters and to review the various types of environmental clearances prepared by program staff (normal clearances, special clearances, and Environmental Impact Statements (EIS)). The environmental staff also participates in Local Area Certification study teams to determine whether a community's land use standards and environmental controls meet HUD's criteria so that the subdivision processing, including the requisite environmental clearances undertaken by program staff, can be minimized or eliminated.

The CPD environmental field staff also provides technical environmental assistance and training to other HUD staff. This assistance for Area Office program staff and Service Office staff includes:

-- Advice, orientation, training and guidance on procedural and technical aspects of environmental assessment, such as noise and air pollution;

-- Assistance in litigation involving environmental matters; and

-- Maintenance of data and reference materials needed for performing environmental reviews.

The environmental staff also provides assistance, advice, orientation and guidance to HUD applicants, potential applicants, and clients, including CDBG communities and housing developers, on procedural and technical aspects of environmental assessments. CPD environmental staff also has the responsibility to review other Agencies' Environmental Impact Statements in HUDs area of expertise, particularly projects having an urban impact.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

Under Section 104(a) of the Housing and Community Development Act of 1974, applicants are required to take into account appropriate environmental factors in preparing applications. Further, in accordance with Section 104(h) the Department has delegated to applicants the Federal responsibilities under the National Environmental Policy Act of 1969 and related environmental laws. Implementation of this latter Section requires that field staff approve the release of funds to applicants for projects only after certification by the applicant that all steps required by HUD regulations regarding environmental compliance have been taken.

Many deficiencies in communities' performance of their delegated environmental responsibilities have been noted by field staff and GAO and HUD audit reports. Therefore, post-approval monitoring of environmental compliance as required by Section 104(d), through site visits, is very important to assure that projects are being carried out in accordance with all applicable environmental laws. Further, monitoring is an excellent means of providing CDBG recipients assistance to remedy problems and to prevent such problems in the future.

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Travel & Transportation of Persons.	$1,662	$2,121	$1,827	$2,180	+$353
Transportation of Things	89	54	71	80	+9
Rent, Communications, and Utilities	907	1,169	1,307	1,395	+88
Printing and Reproduction ...	488	352	536	585	+49
Other Services: ...	4,323	5,386	5,278	6,567	+1,289
Special Contracts	(175)	(357)	(357)	(400)	(+43)
Supplies and Materials	317	318	402	435	+33
Equipment	607	410	495	350	-145
Indemnities for Property Damage ..	3	1	4	4	...
Total - Other Objects	8,396	9,811	9,920	11,596	+1,676

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

Costs for these objects of expense are based in large part on a prorata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD". However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The obligations for travel in 1980 include the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

Travel funds included in this activity are primarily for grantee performance monitoring, compliance monitoring, providing technical assistance and for activities related to the close-out of categorical grant programs. The increase in 1981 principally reflects the estimated increased cost for carrying out travel and higher fares, per diem, etc.

The Other Services category consists principally of funding for automated data processing services (ADP) and Special Contracts. The increase of $1,289 thousand is related almost exclusively to those two items.

In the case of ADP, an increase of $1,210 thousand--from $4,635 thousand to $5,845 thousand is included for the cost of developing new systems and the enhancement and expanded usage of currently operational systems. The total funding reflects the increased cost of providing such services for the twenty-three systems currently related to this activity.

Special Contracts, which are unique to this activity, are identified in the following table:

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Environmental Consultant Services	...	$150	$150	$50	-$100
Urban Policy	$175	150	150	150	...
Block Grant Data ...	...	57	57	75	+18
Action Grant Data ..	...	...	...	125	+125
Total	175	357	357	400	+43

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Community Planning and Development

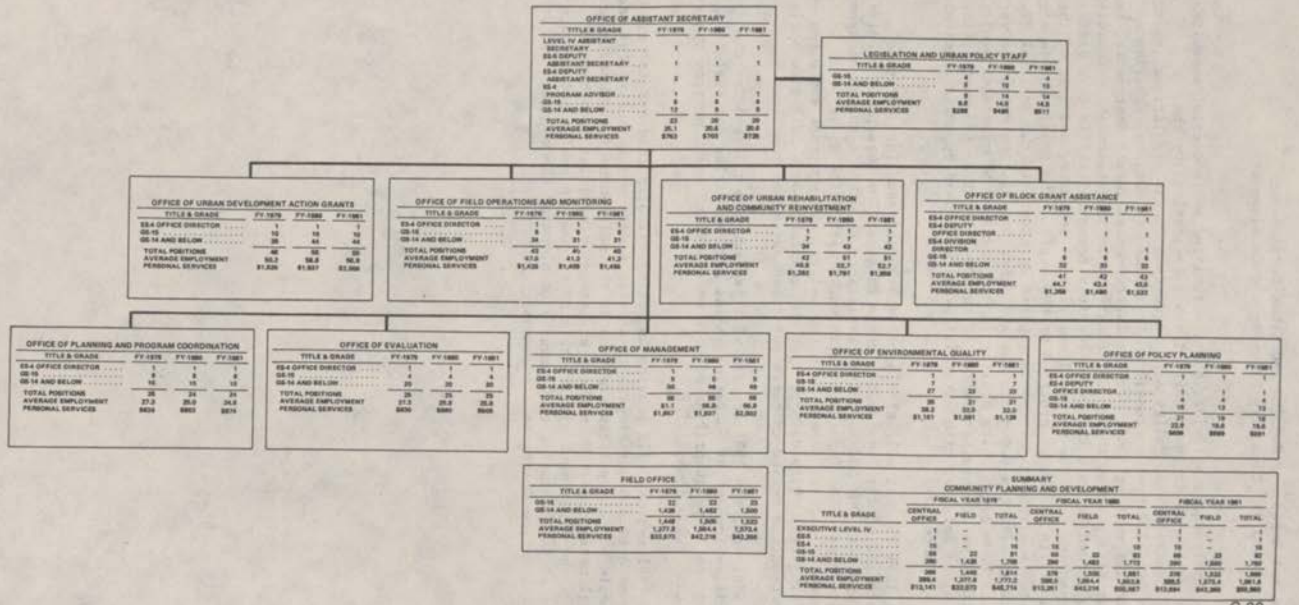
The 1981 request provides $50 thousand for environmental consultant services to assist in environmental analyses required by the National Environmental Policy Act. According to the regulations issued November 29, 1978 by the Council on Environmental Quality, experienced professionals must not only prepare Environmental Impact Statements, but they must also present their qualifications in the statements. Consultants are also needed because this work requires technical skills in a variety of fields spanning both the physical and natural sciences, and most of the required skills cannot be provided by HUD staff. The Department is also subject to requirements of the Endangered Species Act, the National Historic Preservation Act, the Clean Air Act and other legislation requiring varying degrees of knowledge in its application to specific HUD-assisted projects. In addition, an increasing concern of the Department is the suitability of housing sites in areas with potential problems caused by toxic chemicals and radioactive materials.

The 1981 request will also provide $150 thousand for continued implementation of the President's Urban Policy. The Department provides staff support to OMB and technical assistance to other agencies on urban impact analyses. The Department also works with White House staff in development of working papers on urban policy, and monitors key urban policy special projects. Outside expertise not available on a full-time basis to the Department is needed to carry out these essential functions.

In addition, the 1981 request will provide $75 thousand for the continued development of analytical means and capacities for evaluating and utilizing the large quantities of data on the Block Grant program operating in more than 6,000 communities.

The 1981 request will provide an additional $125 thousand for the Urban Development Action Grant Program to develop a data and an analytical base for a sample of metropolitan grantees in the neighborhood, industrial and commerical categories. When these analytical capacities have been developed, the Department will be able to respond to public and private inquiries as to the impact of Community Development Block Grants and Urban Development Action Grants on our communities.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY PLANNING AND DEVELOPMENT
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



OFFICE OF ASSISTANT SECRETARY

TITLE & GRADE	FY 1979	FY 1980	FY 1981
LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-5 DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 DEPUTY ASSISTANT SECRETARY	2	2	2
ES-4 PROGRAM ADVISOR	1	1	1
GS-15	6	6	6
GS-14 AND BELOW	12	9	9
TOTAL POSITIONS	23	20	20
AVERAGE EMPLOYMENT	25.1	20.4	20.4
PERSONAL SERVICES	$763	$705	$726

LEGISLATION AND URBAN POLICY STAFF

TITLE & GRADE	FY 1979	FY 1980	FY 1981
GS-15	4	4	4
GS-14 AND BELOW	8	10	10
TOTAL POSITIONS	8	14	14
AVERAGE EMPLOYMENT	8.0	14.0	14.0
PERSONAL SERVICES	$288	$486	$511

OFFICE OF URBAN DEVELOPMENT ACTION GRANTS

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 OFFICE DIRECTOR	1	1	1
GS-15	10	10	10
GS-14 AND BELOW	35	44	44
TOTAL POSITIONS	46	55	55
AVERAGE EMPLOYMENT	50.2	56.8	56.8
PERSONAL SERVICES	$1,526	$1,917	$2,006

OFFICE OF FIELD OPERATIONS AND MONITORING

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 OFFICE DIRECTOR	1	1	1
GS-15	6	6	6
GS-14 AND BELOW	34	31	31
TOTAL POSITIONS	43	41	41
AVERAGE EMPLOYMENT	47.0	41.0	41.2
PERSONAL SERVICES	$1,435	$1,409	$1,456

OFFICE OF URBAN REHABILITATION AND COMMUNITY REINVESTMENT

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 OFFICE DIRECTOR	1	1	1
GS-15	7	7	7
GS-14 AND BELOW	34	43	43
TOTAL POSITIONS	42	51	51
AVERAGE EMPLOYMENT	46.8	53.7	52.7
PERSONAL SERVICES	$1,382	$1,791	$1,858

OFFICE OF BLOCK GRANT ASSISTANCE

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 OFFICE DIRECTOR	1	1	1
ES-4 DEPUTY OFFICE DIRECTOR	1	1	1
ES-4 DIVISION DIRECTOR	1	1	1
GS-15	6	6	6
GS-14 AND BELOW	32	33	33
TOTAL POSITIONS	41	42	42
AVERAGE EMPLOYMENT	44.7	43.4	43.0
PERSONAL SERVICES	$1,358	$1,486	$1,533

OFFICE OF PLANNING AND PROGRAM COORDINATION

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 OFFICE DIRECTOR	1	1	1
GS-15	4	4	4
GS-14 AND BELOW	10	10	10
TOTAL POSITIONS	25	24	24
AVERAGE EMPLOYMENT	27.2	25.0	24.8
PERSONAL SERVICES	$839	$860	$874

OFFICE OF EVALUATION

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 OFFICE DIRECTOR	1	1	1
GS-15	4	4	4
GS-14 AND BELOW	20	20	20
TOTAL POSITIONS	25	25	25
AVERAGE EMPLOYMENT	27.3	25.8	25.8
PERSONAL SERVICES	$856	$980	$945

OFFICE OF MANAGEMENT

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 OFFICE DIRECTOR	1	1	1
GS-15	5	5	5
GS-14 AND BELOW	40	46	46
TOTAL POSITIONS	46	52	52
AVERAGE EMPLOYMENT	51.1	56.8	56.8
PERSONAL SERVICES	$1,847	$1,937	$2,002

OFFICE OF ENVIRONMENTAL QUALITY

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 OFFICE DIRECTOR	1	1	1
GS-15	7	7	7
GS-14 AND BELOW	27	33	33
TOTAL POSITIONS	35	41	41
AVERAGE EMPLOYMENT	38.2	33.0	33.0
PERSONAL SERVICES	$1,161	$1,091	$1,139

OFFICE OF POLICY PLANNING

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 OFFICE DIRECTOR	1	1	1
ES-4 DEPUTY OFFICE DIRECTOR	1	1	1
GS-15	4	4	4
GS-14 AND BELOW	15	13	13
TOTAL POSITIONS	21	19	19
AVERAGE EMPLOYMENT	23.8	19.6	19.6
PERSONAL SERVICES	$696	$595	$591

FIELD OFFICE

TITLE & GRADE	FY 1979	FY 1980	FY 1981
GS-15	32	33	33
GS-14 AND BELOW	1,438	1,462	1,500
TOTAL POSITIONS	1,448	1,506	1,533
AVERAGE EMPLOYMENT	1,277.8	1,364.4	1,372.4
PERSONAL SERVICES	$33,870	$42,216	$43,266

SUMMARY
COMMUNITY PLANNING AND DEVELOPMENT

TITLE & GRADE	FISCAL YEAR 1979 CENTRAL OFFICE	FISCAL YEAR 1979 FIELD	FISCAL YEAR 1979 TOTAL	FISCAL YEAR 1980 CENTRAL OFFICE	FISCAL YEAR 1980 FIELD	FISCAL YEAR 1980 TOTAL	FISCAL YEAR 1981 CENTRAL OFFICE	FISCAL YEAR 1981 FIELD	FISCAL YEAR 1981 TOTAL
EXECUTIVE LEVEL IV	1	–	1	1	–	1	1	–	1
ES-5	1	–	1	1	–	1	1	–	1
ES-4	15	–	15	16	–	16	16	–	16
GS-15	59	22	81	66	33	99	66	33	82
GS-14 AND BELOW	290	1,438	1,728	294	1,482	1,776	295	1,500	1,795
TOTAL POSITIONS	366	1,460	1,814	378	1,506	1,881	378	1,533	1,899
AVERAGE EMPLOYMENT	359.4	1,277.8	1,772.2	396.5	1,364.4	1,863.8	389.5	1,372.4	1,861.8
PERSONAL SERVICES	$13,141	$33,870	$46,716	$15,261	$43,216	$58,967	$15,894	$43,266	$59,960

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

NEW COMMUNITIES PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Guarantees Outstanding:					
Total, start of year.....	$143,520	$143,520	$141,482	$131,482	-$10,000
Guarantees retired by HUD.	...	...	-10,000	...	+10,000
Guarantees retired by developer.....	-2,038	...	...	...	...
Total, end of year.....	141,482	143,520	131,482	131,482	...
Guarantee Authority Available (end of year).....	566,018	581,980	598,018	598,018	...
New Community Assistance Grants: Rescission of Appropriations (P.L. 96-7)	-8,091	...	...	-1,400	-1,400
Budget Authority					
Treasury borrowing authority.....	24,046	34,582	37,618	38,921	+1,303
Budget Outlays:					
New Communities Fund.....	30,985	34,582	37,408	38,711	+1,303
New Community Assistance Grants.....	170	4,000	1,600	1,900	+300
Total Outlays.....	31,155	38,582	39,008	40,611	+1,603

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for the New Communities Program. However, it is estimated that budget authority (Treasury borrowing authority) for ongoing program operations will be $37.6 million in 1980 and $38.9 million for 1981. No commitments or guarantees for additional new community projects will be made in 1980 or 1981.

Pursuant to the new Federal Credit Control requirements, the Budget does propose authorization to redeem new community debentures in "such sums as may be necessary" if the need arises. No redemptions are projected for 1981.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

a. Guarantees Outstanding. Guarantees outstanding at the close of 1980 are estimated to be $12.0 million less than were estimated in the 1980 Budget. This change is the result of the retirement of guaranteed bonds by a developer in 1979 and HUD's redemption of $10 million of Soul City bonds.

b. Guarantee Authority Available. Available guarantee authority at the end of 1980 is currently estimated to be $16.0 million higher than was estimated in the 1980 Budget. This increase is due to the unanticipated redemption in 1979 of guaranteed debt by a developer and in 1980 the redemption of debentures ($10 million) and cancellation of guarantee commitments ($4 million) for Soul City.

New Communities Program

c. Budget Authority. Treasury borrowings in 1980 are currently estimated to be approximately $37.6 million, an increase of $3.0 million from the original estimate. This increase results primarily from the net effects of the redemption of bonds and unanticipated recoveries.

d. Budget Outlays. Net budget outlays for the New Communities Fund are estimated to be $37.4 million, an increase of $2.8 million from the original estimate of $34.6 million. This increase results from the net effects of the redemption of bonds for one new community and certain unanticipated recoveries.

EXPLANATION OF INCREASES AND DECREASES

1. Guarantees Outstanding. No guarantee issuances or retirements are estimated for 1981. Therefore, no changes in outstanding guarantees would occur in this period.

2. Guarantee Authority Available. Since no changes in guarantees outstanding are estimated, no change in available guarantee authority is estimated for 1981.

3. New Community Assistance Grants. Public Law 96-7, dated April 9, 1979, rescinded all budget authority not administratively committed. Consequently, any amounts subsequently recaptured will be rescinded automatically. It is estimated that $1.4 million will be recaptured and rescinded in 1981.

4. Budget Authority. Treasury borrowing is estimated to be $38.9 million in 1981. This is an increase of $1.3 million from the $37.6 million estimated for 1980. This net increase is the result of an increase for interest on Treasury borrowings. Approximately $.7 million is anticipated from the sale of assets of projects previously acquired.

5. Budget Outlays. Net budget outlays for the Fund in 1981 are estimated to increase by $1.3 million. This increase is primarily the result of the increase in interest on Treasury borrowings.

Outlays for the New Community Assistance Grants program will increase by $300 thousand in 1981. It is estimated that all existing commitments will be disbursed by 1983.

PROGRAM DESCRIPTION

1. Legislative Authorization. Title VII of the HUD Act of 1970, as amended, (and its predecessor Title IV of the HUD Act of 1968, as amended) authorizes a program of Federal guarantee assistance to private and public new community developers to finance land assembly and development costs necessary to carry out long-term, balanced new community development which includes substantial provision for low- and moderate-income housing and meets other social, economic and environmental requirements. Maximum guarantee amount for a single project may not exceed $50 million. Aggregate principal obligations guaranteed may not exceed $740.5 million. Such projects, as well as others which do not require loan guarantees but which receive Certificates of Eligibility on the basis of meeting Title VII requirements, are eligible for Federal grants and housing program assistance.

2. Loan Guarantee Assistance. Guarantee assistance was designed to overcome the difficulty in obtaining the large amounts of front-end financing, at reasonable rates and terms, necessary for large-scale development. It was anticipated that the guarantee assistance, coupled with grants provided by Title VII and other Federal programs, would be sufficient to fund land acquisition and development, in accordance with the long-term new community development plan, until income from the sale of developed land was sufficient to meet current cash needs and repay the guaranteed debt.

New Communities Program

However, since January 1975, no new projects have been approved for loan guarantee assistance. Many of the new community projects have experienced varying degrees of difficulty, and the Department has concentrated its resources on resolving these financial difficulties. Such efforts include the development and implementation of a program of project workouts designed to (a) strengthen those projects with the potential for new town development either by reorganization or by acquisition, interim management by HUD, and disposition to new developers, and (b) acquire and liquidate those projects which do not possess such potential.

Under this program of project workouts, of the 13 new community projects which received loan guarantees, four projects are being liquidated. In addition, four projects have been, or are being, acquired for disposition to new developers for continued new community development, or for subsequent settlement. This process requires that the Federal Government retire the outstanding guaranteed obligations for these projects; secure legal title to them; make payments to appropriate local interests which made investments in the projects in reliance on the Federal approval under the program; and, for an interim period pending disposition, provide funding for project operation expenses.

With respect to the five loan guarantee projects which are not being acquired, assistance from HUD in the form of Community Development Grants, housing program assistance and interim debenture interest payments will be required. In addition, consideration is being given to various forms of debt-restructuring which would be better suited to the long-term needs of these projects.

OTHER AVAILABLE FEDERAL ASSISTANCE

1. Community Development Block Grants: Secretary's Discretionary Fund. Title VII new communities are eligible for assistance under Section 107 of Title I of the the Housing and Community Development Act of 1974, as amended. Such funds are used for activities otherwise eligible under Title I which are needed for the successful development of projects and which contribute to the achievement of low- and moderate-income housing and other Title VII goals. Funded activities include water and sewer facilities, roads and streets, community recreation facilities, open space and other community facilities. In 1980, it is estimated that about $17.3 million, which includes $8.0 million from the 1980 appropriation, will be approved for such facilities; 1981 grant activity will be determined as part of the development planning for that year.

2. Housing Assistance Programs. In accordance with Section 213(d)(2) of the Housing and Community Development Act of 1974, funds under the Section 8 Lower Income Housing Assistance program and other HUD housing assistance programs are available to assist in meeting the Title VII statutory requirement that substantial provision for housing within the means of low- and moderate-income persons be made in new community projects. In 1980 it is anticipated that a total of 900 units, or about 40 percent of all housing starts in new communities, will be assisted under these programs. In 1981, allocations will be determined as part of the construction planning for that year.

3. New Community Assistance Grants. Title VII of the 1970 Act authorized grants in behalf of new communities to supplement public facilities grants under other Federal programs. Because the Title VII grants are largely duplicative of assistance available under Title I of the Housing and Community Development Act of 1974, as amended, Public Law 96-7 was enacted to rescind all uncommitted balances of appropriated funds. Consequently, no additional Title VII supplemental grant reservations may be approved.

New Communities Program

ORGANIZATION AND PROGRAM ADMINISTRATION

1. Organization. The New Communities program is administered by the New Community Development Corporation (NCDC) which was created within HUD by the HUD Act of 1970. The NCDC has a Board of Directors consisting of seven members as follows: the Secretary of HUD who is Chairperson; a General Manager, appointed by the President with the advice and consent of the Senate, who is the Corporation's chief executive officer; and five persons appointed by the Secretary. The Board sets broad policy and makes final policy decisions at critical points in the new communities process, subject to the direction and supervision of the Secretary.

2. Program Administration. Following are the major administrative mechanisms through which the program provides project development assistance and monitors such development to assure that long-term new community development goals are achieved.

a. Annual Budget Control Document (ABCD). Each of the five projects which are not being acquired is subject to a multi-year operating plan and a twelve-month budget, together known as the Annual Budget Control Document. The ABCD is negotiated and up-dated annually by the Department with the new community project developer. The disbursement of loan guarantee and other cash proceeds, the provision of debenture interest assistance and the approval of grants and other Federal assistance are made in accordance with the ABCD. Developers submit monthly reports which compare actual experience for the month with the budget and explain any substantial deviations from the budget.

For those projects subject to the ABCD, the Department has waived the 110 percent security and release price requirements of the present project documents. This is possible because of the strong control which the ABCD system offers. All security for HUD's lien (land plus cash) is under the Department's control. The Department is currently exploring alternative refinancing mechanisms for these projects.

b. Interim Management of Acquired Projects. Projects which are acquired, or are in the process of acquisition through foreclosure, are managed by or for HUD pending subsequent disposition either to (a) new developers for continued new community development or (b) purchasers for other types of development. The purpose of such interim management is to conserve or enhance the value of the property in order to maximize the return to the Government upon disposition. Depending on the particular circumstances relevant to each project, such management is accomplished by (a) an onsite manager under contract with HUD's trustee, (b) a receiver appointed by the court with jurisdiction over the foreclosure action, or (c) NCDC staff directly.

c. Project Monitoring. Projects are monitored by NCDC to assure that financial and social requirements of the program are being met, to work with the developers to identify and address project needs and problems as early as possible and to implement workout plans. Such monitoring is carried out by interdisciplinary teams consisting of real estate specialists, planners, engineers, financial specialists, lawyers and others. In addition to briefings, meetings and site visits, ABCD reports are submitted monthly and reports on development progress are submitted by developers quarterly.

New Communities Program

d. Community Development Block Grants: Secretary's Discretionary Fund. Pursuant to Section 107(a) of the Housing and Community Development Act of 1974, as amended, grants will be provided, in accordance with the ABCD, to assist eligible activities which are needed to carry out the project plan, including water and sewer facilities, roads, streets, community recreational and other facilities.

e. Contractual Services. Outside contractors are utilized to secure specialized services needed to develop and implement project workouts and to assist in monitoring and analysis of continuing projects. Such services, which are too specialized or infrequently used to warrant staffing by regular HUD personnel, include legal counsel familiar with local law and real estate practices, title searchers, marketing analysis, property appraisals, environmental analysis and finance.

PROJECT DEVELOPMENT ACTIVITY

1. SUMMARY

In terms of production and growth 1979 was a continuation of the 1978 success: 2,200 more housing starts (with 870 being housing for low- and moderate-income families), 1,500 more jobs, and an increase of over 5,600 in population. Currently there are over 44,000 people living in the new communities with 15,200 onsite jobs. The total number of housing units is 17,400 with 4,000 of these units for low- and moderate-income families (23 percent of the total production).

2. PROJECT DESCRIPTIONS

To date, 16 new community projects have been determined to be eligible for program assistance: 13 for loan guarantees and 3 for Certificates of Eligibility. Following are brief narrative descriptions of the current status of each project; selected financing and development data for each project are shown in the table starting on page H-11.

a. Projects Capable Of Continued Development Without Acquisition

The following five projects are currently judged to be capable of continued development with financial assistance from HUD in the form of interest deferral arrangements, Community Development Grants, and Federal housing program assistance. Consideration is being given to various forms of debt-restructuring which would be better suited to the long-term needs of these projects.

Harbison, South Carolina. Harbison, which consists of 1,700 acres, is located in the Columbia metropolitan area on Interstate 26 in Lexington and Richland Counties, 8 miles from downtown Columbia. It is being developed by a nonprofit corporation. Current population is 950. Construction of 487 dwelling units, including 135 low- and moderate-income units, has been started or completed. Construction has started on a $1.8 million Harbison Community Association building which will be ready for occupancy in 1980. A new interstate highway interchange, which will provide direct access to Harbison, is expected to open in 1982. This interchange, together with a regional shopping mall expected to be started in 1980, should materially accelerate the growth of Harbison. Currently, over 16,000 square feet of commercial/industrial space are occupied and there are about 145 jobs onsite.

Maumelle, Arkansas. Maumelle consists of 4,900 acres located 12 miles northwest of Little Rock in the Little Rock metropolitan area. Its current population is 1,350; and 494 dwelling units, including 20 low- and-moderate-income housing units, have been constructed or started. There are 50,000 square feet of commercial/industrial space now occupied, and over 560 jobs are located onsite. Sales continue

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to be slow due to a tight money situation resulting from a combination of rising interest rates and a constitutional usury provision which limits interest rates to 10 percent.

St. Charles Communities, Maryland. St. Charles Communities, comprising about 7,600 acres, is located in the southeast portion of the Washington, D.C., metropolitan area in Charles County. A strong market for residential, industrial and commercial land continues for this new community. The current population, including development prior to the loan guarantee, is 12,500. Construction of 4,440 dwelling units, including 908 low- and moderate-income housing units, has been started or completed. About 1,800 jobs are located onsite. Over 500,000 square feet of commercial/industrial space are occupied.

Shenandoah, Georgia. Shenandoah consists of 7,200 acres in Coweta County about 35 miles south of Atlanta in the Atlanta metropolitan area on Interstate 85. Its current population is 500. Industrial development continues at a healthy pace; some 2.2 million square feet of commercial/industrial space has been completed and occupied and about 1,200 jobs are located onsite. There have been 270 dwelling units constructed or started, including 100 low- and moderate-income housing units. Considerable attention has been given to the application of solar energy, which has been utilized for a 54,000 square-foot community center and several residential units.

The Woodlands, Texas. The Woodlands consists of 19,000 acres located on Interstate 45 in the southern edge of Montgomery County in the Houston metropolitan area. The current population is estimated to be 7,500. There have been 3,019 dwelling units, including 414 low- and moderate-income housing units, constructed or started. About 2,700 jobs are located onsite. Almost 1.5 million square feet of commercial/industrial space are occupied. An integrated pedestrian/bikeway system, which serves the dual purpose of recreation and the provision of an energy-conserving alternative means of internal circulation, is being constructed in tandem with other development. The developer has already started to redeem some (about $8.5 million) of the original $50 million borrowed under the Title VII loan guarantee, bringing the outstanding loan guarantee down to $41.5 million.

b. Projects To Be Acquired And Continued As New Communities

The following three projects have had their guaranteed debentures accelerated and are now under management by HUD for continued development as new communities.

Cedar-Riverside, Minnesota. Cedar-Riverside, located in the City of Minneapolis less than a mile from the downtown area, consists of 100 acres of inner city renewal land. Development to date includes 1,299 multifamily units, including 669 low- and moderate-income housing units, in highrise buildings which were financed and constructed without Title VII assistance. Title VII development was never started due to an environmental law suit. The $24 million in Title VII debentures has been redeemed and foreclosure action has been initiated. While it is unlikely that Cedar-Riverside can, under current circumstances, be developed at the higher densities contemplated by the original plan, the possibilities of continuing new town development at lower densities, possibly by a public or quasi-public entity, are being explored with local government officials and others.

Jonathan, Minnesota. The Jonathan development plan embraces 5,400 acres located within the City of Chaska, Carver County, about 25 miles southwest of Minneapolis in the Twin Cities metropolitan area. Guaranteed bonds were redeemed in 1977, and foreclosure action has been initiated. The current population is 3,000. About 983 dwelling units, including 243 low- and moderate-income

housing units, have been started or completed. Commercial/industrial development has been substantial and has resulted in occupancy of over 1,000,000 square feet of such space and 1,500 onsite jobs. Based upon assessment of development potential for the area, current plans are to dispose of the property, once it is acquired, to a new developer for continued new community development.

Park Forest South, Illinois. Park Forest South is located in the Village of Park Forest South, Will County, about 30 miles south of the Loop in Chicago, in the Chicago metropolitan area. Title VII debt was redeemed in 1977 and 2,100 acres, now managed through an onsite manager, have been acquired by HUD through deed in lieu of foreclosure. The current population of the new community is about 6,000. Development to date includes 2,215 dwelling units, including 245 low- and moderate-income housing units, and about 1,000,000 square feet of commercial/industrial space occupied. Onsite jobs total about 1,800. Disposition to a new developer, possibly a quasi-public nonprofit entity, for continued new community development is under consideration.

c. Projects With Certificates Of Eligibility

Park Central, Texas. Based upon NCDC Board action in September 1978, a Project Agreement, in conjunction with the issuance of a Certificate of Eligibility, was executed on July 31, 1979. Park Central consists of 730 acres within the city of Port Arthur and is a key element of the City's revitalization plans. Title VII assistance will be provided in conjunction with mortgage insurance financing under Title X of the National Housing Act. The development plan for this new-town-in-town provides for 4,200 dwelling units, including 20 percent low- and moderate-income housing units, and extensive open space and other amenities. Actual development with Title X assistance started in 1975. The current population is 387; and 587 dwelling units, including 150 low- and moderate-income housing units, have been started or completed. There are about 460 jobs onsite. A city-owned golf course is currently onsite. A major shopping mall adjacent to the Title VII project site is planned.

Radisson, New York. Radisson, which is being developed by the New York State Urban Development Corporation, consists of 2,800 acres in Onandaga County, 12 miles northwest of Syracuse, in the Syracuse metropolitan area. Residential development consists of 528 dwelling units, inlcuding 156 low- and moderate-income housing units. Current population is 1,545. About 1 million square feet of commercial/industrial space are occupied, and there are about 600 onsite jobs.

Roosevelt Island, New York. Roosevelt Island, which is being developed by the New York State Urban Development Corporation, consists of 120 acres on an island in the East River in the heart of New York City. It is linked to Manhattan by an aerial tramway. More than 2,100 dwelling units in high-rise buildings have been constructed; about half of these are low- and moderate-income housing units. Current population is about 5,000.

d. Projects To Be Acquired For Liquidation Of Assets

The following five projects have had their guaranteed debentures accelerated. The first four are now under management for liquidation; the fifth is in the process of acquisition.

Flower Mound, Texas. Flower Mound is located in the Town of Flower Mound, Denton County, in the Dallas-Ft. Worth metropolitan area. The guaranteed debt was retired and 3,600 acres were acquired by HUD in 1976. Since then the property has been managed by an onsite management company. Development to date includes 360 dwelling units and a population of 800. HUD has continued some residential development and two national homebuilding firms are currently active onsite. Present plans call for the liquidation of the Government's interest in this project.

Gananda, New York. The disposition plan for this project, located in Wayne County, in the Rochester metropolitan area, was implemented in 1977. The plan called for acquisition and subsequent disposition of 9,000 acres, settlement of all claims against the project, completion of a school building, sale of 1,500 acres to a new developer for planned unit development and provision for funding future deficits of the local school district, community association and sewer district. Minor monitoring activities by NCDC staff will be carried out over the next few years in connection with certain parts of the settlement agreement.

Newfields, Ohio. Newfields is located 7 miles northwest of Dayton, in the Dayton metropolitan area. New community development has been determined to be financially infeasible. The guaranteed debt has been redeemed, and a negotiated settlement was reached on November 26, 1979. The settlement included: the sale of 2,000 acres to the State of Ohio for a park; the transfer of 935 acres to a creditor bank for sale, the proceeds of which will be split by the bank and HUD; the acquisition by HUD of 550 acres to be sold over three years; the payment of $1.9 million to HUD for return to the U.S. Treasury; and the acceptance by the city of Trotwood of various public amenities and facilities for operation and maintenance.

Riverton, New York. Riverton is located in Monroe County, 10 miles south of Rochester, in the Rochester metropolitan area. Based upon market studies which indicate lack of potential for new community development, Riverton is being liquidated as a Title VII project. The guaranteed debt has been redeemed and the property has been acquired through foreclosure. A settlement agreement with creditors, mortgage holders and local units of government has been implemented. A small portion of the acquired land is being retained for subsequent conveyance for planned unit development, including development of 150 units of low- and moderate-income housing.

Soul City, North Carolina. Soul City is located in Warren County, 45 miles north of the Raleigh-Durham area on Interstate 85. Based upon market studies which indicate a lack of potential for continued new community development, Soul City is being liquidated as a Title VII project. The guaranteed debt has been redeemed, and negotiations for a deed in lieu of foreclosure should be completed in 1980.

New Communities Program

STATUS OF PROGRAM

1. Status of Guarantees and Authorization. Guarantee authority of $500 million was originally provided in Title IV of the HUD Act of 1968, as amended. This authority was available for use only for two communities which received guarantee commitments totaling $45 million prior to the enactment of Title VII. The remaining $455 million in authority expired January 1, 1971.

An additional $500 million in new guarantee authority was provided in Title VII of the HUD Act of 1970, and an additional $195.5 million was provided by P.L. 93-117 which was enacted October 2, 1973. The following table shows the status of Title VII guarantee authority:

STATUS OF GUARANTEES AND GUARANTEE COMMITMENTS

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Total guarantees issued and commitments outstanding, start of year	$191,520	$174,482	$142,482
Status of guarantees outstanding:			
Guarantees outstanding, start of year	143,520	141,482	131,482
Issued during year	...	...	...
Redemption of guarantees by HUD	...	-10,000	...
Redemption of guarantees by Developers	-2,038	...	...
Guarantees outstanding, end of year	141,482	131,482	131,482
Status of commitments outstanding:			
Commitments outstanding, start of year	48,000	33,000	11,000
Issued during year	...	...	...
Expiration or rescission of commitments	-15,000	-22,000	...
Commitments outstanding, end of year	33,000	11,000	11,000
Total guarantees issued and commitments outstanding, end of year	174,482	142,482	142,482

STATUS OF AUTHORIZATION

Total guarantee authority	$740,500	$740,500	$740,500
Outstanding guarantees/commitments, end of year	-174,482	-142,482	-142,482
Balance of authority available, end of year	566,018	598,018	598,018

2. The New Communities Fund. Section 717 of the Act authorized the establishment of the New Communities Fund, a revolving fund, to provide for timely payment of liabilities incurred as the result of guarantees or grants under Section 713, making of loans, payment of obligations issued to the Secretary of the Treasury under the Act, other program expenditures, and administrative and nonadministrative expenses.

New Communities Program

The New Communities Fund is financed by receipts from fees and charges; recoveries under security, subrogation or other rights; repayments, interest income and other receipts in connection with guarantees or loans made; and proceeds of obligations issued to the Secretary of the Treasury. The following table shows the status of the New Communities Fund and anticipated U.S. Treasury borrowings:

STATUS OF NEW COMMUNITIES FUND

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Funds Available:			
Revenue from fees, repayments, charges and interest	$9,493	$13,481	$1,237
Treasury borrowings	24,046	37,618	38,921
Total available	33,539	51,099	40,158
Program costs:			
Administrative expenses	2,938	3,081	2,568
Contract support and services	895	3,201	1,610
Interest on U.S. Treasury borrowing	17,731	23,297	26,119
Interest payments on new community debentures	7,072	9,761	7,261
Redemption of new community debentures	...	10,000	...
Project operations	4,856	3,350	2,600
Total program cost	33,492	52,690	40,158
Change in undelivered orders	47	-1,591	...
Total obligations	33,539	51,099	40,158

3. Summary of Program Activity. Key financial data for each year of the program's history is shown on page H-13.

NEW COMMUNITIES PROGRAM
SELECTED PROJECT FINANCING AND DEVELOPMENT DATA (As of 12/31/79)
(Dollars in Thousands)

	GUARANTEE COMMITMENTS a/		GUARANTEES ISSUED			DEBENTURE	PROJECT	SUPPLEMENTARY GRANT	CURRENT	DWELLING UNITS e/	
	Amount	Date	Amount b/	Date	Rate	INTEREST c/	OPERATIONS d/	OBLIGATIONS	POPULATION	Total	LMIH
CONTINUING DEVELOPMENT											
Harbison, South Carolina	$13,000	10/72	$13,000	2/75	8.00	+$3,636	...	$181	950	487	135
8 mi. NW of Columbia	(13,000)										
Maumelle, Arkansas	7,500	12/70	2,500	12/71	7.625	+3,989	...	1,350	1,350	494	20
12 mi. NW of Little Rock	17,500	2/75	2,000	6/72	7.625						
	(14,000)		1,200	12/72	7.625						
			800	6/73	7.625						
			400	12/73	7.625						
			600	6/74	7.625						
			6,500	10/75	8.75						
St. Charles, Maryland	24,000	6/70	18,500	12/70	7.75	+8,625	...	2,940	12,500	4,440	908
25 mi. SE of Wash., D.C.	14,000	8/76	5,500	11/73	7.95	-3,742					
	(38,000)		14,000	8/76	8.15	+4,883					
Shenandoah, Georgia	40,000	2/73	25,000	3/74	8.20	+7,175	...	...	500	270	100
35 mi. S of Atlanta	(40,000)										
The Woodlands, Texas	50,000	4/72	50,000	8/72	7.10	+5,325	...	79	7,500	3,019	414
30 mi. N of Houston	(50,000)		(6,480)	8/78	NA	-5,325					
			(2,038)	9/79	NA	...					
ACQUISITION FOR CONTINUED DEVELOPMENT											
Cedar-Riverside, Minnesota	24,000	6/71	24,000	12/71	7.70	+5,107	$1,842	200	3,000 f/	1,299 f/	669 f/
Downtown Minneapolis	(24,000)		(24,000)	11/77	NA						
Jonathan, Minnesota	21,000	2/70	8,000	10/70	8.50	+5,479	2,178	699	3,000	983	243
25 mi. SW of Minneapolis	(21,000)		13,000	6/72	7.20						
			(21,000)	12/77	NA						
Park Forest South, Illinois	30,000	6/70	30,000	3/71	7.00	+6,959	61	1,072	6,000	2,215	245
30 mi. S of Chicago	(30,000)		(30,000)	7/77	NA	-2,100					
						+4,859					
CERTIFICATES OF ELIGIBILITY											
Park Central, Texas	Cert. of Eligibility approved 7/79					NA	NA	...	387	587	150
In City of Port Arthur											

NEW COMMUNITIES PROGRAM
SELECTED PROJECT FINANCING AND DEVELOPMENT DATA (As of 12/31/79)
(Dollars in Thousands)

	GUARANTEE COMMITMENTS a/		GUARANTEES ISSUED			DEBENTURE INTEREST c/	PROJECT OPERATIONS d/	SUPPLEMENTARY GRANT OBLIGATIONS	CURRENT POPULATION	DWELLING UNITS e/	
	Amount	Date	Amount b/	Date	Rate					Total	LMIH
Radisson, New York 12 mi. NW of Syracuse	Cert. of Eligibility approved 8/74					NA	NA	$528	1,545	528	156
Roosevelt Island, New York In East River in Manhattan	Cert. of Eligibility approved 8/74					NA	NA	187	5,000	2,141	1,003
ACQUISITION FOR LIQUILATION											
Flower Mound, Texas	$18,000	12/70	$14,000	12/71	7.60	+$1,859	$5,728	1,222	800	360	...
20 mi. NW of Dallas	(18,000)		4,000	1/75	8.50						
			(18,000)	8/76	NA						
Gananda, New York	22,000	4/72	22,000	12/72	7.15	+4,097	5,480	...	...	...	...
12 mi. E of Rochester	(22,000)		(22,000)	4/77	NA						
Newfields, Ohio	32,000	10/73	18,000	11/73	7.90	+3,496	23	...	122	60	...
7 mi. NW of Dayton	(32,000)		(18,000)	11/77	NA						
Riverton, New York	12,000	12/71	12,000	5/72	7.125	+3,353	1,947	2,293	1,200	505	2
10 mi. S of Rochester	11,000	5/74	4,000	11/74	8.55	-855					
	(23,000)		(16,000)	12/77	NA	+2,498					
Soul City, North Carolina	14,000	6/72	5,000	3/74	8.10	+1,945	138	798	131	33	...
45 mi. N of Raleigh-Durham	(14,000)		5,000	12/76	8.10	-404					
			(10,000)	10/79	NA	+1,541					
LOAN GUARANTEE COMMITMENT											
San Antonio Ranch, Texas	18,000	2/72	...	...	...	...	...	...	...	...	...
20 mi. NW of San Antonio											
TOTAL	29,000		131,482			+48,619	17,397	11,549	43,985	17,421	4,045

a/ Amounts in parentheses represent the cumulative reduction in guarantee commitments resulting from the issuance of guarantees; total is net of these amounts.
b/ Amounts in parentheses represent redemptions of guaranteed debt.
c/ New Communities Fund cumulative payments (+) and recoveries (-).
d/ Payments from the New Communities Fund.
e/ Constructed or started.
f/ Development coordinated with new community development plan but without program assistance.

NEW COMMUNITIES PROGRAM

Guarantee Commitments, Guarantees, Debentures Interest Payments, Project Operation Expenses and Supplementary Grants Reservations
(Dollars in Thousands)

Fiscal Year	Guarantee Commitments Issued No.	Issued Amount	Rescinded No.	Rescinded Amount	Outstanding No.	Outstanding Amount	Guarantees Issued	Guarantees Redeemed	Guarantees Outstanding	Debenture Interest Payment	Debenture Interest Recoveries	Debenture Interest Outstanding	Project Operations b/ Payments	Project Operations b/ Cumulative	Supplementary Grant Reservations
1970	3	$75,000	...	...	3	$75,000	...	...	...	...	...	...	...	...	$1,075
1971	3	49,500	...	...	6	124,500	$56,500a/	...	$56,500	...	...	...	...	...	1,637
1972	5	116,000	...	...	11	240,500	67,500	...	124,000	...	...	...	...	...	2,810
1973	2	53,000	...	...	13	293,500	74,000	...	198,000	...	...	...	...	...	17,679
1974	1	43,000	...	...	14	336,500	54,500	...	252,500	$427	$427	...	...	...	-154
1975	...	17,500	...	...	14	354,000	21,000	...	273,500	7,325	1,476	$5,847	...	...	...
1976	...	...	...	...	14	354,000	6,500	...	280,000	12,485	1,253	17,079	...	...	495
Transition Qtr.	...	14,000	1	$18,000c/	13	350,000	14,000	$18,000c/	276,000	5,539	3,742	18,876	$550	$550	1,444
1977	...	...	2	52,000c/	11	298,000	5,000	52,000c/	229,000	17,004	202	35,678	8,321	8,871	-7,063
1978	...	...	4	106,480c/	7	191,520	...	85,480c/	143,520	9,205	...	44,883	3,603	12,474	-1,010
1979	...	...	...	17,038c/	7	174,482	...	2,038c/	141,482	7,072	5,527	46,428	4,856	17,330	-8,091
1980 Estimate	...	...	2	32,000c/	5	142,482	...	10,000c/	131,482	9,761	687	55,502	3,350	20,680	...
1981 Estimate	...	...	...	...	5	142,482	...	...	131,482	7,261	687	62,076	2,600	23,280	-1,400

a/ Guaranteed under Title IV; all other guarantees under Title VII.

b/ These expenditures cover payments for project administration that include real estate taxes and mortgage payments, as well as acquisition costs such as payments to creditors, accelerated mortgage payments, and payments to local school and municipal utility districts.

c/ Following are commitments rescinded and guarantees redeemed by project:

FISCAL YEAR	PROJECT	COMMITMENTS RESCINDED	GUARANTEES REDEEMED
Transition Quarter	Flower Mound	$18,000	$18,000
1977	Park Forest South	30,000	30,000
	Gananda	22,000	22,000
	Total	52,000	52,000
1978	Jonathan	21,000	21,000
	Cedar-Riverside	24,000	24,000
	Newfields	32,000	18,000
	Riverton	23,000	16,000
	Woodlands	6,480	6,480*
	Total	106,480	85,480
1979	Shenandoah	$15,000	...
	Woodlands	2,038	$2,038*
	Total	17,038	2,038
1980 (Estimate)	Soul City	14,000	10,000
	San Antonio Ranch	18,000	...
	Total	32,000	10,000
1981 (Estimate)	...	...	...

*Redemption by the developer

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is shown later in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expenses requirements associated with each of the major program areas of the Department, a separate section dealing with the particular Budget Activity of "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980 and 1981.

BUDGET ACTIVITY 4: NEW COMMUNITY DEVELOPMENT CORPORATION

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Total Budget Activity.....	$3,023	$3,399	$2,996	$2,568	-$428
Permanent Positions- End of Year.....	66	66	61	40	-21
Staff-years.....	79.3	77.0	72.6	57.6	-15.0

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 estimate provides for the transfer of $2,568 thousand for the New Communities Fund for administrative expenses, a net decrease of $428 thousand as compared to the 1980 estimate. A reduction of 21 positions, as compared to 1980, is proposed.

The reduction is due primarily to an anticipated diminishment of staff activities related to project operations and commensurate reductions in administrative and other program support staff.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 funding level varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate.....	$3,399
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses".....	-199
Less a portion of the reduction in obligation for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86.....	-7
Add October 1979 pay raise.....	+181
Less revised estimates for personal services costs	-128
Less revised estimate for support costs.....	-250
Current 1980 estimate.....	$2,996

Salaries and Expenses, Housing & Urban Development
Budget Activity 4: New Community Development Corporation

The changes in funding requirements for FY 1980 are the result of the following:

-- Action by the Congress on the Department's 1980 budget request for "Salaries and Expenses"--

* A reduction of 5 positions from the New Community Development Corporation directed by the Congress (4.8 staff years, -$129,000);

* A share of the $396,000 departmentwide reduction from the budget request for travel (-$3,000);

* A share of the $2.0 million departmentwide reduction in amounts for automated data processing (-$25,000);

* A share of the general departmentwide reduction of $6.8 million for "Salaries and Expenses" (-$42,000);

-- A share of the additional departmentwide reduction of $1.1 million in obligations for travel and transportation of things in the Executive Branch mandated by the Congress (P.L. 96-86);

-- The additional funds required to implement the pay-raise which became effective during October 1979;

-- A decrease in personal services cost estimates based on more recent average salaries and benefits data; and

-- A decrease in other objects of expense reflecting more recent cost and requirement data.

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$3,023	$2,996
Increased pay rates:		
October 1978 raise	+2	...
October 1979 raise	+181	+2
Additional cost of within-grade increases	+33	+29
Cost of two extra days' pay in 1980	+20	...
Cost of one less day's pay in 1980	...	-10
Changes in personal services costs, principally due to reduced average employment	-313	-505
Changes in ADP costs	+31	+46
All other changes	+19	+10
Total obligations	2,996	2,568

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost an additional $183 thousand in 1980 and an additional $2 thousand in 1981.

Within-grade increases for employees are estimated to cost $33 thousand in 1980 and an additional $29 thousand in 1981.

Salaries and Expenses, Housing & Urban Development
Budget Activity 4: New Community Development Corporation

Fiscal year 1980 has 262 days for which salaries must be paid, as compared to 260 in 1979. The two extra days are estimated to require an additional $20 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid as compared with 262 days in 1980. The one less day is estimated to require $10 thousand less in 1981.

Changes in personal services costs, principally due to reduced employment levels, result in decreases of $313 thousand in 1980 and $505 thousand in 1981.

Changes in the cost of ADP support account for an increase of $31 thousand in 1980 and $46 thousand in 1981.

Changes in the cost of all other items, such as travel, supplies, printing and equipment result in increases of $19 thousand in 1980 and $10 thousand in 1981.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The New Communities program is administered by the New Community Development Corporation (NCDC) which was created within HUD by the HUD Act of 1970. The NCDC has a Board of Directors consisting of seven members as follows: the Secretary of HUD who is chairperson; a General manager, appointed by the President with the advice and consent of the Senate, who is the Corporation's chief executive officer; and five persons appointed by the Secretary. The board sets broad policy and makes final policy decisions at critical points in the new communities process, subject to the direction and supervision of the Secretary.

During 1980 and 1981 the NCDC staff will be devoting a considerable amount of time to carrying out the varied and complex tasks associated with workouts of those new community projects which are being restructured for continued development or acquired for reorganization or disposition, and those projects in which normal development activities are anticipated to continue. These projects require that NCDC maintain a staff having expertise in the fields of finance, accounting, economics, market analysis, appraisal, construction, planning and real estate management. Under this program of project workouts, of the thirteen new community projects which received loan guarantees, four projects are being liquidated. In addition, four more projects have been, or are being, acquired either for disposition to new developers for continued new community development, or for subsequent settlement.

In addition to workout activity, staff will continue to monitor and assist on-going projects to assure that they meet program objectives of long-term balanced development, including substantial provision for housing for persons of low- and moderate-income, affirmative action, the development of an adequate job base, environmental quality and other social and economic goals.

To accomplish effectively these activities, NCDC is staffed to perform the following project related functions:

a. Project Management. Project management staff, with the support of interdisciplinary teams of functional specialists, coordinates the relationships and monitors other activities with respect to each project. This function is vital to assure that the wide variety of interdependent factors bearing on new community development and the development and implementation of workout and land disposition plans are given adequate and balanced consideration as part of an effective decision-making process.

b. Economics and Finance. These staff specialists carry out continuing and special in-depth financial and economic oversight, as well as analysis and evaluation of the current and projected status of projects. This function includes periodic reviews of project cash flows and marketing projections and project accounting and appraisal services.

c. Development Planning. Analysis and monitoring of the physical, environmental and social components of new community project development are carried out by the staff. This activity is directed toward assuring that the components of new community development--community design, land uses, low- and moderate-income housing, commercial and industrial development, circulation systems, utilities, open space and recreation, community facilities and services--are appropriately planned and integrated to meet the overall program goal of livable, efficient and balanced development. As an integral part of this function, Environmental Impact Statements are prepared as appropriate pursuant to the National Environmental Policy Act of 1969.

d. Equal Opportunity. The program requires that all new community projects execute affirmative action programs with respect to housing, employment and other aspects. This requirement is an integral part of staff monitoring and grant assistance activity. There is a full-time equal opportunity specialist on the staff.

e. Grant Administration and Intergovernmental Relations. The staff administers grant funds available for new community projects under Section 107 of the Housing and Community Development Act of 1974, as amended. In addition, close relations are maintained with other Federal agencies, and State and local governments in order to secure cooperation and support from such sources to meet the needs of new community projects.

f. Contract Management. NCDC utilizes contractual services to assist in the management of problem areas. The staff works closely with the contractors in analyzing, reviewing and implementing proposed recommendations, as well as tracking progress on the contracts. Such contracts are used to identify and define problems, develop alternative approaches and assist in restructuring selected projects. Also, contracts will be used to obtain independent appraisals, market studies, title searches and legal services required to ensure validity of developer studies, and provide expert analysis of local market conditions and land values.

2. WORKLOAD

Experience has shown that the work efforts associated with those projects to be acquired and disposed of require months of time and considerable staff effort. The activities conducted to date on the federally guaranteed new communities have varied from temporary solutions which have been worked out utilizing a comparatively small amount of staff time to longer range more intensive efforts which have required extensive use of staff, consultants and outside contractors. Because the timing and extent of each activity is highly dependent on events and actions by others--developers, creditors, local governments, the courts, etc.--which are beyond NCDC control, it is difficult to predict the amount of effort and the optimum mix of such efforts with any degree of certainty.

EXPLANATION OF STAFFING REQUIREMENTS

All staff for the New Community Development Corporation Program is located in HUD Headquarters. The total staffing is as follows:

Salaries and Expenses, Housing & Urban Development
Budget Activity 4: New Community Development Corporation

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions	66	66	61	40	-21
Staff-years	79.3	77.0	72.6	57.6	-15.0

The staff-years consist of the following components:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Permanent full-time personnel	71.6	64.0	54.0
Special employment programs	1.1	.8	.8
Other temporary and part-time employees	6.3	7.4	2.4
Terminal leave	...	.1	.1
Overtime	.3	.3	.3
Total	79.3	72.6	57.6

The decrease in permanent full time staff-years reflects diminished project activity and other concomitant reductions in administrative and support functions discussed later in this Justification.

A description of the last four categories of employment is included under the discussion of the appropriation "Salaries and Expenses, HUD," in another section of these Justifications. These changes reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary and intermittent employment, and programs which include such specialized programs as employment for the handicapped, Vietnam veterans and summer college students.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Office of General Manager	10	10	8	6	-2
Office of Program Policy and Management	17	17	17	5	-12
Office of Operations	17	17	15	19	+4
Office of Finance	7	9	8	8	...
Office of Planning Assistance	9	8	7	2	-5
Office of Surplus Land and Housing	6	5	6	...	-6
Total, Permanent full-time positions, end of year	66	66	61	40	-21
Staff-years	79.3	77.0	72.6	57.6	-15.0

Salaries and Expenses, Housing & Urban Development
Budget Activity 4: New Community Development Corporation

The staff-years indicated above, except for the 1980 Budget Estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget Estimate would be 77.4 staff-years, and the 4.8 reduction, as compared to the Current Estimate, reflects the reduction resulting from Congressional action on the 1980 budget.

The decreases from the 1980 current estimate and the 1981 estimate are due primarily to anticipated reductions in some administration and other program support functions which no longer appear necessary in an organization of this size with stable program activity.

1. Office of the General Manager is responsible to the Secretary for the administration of the programs and activities of NCDC and for recommending and implementing decisions of the Secretary and the Board of Directors.

2. Office of Program Policy and Management is responsible for evaluating, developing and recommending program policies, objectives and legislation; developing technical assistance publications; preparing and maintaining program regulations and handbooks; instituting and maintaining effective internal management control systems, budget formulation and execution; management of the New Community Revolving Fund; and the provision of administrative services.

3. Office of Operations, with the support of specialists in other offices, monitors and evaluates the progress of projects to insure compliance with program policies and requirements; develops and negotiates workout solutions for troubled projects; and administers supplementary grants under Title VII and grants under section 107 of the Housing and Community Development Act of 1974, as amended. It also maintains liaison with other Federal agencies and State and local governments with respect to approved projects; and coordinates the disposition of the assets of acquired projects designated for liquidation.

4. Office of Finance conducts analyses and evaluations of the economic and financial feasibility of projects and of alternative workout solutions for troubled projects; evaluates project market projections and plans; administers policies governing guaranteed debt instruments, trustees' activities and financial reporting and monitoring; and provides accounting and land appraisal services.

5. Office of Planning Assistance is responsible for evaluating the non-financial aspects of existing and proposed project development plans and for monitoring ongoing development. In connection with this activity, the Office is responsible for preparing Environmental Impact Statements, or supplements thereto, which are required under the Environmental Policy Act of 1969 in connection with project disposition actions and significant changes in project plans.

6. Office of Surplus Land and Housing assists in coordinating the processing of applications for assistance from the various Federal housing programs to enable the construction of housing for persons of low- and moderate-income and other housing in new community projects. The Office also administers HUD responsibilities for Federal surplus land disposition under Section 414 of the HUD Act of 1969, as amended.

Salaries and Expenses, Housing & Urban Development
Budget Activity 4: New Community Development Corporation

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Travel and Transportation of Persons.....	$48	$143	$50	$41	-$9
Transportation of Things.....	5	1	4	5	+1
Rent, Communications and Utilities.....	44	33	64	76	+12
Printing and Reproduction..	2	7	2	8	+6
Other Services.....	166	436	198	250	+52
Supplies and Materials.....	11	8	11	9	-2
Equipment.....	17	...	14	10	-4
Total.....	293	628	343	399	+56

Costs for these objects of expense are based in large part on a pro rata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD." However, it should be noted that the funding increases in 1980 and 1981 as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The change in the obligations for travel in 1980 is the result in part of the reduction in staff for NCDC directed by the Congress. It includes, also, the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriation for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

The amounts for travel in NCDC for 1980 and 1981 will be required for trips to new communities which are continuing development and for working with developers, purchasers, financial institutions and other parties concerned with those projects to be acquired or liquidated. A more complete discussion of the basis for the Department's travel estimates is found in the section "Salaries and Expenses, HUD" contained in Volume III.

The funds for Other Services are primarily for automated data processing services, and to provide for the operation and maintenance of two systems; the New Communities Management Information System and the Interactive Planning System. The increased cost of these systems (+$46,000) is primarily associated with their expanded usage and the overall higher cost of ADP services.

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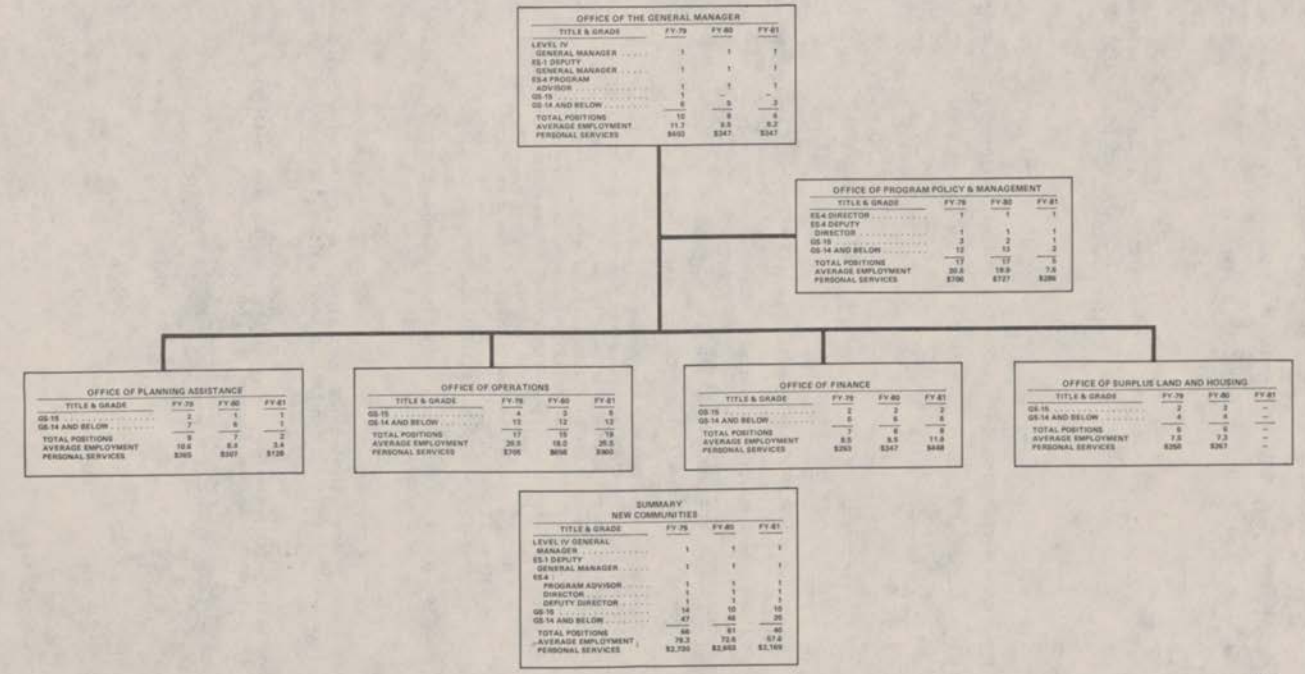
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
NEW COMMUNITIES
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



OFFICE OF THE GENERAL MANAGER

TITLE & GRADE	FY-79	FY-80	FY-81
LEVEL IV GENERAL MANAGER	1	1	1
ES-1 DEPUTY GENERAL MANAGER	1	1	1
ES-4 PROGRAM ADVISOR	1	1	1
GS-15	1	–	–
GS-14 AND BELOW	6	5	3
TOTAL POSITIONS	10	8	6
AVERAGE EMPLOYMENT	11.7	9.5	6.7
PERSONAL SERVICES	$403	$347	$247

OFFICE OF PROGRAM POLICY & MANAGEMENT

TITLE & GRADE	FY-79	FY-80	FY-81
ES-4 DIRECTOR	1	1	1
ES-4 DEPUTY DIRECTOR	1	1	1
GS-15	3	2	1
GS-14 AND BELOW	12	13	3
TOTAL POSITIONS	17	17	5
AVERAGE EMPLOYMENT	20.6	19.9	7.6
PERSONAL SERVICES	$706	$727	$286

OFFICE OF PLANNING ASSISTANCE

TITLE & GRADE	FY-79	FY-80	FY-81
GS-15	2	1	1
GS-14 AND BELOW	7	6	1
TOTAL POSITIONS	9	7	2
AVERAGE EMPLOYMENT	10.6	8.6	3.4
PERSONAL SERVICES	$365	$307	$128

OFFICE OF OPERATIONS

TITLE & GRADE	FY-79	FY-80	FY-81
GS-15	4	3	5
GS-14 AND BELOW	13	12	13
TOTAL POSITIONS	17	15	18
AVERAGE EMPLOYMENT	20.5	18.0	25.5
PERSONAL SERVICES	$705	$656	$960

OFFICE OF FINANCE

TITLE & GRADE	FY-79	FY-80	FY-81
GS-15	2	2	2
GS-14 AND BELOW	5	6	6
TOTAL POSITIONS	7	8	8
AVERAGE EMPLOYMENT	8.5	9.5	11.8
PERSONAL SERVICES	$293	$347	$448

OFFICE OF SURPLUS LAND AND HOUSING

TITLE & GRADE	FY-79	FY-80	FY-81
GS-15	2	2	–
GS-14 AND BELOW	4	4	–
TOTAL POSITIONS	6	6	–
AVERAGE EMPLOYMENT	7.0	7.3	–
PERSONAL SERVICES	$250	$267	–

SUMMARY
NEW COMMUNITIES

TITLE & GRADE	FY-79	FY-80	FY-81
LEVEL IV GENERAL MANAGER	1	1	1
ES-1 DEPUTY GENERAL MANAGER	1	1	1
ES-4 :			
PROGRAM ADVISOR	1	1	1
DIRECTOR	1	1	1
DEPUTY DIRECTOR	1	1	1
GS-15	14	10	10
GS-14 AND BELOW	47	48	25
TOTAL POSITIONS	66	61	40
AVERAGE EMPLOYMENT	79.3	72.6	57.4
PERSONAL SERVICES	$2,730	$2,653	$2,169

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND CONSUMER PROTECTION

HOUSING COUNSELING ASSISTANCE

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Program Level: Number of Clients Counseled (estimate).	200,000	24,000	200,000	220,000	+20,000
Obligations.....	$8,992	$9,000	$9,000	$10,000	+$1,000
Appropriation.....	9,000	9,000	9,000	10,000	+1,000
Budget Outlays.....	5,472	9,000	8,780	9,420	+640

SUMMARY OF BUDGET ESTIMATE

1. SUMMARY OF BUDGET REQUEST

An appropriation of $10 million is requested for 1981 to provide counseling to individuals participating in HUD-insured and assisted housing programs through the efforts of local public and private nonprofit HUD-approved counseling agencies.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

Following are changes from the original estimates:

-- The current estimate of the number of clients to be counseled (200,000 clients) is based on an evaluation now nearing completion. Preliminary indications are that HUD funds will reach, to some degree, approximately 200,000 clients in 1981. This estimate includes clients that may be counseled utilizing more than just HUD funds. Prior to the evaluation, it was difficult to accurately assess the real impact on the universe of potential clients that needed housing counseling. The previous estimate of 24,000 clients attempted to describe the number of clients that could be served if only HUD funds were available. The Department does not believe this was an accurate indicator of program activity.

-- The current estimate of outlays has been reduced slightly, primarily due to the actual outlay experience in 1979.

EXPLANATION OF INCREASES AND DECREASES

The increase in the estimated number of clients to receive counseling and the increase in estimated obligations in 1981 is the result of the increased appropriation proposed for 1981.

Budget outlays are estimated to increase by $640 thousand, reflecting a higher level of obligations in 1981 as compared to prior years.

Housing Counseling Assistance Program

PROGRAM DESCRIPTION

1. Legislative Authorization. Section 106(a)(1)(iii) and section 106(a)(2) of the Housing and Urban Development Act of 1968, as amended, authorize a program to provide a broad range of counseling services to tenants and homeowners. The Secretary is authorized to provide, or contract with public or private organizations to provide information, advice, and technical assistance, including but not limited to "counseling and advice to tenants and homeowners with respect to property maintenance, financial management, and such other matters as may be appropriate to assist them in improving their housing conditions and in meeting the responsibilities of tenancy or homeownership."

2. Types of Counseling Activities to be Performed. Under the legislation, the following types of assistance and services (collectively referred to as "comprehensive counseling") are eligible and will be provided:

-- Default counseling for homeowners

-- Prepurchase counseling for prospective homeowners

-- Preoccupancy and delinquency counseling for renters

-- Training of HUD-approved agency counselors and administrators

A description of each activity is listed below:

a. Default Counseling. The objectives of default counseling are to cure defaults, avoid foreclosures and reduce losses to the FHA insurance funds. The services provided to homeowners include guidance in the areas of budgeting and money management, home management, property care and maintenance, relief measures for defaulting mortgagors, referrals to community resources for additional assistance and counseling follow-up.

b. Prepurchase Counseling. Prepurchase counseling is concerned with the full range of considerations that enter into the home buying decision. Its objective is to prepare prospective home buyers for the responsibilities and obligations of homeownership, and thereby reduce incidences of default, foreclosures and losses to the insurance funds. Subjects covered include criteria for selecting a home and location, general purchase procedures, property care and maintenance, home management, budget and debt management, resale, and alternatives to foreclosure.

c. Renter Counseling. Renter counseling is performed to assist potential and existing renters living in HUD-insured and HUD-assisted housing. Its two components are: preoccupancy counseling; which provides information, advice and assistance in obtaining and maintaining adequate housing to potential renters, and rental delinquency counseling; which provides information, advice and assistance in bringing rental payments current. The objectives of renter counseling are to avoid evictions, reduce turnover rates and to prepare new renters to assume the full obligations and responsibilities of tenancy.

d. Training. Within the above categories, training is provided to the staff of HUD-approved counseling agencies. The provision of training to agency personnel enhances their counseling skills and techniques and strengthens their ability to serve HUD's housing consumers. It has been an important component of the counseling program in the past and will be an integral part of HUD's efforts in 1981.

Housing Counseling Assistance Program

PROGRAM ACTIVITY

Under this program, counseling is provided by local public and private agencies which apply to HUD to become approved counseling agencies. Counseling services can be provided to homeowners with HUD-insured mortgages, persons who wish to purchase a house with HUD insurance or to prospective or existing renters of HUD-insured or HUD-assisted rental housing. Many of the people seeking housing counseling have multiple problems which could include loss of employment and other financial obligations in addition to their housing related problems. HUD funding to the counseling agencies supports only a part of the housing counseling portion of the assistance provided to the clients. It should be noted that many housing counseling agencies have been successful in leveraging funding resources beyond their allocation from HUD.

1. Fiscal Year 1979. In 1979, $9 million was appropriated for counseling assistance activities for approximately 200,000 clients. Of that amount, $4.8 million was awarded to agencies to provide counseling specifically for homeowners in default, $1.0 million was used for prepurchase counseling and $3.2 million was used for comprehensive counseling. Within the $9 million appropriation, two major contracts for training housing counselors in HUD-approved agencies were initiated in 1979. It is estimated that approximately 800 housing counselors from the 600 approved agencies will be provided training.

Approximately $300,000 was used to develop and establish a housing counseling management information system which has provided more accurate estimates for numbers and types of clients served.

2. Fiscal Year 1980. For 1980, $9 million has been appropriated for counseling an estimated 200,000 clients. All of the funds will be used to provide comprehensive housing counseling which includes default counseling, prepurchase counseling, renter counseling, and training.

3. Fiscal Year 1981. For 1981, a $10 million appropriation is requested to provide comprehensive housing counseling services to approximately 220,000 clients. It is anticipated that the types of counseling and level of service will approximate those of 1980.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND CONSUMER PROTECTION

NEIGHBORHOOD SELF-HELP DEVELOPMENT PROGRAM

REVISED BUDGET REQUEST

PROGRAM HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
		(Dollars in Thousands)			
Program Level:					
Number of Grants Awarded.	...	120	120	80	-40
Appropriations.....	$5,000	$10,000	$15,000	$10,000	...
Obligations.....	...	15,000	15,000	10,000	-$5,000
Budget Outlays.....	...	9,000	10,000	7,000	-2,000

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

For 1981, the appropriation request for the Neighborhood Self-Help Development program is reduced $5 million to $10 million. The revised request is the same amount appropriated for 1980.

The reduction of $5 million in obligations will result in an estimated 40 fewer grant awards and will reduce outlays by $3 million from that previously projected for 1981. A funding level of $10 million--which recognizes overall budgetary constraints--will permit an orderly continuation of program activity for this Urban Policy initiative.

No changes are proposed for fiscal year 1980 from the estimates reflected in the initial fiscal year 1981 Budget Justification.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND CONSUMER PROTECTION

NEIGHBORHOOD SELF-HELP DEVELOPMENT PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Program Level: Number of grants awarded.....	...	120	120	120	...
Appropriations.....	$5,000	$15,000	$10,000	$15,000	+$5,000
Obligations.....	...	15,000	15,000	15,000	...
Budget Outlays.....	...	14,000	9,000	10,000	+1,000

SUMMARY OF BUDGET ESTIMATE

1. SUMMARY OF BUDGET REQUEST

An appropriation of $15 million for fiscal year 1981 is requested to provide grants and other forms of assistance to qualified neighborhood organizations to undertake specific housing, economic or community development and other appropriate neighborhood conservation and revitalization projects in low- and moderate-income neighborhooods.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

-- The change in 1980 appropriations reflects Congressional action.

-- The decrease in outlays is due to the fact that the 1980 Budget assumed $15 million in obligations in each of 1979 and 1980, whereas the revised estimate is based on no obligations in 1979. Moreover, the revised outlay estimate reflects a slower program implementation than initially anticipated.

EXPLANATION OF INCREASES AND DECREASES

The increase in appropriations in 1981 is requested to fund the same number of neighborhood projects as in 1980. The increase in outlays reflects higher obligated balances available for disbursement in 1981 than 1980.

PROGRAM DESCRIPTION

1. Legislative Authorization. Title VII of the Housing and Community Development Amendments of 1978 (P.L. 95-557) authorizes the Secretary to make grants and to provide other forms of assistance to neighborhood organizations for effectively preparing and implementing specific housing, economic and community development, and other appropriate neighborhood conservation and revitalization

projects within a particular neighborhood, and to assist such organizations in implementing such projects in partnership with local government and other public and private entities.

Grants and other forms of assistance are available under this Title only when the application contains a certification by the unit of general local government, stating that the objectives of the application are consistent with those housing and community development, economic development and neighborhood conservation or revitalization activities being carried out by that unit of local government.

The Senate Appropriations Committee expressed concern that the program monies had been solely for the use of urban-based groups. The Committee Report (No. 96-258) stated: "It is the expressed wish of the Committee that a substantial proportion of the funding should be allocated to projects outside metropolitan areas, and that a reasonable portion of this funding should be targeted to localities with populations under 10,000." Consistent with the intent of Congress, HUD had made and will make a separate announcement of fund availability for areas of 10,000 population and less.

2. Eligible Recipients and Activities

a. Eligible Recipients. Eligible recipients are voluntary, nonprofit neighborhood organizations which are broadly representative of the neighborhood where the proposed projects are located, and they must be accountable to the residents of the neighborhood. Neighborhood organizations must also have as an objective the revitalization of their neighborhood and must have a proven record or demonstrable capacity for effectively implementing such revitalization projects.

b. Eligible Activities. Grants and other forms of assistance will be available for preparing and implementing specific neighborhood housing, economic, and community development projects. Specific examples of eligible projects include physically relocating housing, rehabilitating residential space, creating commercial space and designing solar energy devices. Applicants are also required to submit a certification by the unit of general local government that the proposed project is supportive of the local government's housing and community development objectives. To be eligible, these projects must be supportive of a neighborhood revitalization strategy; contain a self-help component which involves a contribution of time or resources by neighborhood residents; directly benefit the residents of a low- or moderate-income neighborhood; involve a leveraging strategy for support from the private sector and the coordination of State, local, or federal resources; and demonstrate active support of the neighborhood residents for the proposed projects.

PROGRAM PURPOSE

In the formulation of the President's National Urban Policy, considerable attention was given to the ways in which neighborhood organizations could stimulate and catalyze neighborhood revitalization through preparing and implementing revitalization projects in partnership with local government. Awareness of the desirability of this partnership grew out of a recognition that many neighborhood organizations have been implementing successfully such revitalization projects. The Neighborhood Self-Help Development legislation was thus conceived, as a modest, but integral component of the President's National Urban Policy. It builds upon the experiences which show that effective neighborhood revitalization efforts must involve direct and active involvement of neighborhood organizations and others affected at the neighborhood level.

Also, one of the program's goals is to increase the capacity of neighborhood-based organizations so they may effectively participate in revitalization projects.

Neighborhood Self-Help Development Program

PROGRAM ACTIVITY

1. Fiscal Year 1980. As a result of the $5 million 1979 supplemental appropriation and the 1980 $10 million appropriation for the Neighborhood Self-Help Development program, a total of $15 million is available for obligation in 1980. It is anticipated that these funds will finance 120 grants in 1980. Interim program regulations were published October 22, 1979, with a public comment period through January 7, 1980. The first request for applications was published November 21, 1979. Separate but simultaneous competitions were announced for rural community-based organizations and for urban neighborhood development organizations. Applications are due by March 21, 1980. The first announcement of grant approvals is expected in May 1980. A second competition will be held in the Spring and Summer of 1980.

During November 1979, the Department held fourteen meetings and workshops to broaden public awareness of the program, to solicit comments on the proposed regulations, and to assist groups in preparing for the first program cycle. Training, publications and information services have also been made available to neighborhood organizations and city and State officials working with them. Training events are planned to focus on: (1) the management and fiscal accountability deficiencies of existing neighborhood groups; (2) methods of increasing other resources for neighborhood revitalization projects; and (3) new areas of self-help program development. Publications and information services have focused on practical program development information.

2. Fiscal Year 1981. The $15 million appropriation request for fiscal year 1981 will enable the Department to continue providing support for grants and other forms of assistance to neighborhood organizations to prepare and implement neighborhood revitalization projects. These funds will enable the Department to provide the same number of grants (120) as in 1980 to qualified neighborhood organizations. A portion of the 1981 Budget will also be devoted to continuing the training and information services provided in 1980.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND CONSUMER PROTECTION

MOBILE HOME INSPECTION AND MONITORING PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE+ DECREASE- 1981 vs 1980
			(Dollars in Thousands)		
Workload Factors:					
State Plans Approved.....	34	39	36	39	+3
Mobile Homes Produced.....	280,000	325,000	290,000	300,000	+10,000
Budget Authority:					
Permanent, Indefinite Appropriation.....	a/	a/	$9,835b/	$5,700	-$4,135
Obligations:					
Mobile Home Inspection and Monitoring Program.....	a/	a/	8,300	7,000	-1,300
Budget Outlays:					
Mobile Home Inspection and Monitoring Program.....	...	...	8,300	7,000	-1,300
Mobile Home Standards Program.....	$209	...	731	...	-731
Total.....	209	...	9,031	7,000	-2,031

a/ This is a new account, begun in fiscal year 1980. Prior to fiscal year 1980, fee collections were not included within budget totals.

b/ Includes an estimated $5,500 thousand in fiscal year 1980 fee collections and $4,335 thousand previously held by the HUD contractor, National Conference of States on Building Codes and Standards.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation action is required for this program.

Beginning in 1980, a permanent, indefinite appropriation account--designated the Mobile Home Inspection and Monitoring Program--has been established for the collection of the fee charged to the manufacturers for each mobile home produced. Fees were formerly collected and retained by HUD's contract agent, the National Conference of States on Building Codes and Standards (NCSBCS), and did not appear in budget totals. The name of the program has also been changed to describe more fully the nature of the program.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

The number of State plans estimated to be approved in 1980 has dropped from 39 to 36, since States are participating at a lower rate than anticipated.

Mobile Home Inspection and Monitoring Program

The 1980 current estimate of mobile homes produced reflects a small decrease based on the actual level of production in 1979.

The 1980 current estimate for budget authority reflects the establishment of a special fund (permanent, indefinite appropriation). Fees collected will be deposited in the special fund rather than be held by the contractor. This change will result in better cash management procedures in the program. The estimate includes $4,335 thousand previously held by the contractor and $5.5 million in new fees.

The 1980 current estimate for outlays results from the establishment of the special fund ($8,300 thousand) and the outlay of the remaining $731 thousand from prior years' appropriations which were enacted to conduct initial inspection activity and collect data during the formulation of mobile home standards.

EXPLANATION OF INCREASES AND DECREASES

The estimated increase of three State plans in 1981 reflects the anticipation that State Administrative Agency Training programs held in 1979 and the continued expansion of the mobile home industry will encourage the participation of additional States.

The estimated number of mobile homes to be produced in 1981 has been increased because of the expectation that, as building costs continue to rise, more low- and moderate-income families will select mobile homes as acceptable housing.

The 1981 appropriation is estimated to decrease, since it reflects only the fees to be collected as a result of the number of mobile homes produced in 1981.

The 1980 obligations exceed 1981 obligations because of the need to meet the contractor's initial (nonrecurring) program operating expenses.

The decrease in outlays in 1981 is due to the full disbursement of remaining obligations for the Mobile Home Standards program by the end of 1980 and the nonrecurrence of the outlays required in 1980 to meet the contractor's initial program operating expenses.

PROGRAM DESCRIPTION

The Mobile Home Construction and Safety Standards Act of 1974, as amended by the Housing and Community Development Amendments of 1979, authorizes the Mobile Home Inspection and Monitoring program. Under the Act, the Secretary is directed to establish appropriate Federal mobile home construction standards for the construction, design and performance of a mobile home which meets the needs of the public including the need for quality, durability and safety. The initial Construction and Safety Standards Act took effect June 15, 1976. All mobile homes produced since that time must comply with the Federal construction and safety standards.

Funds were appropriated in 1976 and 1977 for "start-up" costs for monitoring and inspection related activities under the Mobile Home Standards program. It is estimated that these funds will be disbursed fully by the end of 1980. A $19 fee is charged to the manufacturers for each mobile home produced to cover the continuing cost of these activities. The fees were collected and the program was administered by HUD's contract agent, NCSBCS. Beginning in 1980, however, a permanent, indefinite appropriation account has been established for the collection of the fees.

Mobile Home Inspection and Monitoring Program

Activities authorized by Title VI include the following:

1. Establishment of Standards. Under the Act, the Secretary is directed to establish appropriate Federal mobile home construction standards for the construction, design, and performance of a mobile home which meets the needs of the public, including the need for quality, durability, and safety. The Act defines "mobile home" to mean a transportable structure, at least 8-feet wide and 32-feet long, including the plumbing, heating, air-conditioning and electrical systems therein.

2. National Mobile Home Advisory Council. Section 605 of the Housing and Community Development Act of 1974 created a 24-member Advisory Council which consults with the Secretary on mobile home construction and safety standards. This Council is expected to meet several times each year to review and comment on the issuance of, or modification to, proposed standards. Costs associated with these meetings are included under the request for "Salaries and Expenses," and are shown in the section of these Justifications relating to that appropriation.

3. Enforcement of Standards. The Federal staff to monitor this program is paid from the appropriation "Salaries and Expenses," and is discussed in detail in that section of these Justifications.

Enforcement of regulations covering the design and manufacturing of mobile homes is accomplished mainly by third-party primary inspection agencies which are approved by HUD and whose performance is monitored by HUD and/or an agent of HUD. HUD has the overall responsibility to assure that its contract agent and primary inspection agency are performing properly. Some primary inspection agencies are private while others are State agencies.

Enforcement of regulations concerning manufacturers' responsibilities for providing remedial actions in response to consumer complaints and in response to manufacturers otherwise discovering certain flaws in units they produced is primarily to be accomplished by State agencies under HUD-approved enforcement plans. The performance of approved State agencies is monitored by HUD staff directly. The inspection fees charged manufacturers and distributors are used to support the cost of assuring that inspection agencies adequately enforce Federal standards.

The Department encourages the active participation of State agencies in the enforcement program. Under the Act, State agencies are authorized to carry out the enforcement responsibilities of the Act on condition that they demonstrate their willingness and capacity to assure effective compliance within their jurisdictions. State compliance plans must be reviewed by the Department at least annually, and the Secretary is required to report to the Congress on the effectiveness of State enforcement programs.

4. Noncompliance with Standards. Title VI requires that every manufacturer of mobile homes provide HUD with the building plans for each model produced, and a certification that every unit built meets the Federal standards in effect at the time of production. If the Department determines that any mobile home does not comply with the standards established pursuant to the Act or contains a defect constituting a significant safety hazard, it is authorized to require the manufacturer to notify the purchaser of such mobile homes of the defect and, in certain cases, may require repair, replacement or refund of the price of the defective units.

The Act provides the Secretary with broad enforcement powers to assure compliance with the Federal standards, including the right to subpoena witnesses and to carry out on-site inspections of mobile home production facilities. Criminal and civil penalties are provided for willful violations of the Act.

Mobile Home Inspection and Monitoring Program

PROGRAM ACTIVITY

The initial Construction and Safety Standards Act took effect June 15, 1976. All mobile homes produced since that time must comply with the Federal construction and safety standards.

To date 36 States have had their State Administrative Agencies (SAAs) approved for participation in the program. Thirty Primary Inspection Agencies (PIAs) (14 private and 16 State) have been approved as qualified to serve as a Design Approval Primary Inspection Agency (DAPIA) and/or Factory Inspection Primary Inspection Agency (IPIA).

During 1980 and 1981, HUD will conduct on-site monitoring reviews of State Administrative Agencies and obtain public comment on a proposed comprehensive rewrite of Federal standards; continue and increase the number of inspections and mobile home production and design reviews; encourage additional States to participate in the program; continue to monitor State agency operations; administer notification and recall campaigns as required; and continue to collect data which will enable the Department to effectively establish mobile home related policy. In addition to inspection activity supported directly by fee income, the Department conducts research, under the Research and Technology appropriation, relating to mobile home construction and safety standards.

In 1981, it is estimated that $5,700 thousand will be collected from manufacturers for the production of 300,000 mobile homes. For each $19 fee, $10 will be used to cover the costs of monitoring manufacturers' quality control procedures and the remaining $9 will be used within participating States to help defray the cost of inspections relating to consumer complaints. The amounts also will permit an expansion of on-going monitoring activities to improve the performance of inspection and design approval agencies.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 5: NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
			(Dollars in Thousands)			
TOTAL FUNDING BY OBJECT						
Personal Services....	$9,684	$11,184	$11,136	$11,394	$11,300	+$164
Other Services.....	457	449	449	587	578	+129
(Automated Data Processing Services).....	(208)	(252)	(252)	(318)	(309)	(+57)
Furniture and Equipment.....	92	75	75	53	48	-27
All Other.....	1,118	1,062	1,062	1,432	1,432	+370
Total.....	11,351	12,770	12,722	13,466	13,358	+636
Pay increase supplemental included above		(591)	(543)			
Permanent positions-End of Year.....	354	376	376	376	376	...
Staff-Years.....	378.5	392.4	390.4	392.4	389.4	-1.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $48 thousand to reflect a reduction of 2 staff-years which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-years reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $94 thousand--from $11,394 thousand to $11,300 thousand--is included in this revised request. The reduction reflects the possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 3 staff-years has been applied. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Automated Data Processing (ADP) - A reestimate of automated data processing costs, which reflects more recent cost and requirements data, results in a reduction of $9 thousand, from $318 thousand to $309 thousand. This subject is addressed in greater detail in the section for the Working Capital Fund (WCF), included in Part 3 of the Justification, which addresses overall Departmental ADP requirements.

Equipment - The reduction of $5 thousand, from $53 thousand to $48 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with each particular Budget Activity of "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980 and 1981.

BUDGET ACTIVITY 5: NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND CONSUMER PROTECTION

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity.....	$11,351	$13,776	$12,770	$13,466	+$696
Pay increase supplemental included above...			(591)		
Permanent Positions - End of Year.....	354	388	376	376	...
Staff-years.....	378.5	404.0	392.4	392.4	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request for Neighborhoods, Voluntary Associations and Consumer Protection is $13,466 thousand and 376 positions. This represents an increase of $696 thousand, as compared to 1980. No additional positions are requested for 1981.

The additional funds consist of $210 thousand for personal services costs, primarily for within-grade increases, and $486 thousand for other costs--principally for travel (+$303 thousand), special contracts (+$70 thousand) and for automated data processing (+$66 thousand).

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Neighborhoods, Voluntary Associations, and Consumer Protection

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 estimate varies from the Budget estimate as follows:

	(Dollars in Thousands)
Original estimate	$13,776
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses"	-503
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-37
Add October 1979 pay raise	+729
Less revised estimate for personal services costs	-131
Less revised estimate for ADP services	-1,070
Add revised estimate for other support costs	+6
Current 1980 estimate	12,770

The changes in funding requirements for FY 1980 are the result of the following:

--Action by the Congress on the Department's 1980 budget request for "Salaries and Expenses" as follows:

* A reduction of 12 positions (-$238,000)

* A share of the general departmentwide reduction of $6.8 million for "Salaries and Expenses" (5.9 staff-years and -$168,000)

* A share of the $396,000 departmentwide reduction from the budget request for travel (-$13,000)

* A share of the $2 million departmentwide reduction from the budget request for automated data processing (-$84,000)

--A share of the additional departmentwide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by the Congress (P.L. 96-86);

--the additional funds required to implement the pay increase which became effective during October 1979;

--a decrease of personal services cost estimates based on more recent average salaries and benefits data;

--a reduction in anticipated ADP costs due to changes in the development and implementation schedules for ADP support systems; and

--a net increase for other support costs, such as equipment rentals, and printing on the basis of more recent cost data.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Neighborhoods, Voluntary Associations, and Consumer Protection

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$11,351	$12,770
Increased pay rates:		
October 1978 raise	+7	...
October 1979 raise	+729	+10
Additional cost of within-grade increases	+138	+151
Cost of two extra days' pay in 1980	+85	...
Cost of one less day's pay in 1981	...	-44
Changes in average personal services costs	+541	+93
Changes in equipment rental costs	+73	+49
Changes in special contracts funding	-62	+70
All other changes	-92	+367
Total obligations	12,770	13,466

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost an additional $736 thousand in 1980 and an additional $10 thousand in 1981.

Within-grade increases for employees are estimated to cost $138 thousand in 1980 and an additional $151 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared with 260 days in 1979. These two extra days are estimated to require an additional $85 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $44 thousand less in 1981.

Increases of $541 thousand in 1980 and an additional $93 thousand in 1981, are primarily due to reduced use of temporary staff, as compared to permanent staff, which results in higher average personal services costs.

Increased use of and increased costs for rental office equipment results in increases of $73 thousand in 1980 and $49 thousand in 1981.

Changes in special contract requirements result in a reduction of $62 thousand in 1980 and an increase of $70 thousand in 1981.

Changes for all other items, such as travel, printing and automated data processing services and supplies, result in a net decrease of $92 thousand in 1980 and an increase of $367 thousand in 1981. The change principally reflects a decrease of $140 thousand for travel in 1980 and an increase of $303 thousand for travel in 1981.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

Neighborhoods, Voluntary Associations, and Consumer Protection has the primary responsibility for administering and enforcing the Department's regulatory functions in the areas of interstate land sales registration, mobile home construction and safety standards, real estate settlement procedures, and lead-based paint poisoning prevention; ensuring consumer participation in the development of the

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Department's policies and programs; increasing the opportunities for neighborhood, voluntary and other non-governmental organizations to participate in the development, revitalization and stabilization of urban and regional areas; providing support and guidance to HUD-approved counseling agencies; and insuring delivery of social services programs to tenants of federally subsidized housing.

2. WORKLOAD

The types of work performed by NVACP are discussed in detail later in this Justification. However, the following table reflects a sample of the NVACP workload:

TYPE OF WORK	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Interstate Land Sales:				
Filings	3,452	3,460	3,460	...
Complaints, Inquiries and Related Correspondence	10,889	12,600	12,600	...
Legal Proceedings Initiated	670	650	650	...
On Site Inspections	1,229	950	950	...
Mobile Homes:				
State Plans Approved	34	36	39	+3
Mobile Homes Produced	280,000	290,000	300,000	+10,000
HUD-Approved Counseling Agencies	600	650	700	+50
Consumer Complaints Received Department-wide	32,604	50,000	50,000	...
Consumer Complaints Processed in NVACP	2,787	5,000	5,000	...
Newsletters Issued	9	12	12	...
Requests for Departmental Consumer Program and Regulatory Guides	120,000	350,000	500,000	+150,000
Consumer Guides Prepared	1	4	6	+2
Layman Summary of Regulations Prepared	3	2	8	+6
Consumer Forums:	88	108	111	+3
Headquarters	(6)	(6)	(6)	(...)
Regions	(1)	(10)	(10)	(...)
Other Field Offices	(79)	(80)	(90)	(+10)
State Co-sponsored	(2)	(12)	(5)	(-7)
Number of Field Office Communication Systems Established	8	25	14	-11
Legislation Reviewed	181	150	150	...
Regulations and Other Issuances Reviewed	691	700	700	...
Reports, Special Studies, Option Papers, etc., Reviewed	60	75	75	...
Grants or Contracts Awarded:				
Housing Counseling Assistance	300	350	350	...
Neighborhood Self-Help	...	120	120	...
Training Workshops	12	115	115	...

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Neighborhoods, Voluntary Associations, and Consumer Protection

EXPLANATION OF STAFFING REQUIREMENTS

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Headquarters.....	199	230	225	225	...
Field.....	155	158	151	151	...
Total.....	354	388	376	376	...

The change in the 1980 staffing level from the Budget estimate reflects the Congressionally mandated reduction in NVACP staff of 12 positions from 388 positions to 376 positions. No additional positions are requested for 1981.

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Headquarters.....	218.9	240.0	232.4	232.4	...
Field.....	159.6	164.0	160.0	160.0	...
Total.....	378.5	404.0	392.4	392.4	...

The staff-years indicated above, except for the 1980 Budget Estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget Estimate would be 407.3 staff-years, and the 14.9 reduction, as compared to the Current Estimate, reflects the reduction resulting from Congressional action on the 1980 Budget.

The staff-years for Neighborhoods, Voluntary Associations, and Consumer Protection consist of the following components:

	1979	1980	1981
Permanent full-time personnel...	343.0	370.0	376.0
Special employment programs.....	15.5	15.0	9.0
Other temporary and part-time employees.....	15.1	2.4	2.4
Terminal leave.....	.9	1.0	1.0
Overtime.....	4.0	4.0	4.0
Total staff-years.....	378.5	392.4	392.4

The change in staff-years for permanent full-time personnel reflects the increase in employment to reach the authorized staffing level of 376 positions in 1980 and to maintain that level in 1981.

A description of the last four categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD," in another section of the Justification. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment, and special employment programs, which include such specialized programs as employment for the handicapped, Vietnam veterans, and summer college students.

The following tables list the permanent full-time positions and staff-years for the organizations within the Neighborhoods, Voluntary Associations, and Consumer Protection activity, followed by a discussion of the functions and staffing requirements for each of these organizations. Also included is a comparison of the current 1980 staffing with the Budget estimate.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Neighborhoods, Voluntary Associations, and Consumer Protection

1. HEADQUARTERS EMPLOYMENT

OFFICE	PERMANENT FULL-TIME POSITIONS ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Assistant Secretary.....	15	10	15	15	...
Management and Field Support.....	15	9	14	14	...
Policy and Program Development.....	15	6	18	18	...
Neighborhoods and Consumer Affairs.....	57	100	74	74	...
Regulatory Functions.....	97	105	104	104	...
Total, Permanent full-time positions, end of year.....	199	230	225	225	...

	STAFF-YEARS ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Assistant Secretary.....	16.5	10.0	16.5	16.5	...
Management and Field Support	16.5	10.0	14.3	14.3	...
Policy and Program Development.....	16.5	6.0	18.5	18.5	...
Neighborhoods and Consumer Affairs.....	62.7	105.5	75.7	75.7	...
Regulatory Functions.....	106.7	108.5	107.4	107.4	...
Total Staff-years.....	218.9	240.0	232.4	232.4	...

a. Assistant Secretary

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year.....	15	10	15	15	...
Staff-years.....	16.5	10.0	16.5	16.5	...

The Assistant Secretary for NVACP is the principal advisor to the Secretary for Departmental programs and activities related to neighborhood development, consumer affairs, as well as non-governmental public and private sector and voluntary organization participation in HUD programs. The Assistant Secretary also administers key regulatory activities and serves as the Department's energy conservation officer.

The increase of five positions in the current 1980 estimate as compared to the 1980 Budget estimate is to provide assistance in the internal management of NVACP. No change in staffing is requested for 1981.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Neighborhoods, Voluntary Associations, and Consumer Protection

b. Management and Field Support

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	15	9	14	14	...
Staff-years	16.5	10.0	14.3	14.3	...

The Office of Management and Field Support provides personnel, budget, and administrative support to all NVACP programs. In addition, it provides functional guidance for and support to the NVACP field staff.

The increase of five positions in the current 1980 estimate as compared to the 1980 Budget estimate reflects the additional positions required to staff the budget, administrative and field support functions on a full-time basis. This is consistent with the recommendations of a comprehensive management study of NVACP completed in August 1978. No change in staffing is requested for 1981.

c. Policy and Program Development

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	15	6	18	18	...
Staff-years	16.5	6.0	18.5	18.5	...

The Office of Policy and Program Development serves as the policy and planning arm of the Assistant Secretary for NVACP and monitors progress towards meeting its goals and objectives.

The increase of twelve positions in the current 1980 estimate as compared to the 1980 Budget estimate is due in part, to increased workload in this office as a result of acquiring Departmental responsibility to promote women and Hispanic participation and consideration in HUD policy and program development. Also, additional staff is required to provide review and analysis of proposed major NVACP policies and programs and to develop new or improved policies and programs to aid in the achievement of NVACP objectives of the Department. No change in staffing is requested for 1981.

d. Neighborhoods and Consumer Affairs

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	57	100	74	74	...
Staff-years	62.7	105.5	75.7	75.7	...

The Office of Neighborhoods and Consumer Affairs is responsible for: ensuring consumer participation in the development of the Department's policies and programs; increasing the opportunities for neighborhood, voluntary and other non-government public and private sector organizations to participate in the development,

revitalization and stabilization of urban and regional areas; providing support and guidance to HUD-approved counseling agencies; and insuring delivery of social service programs to tenants of federally subsidized housing.

The specific functions carried out in Headquarters and the field related to meeting those responsibilities follow:

(1) administering the Housing Counseling Assistance program;
(2) insuring the delivery of social service programs to tenants of federally subsidized housing;
(3) conducting public hearings on key consumer issues;
(4) developing appropriate consumer education materials;
(5) monitoring response to consumer complaints to effect a timely, responsive reply and to gather information about the nature of the complaints and the affected HUD programs;
(6) reviewing HUD issuances, regulations, handbooks, notices and legislation to insure consideration of consumer interests;
(7) providing support to improve management capabilities of neighborhood development organizations involved in neighborhood revitalization/stabilization and community development;
(8) providing information and technical assistance to community organizations and groups involved with Federal programs supporting neighborhood revitalization/stabilization;
(9) administering the Congregate Housing program on behalf of the Office of Housing;
(10) conducting conferences, workshops and training seminars for neighborhood organization staffs;
(11) initiating contact and providing information to a network of non-profit as well as profit-based organizations and institutions to help them obtain assistance toward the support of neighborhood-based community economic development;
(12) serving as a focal point for Departmental energy conservation objectives, policies and procedures; and
(13) developing and maintaining liaison with neighborhood organizations, through information sharing, technical assistance, training and grants, in order to identify these organizations as potential participants in neighborhood development programs.

The decrease of twenty-six positions in the current 1980 estimate, as compared to the 1980 Budget estimate, is due to an overall reduction in NVACP staff as mandated by the Congress, elimination of staff for the Livable Cities program which was not funded in 1980 and the realignment of staff consistent with current workload. No additional positions are requested for 1981.

e. Regulatory Functions

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year.....	97	105	104	104	...
Staff-years.....	106.7	108.5	107.4	107.4	...

A decrease in the current estimate for 1980, compared to the 1980 Budget estimate, is due to the elimination of a position for the liaison function with the Mobile Home Advisory Council in the Office of Mobile Home Standards.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Neighborhoods, Voluntary Associations, and Consumer Protection

The Office of Regulatory Functions has the responsibility for administering four regulatory statutes assigned to the Department. These statutes are:

--Interstate Land Sales Full Disclosure Act, Title XIV of P.L. 90-488;

--National Mobile Home Construction and Safety Standards Act of 1974, Title VI of P.L. 93-383;

--Real Estate Settlement Procedures Act of 1974, P.L. 93-353, as amended; and

--Lead-Based Paint Poisoning Prevention Act of 1971, as amended.

This office performs the following functions:

(1) administers the implementation and oversight of the four statutes and related regulations;

(2) develops legislative recommendations and regulatory changes;

(3) negotiates the resolution of consumer complaints arising from alleged developer or manufacturer noncompliance with the provisions of the statutes and regulations;

(4) develops and disseminates consumer information relating to the statutes and regulations;

(5) provides technical assistance to States and localities;

(6) maintains all filings required by the Interstate Land Sales Full Disclosure Act and regulations;

(7) coordinates methods for inspecting and testing mobile homes to determine compliance with the standards;

(8) effects mobile home defect investigation, purchaser notification and repair of defects; and

(9) provides support to an interdepartmental condominium task force established to standardize the documentation required in building, financing and selling condominium properties.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Neighborhoods, Voluntary Associations, and Consumer Protection

2. FIELD OFFICE EMPLOYMENT

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Interstate Land Sales.....	26	28	24	24	...
NVACP Field Staff.....	129	130	127	127	...
Total, permanent full-time positions, end of year.....	155	158	151	151	...

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Interstate Land Sales.....	26.8	28.0	25.4	25.4	...
NVACP Field Staff.....	132.8	136.0	134.6	134.6	...
Total, Staff-Years.....	159.6	164.0	160.0	160.0	...

The decrease of seven positions in the current estimate for 1980, as compared to the 1980 Budget estimate, is due to the realignment of field staff consistent with current workload requirements. No additional staff increases are requested for 1981.

a. Interstate Land Sales Field Staff

This staff is composed of field representatives who report directly to Headquarters through the Office of Regulatory Functions. They are assigned and located in specific geographic areas where they become familiar with the area and the prevalent regulatory and legal characteristics affecting the land sales transactions. The staff spends approximately 80 percent of their time in travel status performing site inspections of registered subdivisions, follow-up services and reviews to discover unregistered subdivisions.

The primary concern of the field representatives is to protect the interest of consumers and enforce legislation by conducting subdivision inspections to determine the adequacy of disclosure in property reports. They must study the documentation filed with HUD Headquarters and conduct an onsite comparison of the facts. The onsite inspection also involves an examination of legal records and contracts with the local authorities having jurisdiction over the various aspects of a subdivision (e.g., water, sewer, electricity, telephone, Corps of Engineers, etc.).

b. Other NVACP Field Staff

Other field staff are responsible for the effective operation of all functions related to the implementation of the programs and policies of the NVACP field office. These functions include (1) providing advice to applicants and sponsors of HUD-assisted and insured programs on the community and tenant services aspects of their programs; (2) recruiting and certifying housing counseling agencies as acceptable counselors for potential homebuyers, homeowners, and renters under HUD programs, monitoring their performance, and providing training and technical assistance to agencies as needed; (3) participating in the housing counseling grant award process and evaluating agency compliance with the grant agreement; (4) managing and operating the consumer complaint reporting and analysis system in the field; and (5) designing, conducting and evaluating local consumer forums and neighborhood development organization workshops to foster sharing of information and to ensure HUD program and policy sensitivity to local consumer and neighborhood needs.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Neighborhoods, Voluntary Associations, and Consumer Protection

The current 1980 estimate, as compared with the 1980 Budget estimate, reflects the Departmental realignment of field staff consistent with current workload, which was based on actual FY 1979 workload data.

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Travel and Transportation of Persons	$731	$671	$591	$894	+$303
Transportation of Things	27	17	17	20	+3
Rent, Communications and Utilities	188	194	261	310	+49
Printing and Reproduction	114	80	126	138	+12
Other Services	457	1,647	449	587	+138
(Special Contracts)	(152)	(90)	(90)	(160)	(+70)
Supplies and Materials	58	62	66	69	+3
Equipment	92	105	75	53	-22
Indemnities for Property Damage	...	...	1	1	...
Total, Other Objects	1,667	2,776	1,586	2,072	+486

Costs for these objects of expense are based in large part on a pro rata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD." However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The obligations for travel in 1980 include the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

Obligations for travel are expected to increase in 1981 by $303,000. In addition to that portion of the increase related to higher travel costs in 1981, additional travel requirements will result from expanded mobile homes activity, including inspection of mobile home factories to determine their compliance with HUD standards and regulations. Travel is expected to increase, also, with the added number of consumer forums planned for 1981 and for the expanding activity under the Neighborhood Self-Help Development program.

A more detailed discussion of the basis for the Department's travel estimates is found in the section "Salaries and Expenses, HUD," continued in Volume III.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Neighborhoods, Voluntary Associations, and Consumer Protection

The Other Services category consists primarily of automated data processing services (ADP) and special contracts. The increase of $138 thousand includes an increase of $66 thousand for ADP services related to the development or enhancement of eleven programs and their operation and maintenance. Almost all of the balance of the increase--$70 thousand--is for special contracts which are unique to this activity. Following is a summary of special contract activity:

SPECIAL CONTRACTS	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Microfilm System.....	$40	$40	$25	$50	+$25
State Co-sponsored Consumer Forums.....	35	..	25	50	+25
Local Consumer Forums....	..	..	..	50	+50
Special Studies and Technical Assistance...	57	50	40	10	-30
Neighborhood Development.	20	..	..	..	..
Total.....	152	90	90	160	+70

1. Microfilm System.....$50 Thousand

Due to space limitations, requirements for file availability, the necessity for file integrity, the need to have material available to field representatives, and the sheer volume of filings, a microfilm system is being installed for Interstate Land Sales Registration. In past years, in-house efforts to prepare the files for processing by a contractor were delayed and hampered by the unavailability of adequate equipment and lack of personnel resources. However, the problem with the equipment appears to have been eliminated and the 1981 estimate essentially covers the continued conversion of the existing files to microfilm which was begun in 1977 and amendments to the files as required by new regulations which became effective in June 1979. It is estimated that this level of funding would be required for the next 5 to 6 years in order to complete the conversion of existing files to microfilm.

2. State Co-sponsored Consumer Forums.....$50 Thousand

These contracts would be awarded to State Departments of Housing and Community Development or Departments of Consumer Affairs to administer State Co-sponsored Consumer Forums on HUD's programs. The purpose of the State Co-sponsored Consumer Forums is to build a working partnership with State agencies to expand our government/consumer working relationship. These forums would focus on how the levels of government work to complement each other in the implementation of housing and community development programs. The forums would improve cooperation between HUD field offices which generally work directly with localities and state agencies.

3. Local Consumer Forums.....$50 Thousand

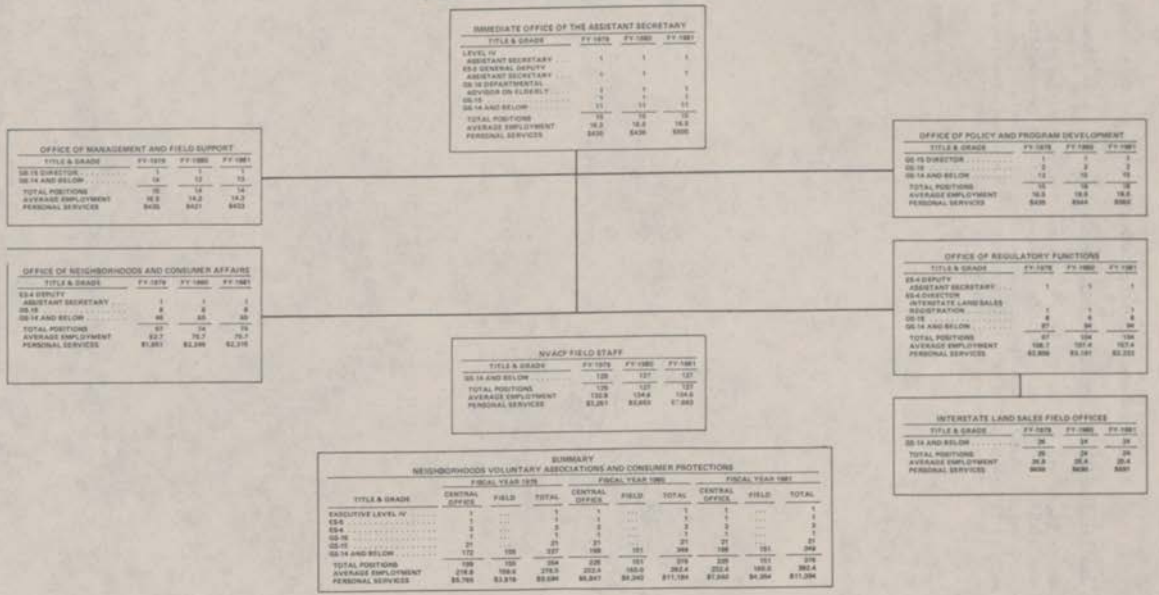
These funds are for conducting local consumer forums to inform consumers and solicit their views on HUD issues and programs. These forums would provide a broad spectrum of views valuable in shaping Departmental policies and programs to better reflect a sensitivity to consumer and neighborhood needs. This is one of the most far-reaching efforts ever attempted to increase the involvement of consumers in the governmental decision making process. While the State co-sponsored forums continue to be successful in increasing cooperation with State agencies and in involving larger consumer organizations, local forums would involve smaller organizations and individual consumers who could not afford to travel to State forums.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Neighborhoods, Voluntary Associations, and Consumer Protection

4. Special Studies and Technical Assistance.....$10 Thousand

These funds are for ad hoc short-term special studies relating to NVACP programs and workload. They will include studies to assist in providing technical assistance to neighborhood, community and volunteer organizations; and to provide support related to cases of dispute that are brought to administrative hearings under the National Mobile Home Construction and Safety Standards Act.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
NEIGHBORHOODS VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION
DETAIL OF FULL—TIME IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



IMMEDIATE OFFICE OF THE ASSISTANT SECRETARY

TITLE & GRADE	FY 1979	FY 1980	FY 1981
LEVEL IV			
ASSISTANT SECRETARY	1	1	1
03-0 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
09-16 DEPARTMENTAL ADVISOR ON ELDERLY	1	1	1
09-15	1	1	1
09-14 AND BELOW	11	11	11
TOTAL POSITIONS	15	15	15
AVERAGE EMPLOYMENT	15.0	15.0	15.0
PERSONAL SERVICES	$436	$436	$505

OFFICE OF MANAGEMENT AND FIELD SUPPORT

TITLE & GRADE	FY 1979	FY 1980	FY 1981
09-15 DIRECTOR	1	1	1
09-14 AND BELOW	13	13	13
TOTAL POSITIONS	14	14	14
AVERAGE EMPLOYMENT	14.0	14.2	14.2
PERSONAL SERVICES	$435	$421	$433

OFFICE OF POLICY AND PROGRAM DEVELOPMENT

TITLE & GRADE	FY 1979	FY 1980	FY 1981
09-15 DIRECTOR	1	1	1
09-15	2	2	2
09-14 AND BELOW	15	15	15
TOTAL POSITIONS	18	18	18
AVERAGE EMPLOYMENT	18.0	18.0	18.0
PERSONAL SERVICES	$435	$444	$502

OFFICE OF NEIGHBORHOODS AND CONSUMER AFFAIRS

TITLE & GRADE	FY 1979	FY 1980	FY 1981
03-4 DEPUTY ASSISTANT SECRETARY	1	1	1
09-15	8	8	8
09-14 AND BELOW	65	65	65
TOTAL POSITIONS	67	74	74
AVERAGE EMPLOYMENT	62.7	76.7	76.7
PERSONAL SERVICES	$1,951	$2,349	$2,315

OFFICE OF REGULATORY FUNCTIONS

TITLE & GRADE	FY 1979	FY 1980	FY 1981
03-4 DEPUTY ASSISTANT SECRETARY	1	1	1
03-4 DIRECTOR INTERSTATE LAND SALES REGISTRATION	1	1	1
09-15	6	6	6
09-14 AND BELOW	97	97	97
TOTAL POSITIONS	97	104	104
AVERAGE EMPLOYMENT	106.7	107.4	107.4
PERSONAL SERVICES	$2,809	$3,181	$3,333

NVACP FIELD STAFF

TITLE & GRADE	FY 1979	FY 1980	FY 1981
09-14 AND BELOW	126	127	127
TOTAL POSITIONS	126	127	127
AVERAGE EMPLOYMENT	132.9	134.6	134.6
PERSONAL SERVICES	$3,261	$3,663	$7,940

INTERSTATE LAND SALES FIELD OFFICES

TITLE & GRADE	FY 1979	FY 1980	FY 1981
09-14 AND BELOW	24	24	24
TOTAL POSITIONS	25	24	24
AVERAGE EMPLOYMENT	25.0	25.4	25.4
PERSONAL SERVICES	$656	$690	$691

SUMMARY
NEIGHBORHOODS VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTIONS

TITLE & GRADE	FISCAL YEAR 1979 CENTRAL OFFICE	FISCAL YEAR 1979 FIELD	FISCAL YEAR 1979 TOTAL	FISCAL YEAR 1980 CENTRAL OFFICE	FISCAL YEAR 1980 FIELD	FISCAL YEAR 1980 TOTAL	FISCAL YEAR 1981 CENTRAL OFFICE	FISCAL YEAR 1981 FIELD	FISCAL YEAR 1981 TOTAL
EXECUTIVE LEVEL IV	1	...	1	1	...	1	1	...	1
03-6	1	...	1	1	...	1	1	...	1
03-4	3	...	3	3	...	3	3	...	3
03-16	1	...	1	1	...	1	1	...	1
03-15	21	...	21	21	...	21	21	151	249
09-14 AND BELOW	172	155	327	198	151	349	198	151	349
TOTAL POSITIONS	199	155	354	225	151	376	225	151	376
AVERAGE EMPLOYMENT	216.8	156.6	376.5	232.4	160.0	392.4	232.4	160.0	392.4
PERSONAL SERVICES	$5,765	$3,919	$9,684	$6,841	$4,340	$11,184	$7,040	$4,354	$11,394

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

POLICY DEVELOPMENT AND RESEARCH

RESEARCH AND TECHNOLOGY

REVISED BUDGET REQUEST

PROGRAM HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
		(Dollars in Thousands)			
Obligations (Net)	$57,146	$50,091	$54,000	$52,100	+$2,009
Appropriations (Budget Authority)	57,250a/	49,650	54,000	52,100	+2,450
Budget Outlays	63,555	54,690	53,570	52,248	-2,442

a/ Excludes $250 thousand transferred to the Federal Emergency Management Agency (FEMA).

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

The 1981 appropriation request for Research and Technology is reduced by $1.9 million from the original 1981 request for this function. This reduction will result in a 1981 outlay savings, from the original 1981 estimate, of approximately $1.3 million.

Several research activities will be affected as a result of this proposed economy measure, with the major reduction to be applied to State and Local Planning Analysis. Other reductions would be in the Energy Conservation and Program Planning area. Additionally two cities would be deleted from the Annual Housing Survey. The 1981 revised appropriation request is $2,450 thousand greater than the 1980 appropriation and is sufficient to allow the Department to continue research and demonstration efforts in accord with 1981 priorities and goals.

No changes are proposed for fiscal year 1980 from the estimates reflected in the initial fiscal year 1981 Budget Justification.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

POLICY DEVELOPMENT AND RESEARCH

RESEARCH AND TECHNOLOGY

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Obligations (Net)	$57,146	$53,000	$50,091	$54,000	+$3,909
Appropriations	57,250 a/	53,000	49,650	54,000	+4,350
Budget Outlays	63,555	53,800	54,690	53,570	-1,120

a/ Excludes $250 thousand transferred to the Federal Emergency Management Agency (FEMA).

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 Budget proposes an appropriation of $54,000,000 for the development and implementation of research, demonstration and evaluation programs administered by the Assistant Secretary for Policy Development and Research.

2. CHANGE FROM ORIGINAL 1980 BUDGET ESTIMATES

The 1980 appropriation request was reduced $3,350,000 by Congressional action. This reduction accounts for the decrease in the obligation estimate. A small increase in the 1980 outlay estimate is projected.

EXPLANATION OF INCREASES AND DECREASES

The Budget reflects a net increase of $3,909,000 in the 1981 program level. The program level of $50,091,000 for 1980 includes projects to be funded from the 1980 appropriation of $49,650,000 as well as $441,000 of unobligated balance carried over from 1979. Significant items of change in obligations for contracts, grants and cooperative agreements for 1981 are as follows:

-- A net decrease of $2,457,000 in Housing Assistance Research primarily due to the completion of the Experimental Housing Allowance Program (EHAP) in 1981.

-- A net increase of $1,050,000 in Housing Safety and Standards Research resulting from the emphasis on improved housing and systems dedicated to cost and energy savings, plus the effort to develop model rehabilitation guidelines for housing.

-- A net increase of $680,000 in Housing Economic Data and Analyses reflecting increasing analyses to take advantage of data provided by the Annual Housing Survey to address policy, program development and market analysis issues.

-- A net increase of $1,205,000 in Consumer and Equal Opportunity Research resulting primarily from the attention given to improving the delivery of housing and related services to rural areas.

-- A net increase of $120,000 in Community Conservation Research reflecting the continued activities promoting neighborhood preservation, housing maintenance, rehabilitation and reinvestment.

Research and Technology

-- A net decrease of $318,000 in Community Development Research resulting from the maturation of the local government financial management capacity sharing program.

-- A net increase of $1,100,000 in Energy Conservation and Standards Research reflecting the priorities assigned to energy related research.

-- An increase of $2,175,000 in Program Evaluation, as studies initiated in 1979 and 1980 are continued and major new evaluations are added in such areas as Housing Assistance Plans, Fair Housing and HUD's environmental quality policies.

The appropriation request is increased by $4,350,000 as a result of the above changes.

Outlays are projected to decrease slightly in 1981 due to the lower obligated balance to be carried over from 1980.

PROGRAM DESCRIPTION

1. Legislative Authority. Title V of the Housing and Community Development Act of 1970, as amended, authorizes and directs the Secretary to undertake programs of research, studies, testing, and demonstration relating to the mission and programs of the Department. In order to assure effective use 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, and to the general public.

The 1980 program contains research in areas provided with separate authorizations for appropriations by the Congress. Among these are housing allowances, housing abandonment, lead-based paint hazards, and housing for those with special needs, such as the elderly and the handicapped. Because the general research authorization of Sections 501 and 502 of the HUD Act of 1970 is broad enough to cover such activities, these programs will continue to be funded under the Research and Technology appropriation rather than under separate appropriations.

Solar energy and other energy conservation activities are conducted in cooperation with the Department of Energy under HUD's general research authority, as well as that provided by the Solar Heating and Cooling Demonstration Act of 1974 and the Energy Conservation and Production Act of 1976.

2. Policy Development and Research Organization. The Assistant Secretary for Policy Development and Research (PD&R) is responsible for the development, planning, execution, and evaluation of HUD research and 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 program evaluation, economic and policy analysis, and staff assistance to the Secretary in determining national housing and community development goals, program priorities, and objectives.

PD&R administers the Research and Technology appropriation, which is HUD's largest single funding source for carrying out research and evaluations. PD&R also administers the residential demonstration portion of the national program for development of solar heating and cooling applications, and the development program for energy performance standards for new buildings. These energy programs are funded by transfers from the Department of Energy.

3. Goals of the Research Program. HUD's research program continues to serve as a focal point for research, analysis, data collection, and dissemination of concerns and issues related to the major programs and objectives of the Department.

Research and Technology

In 1981 the program will be concentrated on a set of research areas developed jointly with the operating program areas and consisting of the following: ways to reduce the component costs of housing (cost of developing, building, financing and operating) and to be more efficient in helping lower income people afford housing through subsidy programs; more efficient ways to bring about the conservation of energy resources in the construction and operation of housing, and development of "how to" documents on innovative residential energy projects for use by State and local governments and the private sector; urban economic development; public finance and tax policy, including the role of small business in community development; changes in capital investment by cities and the impact of Federal tax and grant policies on central cities; how to provide housing needs and services for special users, such as the elderly and handicapped; the process of neighborhood change and intervention techniques designed to preserve neighborhoods by preventing and reversing decline; issues of economic and racial freedom of choice in housing and how changes in demographics may affect trends in location patterns; alternative housing finance mechanisms, such as alternative mortgage instruments, financial institution regulation and reform, and alternative tax and other financial incentives for housing; ways to make better use of technology in urban systems, to improve and maintain the vitality of communities within affordable tax levels; and evaluation of key elements of the Department's operating programs. Key evaluations continuing through 1981 include the community development strategies evaluation, the Brookings' CDBG monitoring study, the Section 8 evaluation and programs to help local government officials improve their financial management capacity.

4. Changes to Budget Structure. In Category II, the subcategory 2.2, Lead Paint Hazards, has been deleted, and work on this research program will now be included under a new broader subcategory 6.2, Environmental Studies, in Category VI, Community Development Research. This change reflects HUD's shift into research on other significant environmental hazards in addition to lead hazard research. A new subcategory 4.4, Rural Housing, has been added under Category IV, Consumer and Equal Opportunity Research, to emphasize the work being done in this important area. Previously, rural housing research was shown as part of subcategory 4.2, Housing Needs of Special Users. Subcategory 6.4 in Category VI has been retitled Community Growth and Land Use, and the environmental issues previously addressed in this section have been shifted to the new subcategory 6.2.

Subcategory 7.3 under Category VII, Energy Conservation and Standards Research, has been discontinued and work under this section has been merged with that in subcategory 7.1, retitled Energy Conservation and Utilities Research. Work under the two sections has become increasingly overlapping as energy matters have received priority attention.

5. Program Synopsis. The following narrative program summary corresponds to the structure of the funding summary table on page N-7 and of the full program descriptions which begin on page N-8.

I. Housing Assistance Research. These research activities are directed at testing new housing assistance programs and improving the Department's existing assistance programs. By the end of 1981, the third and final part of the Experimental Housing Allowance Program (EHAP) will be completed. Data and analytical products from EHAP will be merged with information from the Section 8 Research Program to suggest and evaluate potential modifications and improvements in the operation and administration of current housing programs.

The Section 8 Research Program is an ongoing effort to provide policy makers and program managers with up-to-date information on the workings of the program, which will permit them to increase the effectiveness and efficiency of the Department's major housing assistance program. The findings from the first phase of the research program indicate that the Section 8 Existing Housing Program has achieved some early success in terms of its statutory objectives and its impact on people and housing units.

Research and Technology

Continuing in 1981, a second phase of the Section 8 Research Program will analyze the outcomes of its major components--existing housing, new construction, and substantial rehabilitation. One study will look at the existing housing and new construction program in rural areas. Research will be initiated in 1981 to look at the Section 8 Substantial Rehabilitation Program and to examine the extent of economic and racial deconcentration occurring under Section 8. Another effort, continuing into 1981, will study comparative development costs under HUD multifamily housing programs. Two other research projects have addressed housing-quality inspections and income verification issues. The latter has already provided a basis for administrative changes in the Section 8 Program.

Housing management research seeks to improve the management of HUD's assisted housing programs and to ensure that adequate housing services are provided to the low-income families served by those programs. Guided by a recently developed comprehensive housing management research agenda, these issues will be addressed: providing for more effective delivery of public housing services; ensuring adequate funding levels for public housing operations; and, providing for adequate maintenance of the public housing stock. Scheduled for 1981 is a review and analysis of public housing operations in troubled projects to determine the most effective management practices for alleviating or preventing their decline. Parallel research is also being conducted to address and seek remedies for the financial, managerial and operational problems experienced by a significant number of HUD insured and assisted multifamily developments.

Research in assisted housing utilizes, among other sources, data from EHAP, the Section 8 Research Program, and the Annual Housing Survey to further HUD's understanding of housing market behavior, to enhance policy-making in this area, and, to improve the operations of current Departmental programs. These data will also be made available to universities and other institutions for independent research and analysis, to broaden the range of inquiry and insight brought to bear on the Department's problems. By 1981, it is expected that a Housing Research Data Center will be operational and accessible to industry analysts and the public.

II. Housing Safety and Standards Research. Work in this area tests and evaluates specific means to improve quality and reduce personal and financial risks for housing and mobile home occupants and owners, without substantially increasing costs. Major categories include: research to improve the safety, durability, habitability, and cost-effectiveness of existing and new housing systems and components; research concerned with improving the life safety and long-term durability of mobile homes; and, the identification, analysis, and resolution of issues hampering the administration and enforcement of the many codes and standards which govern the Nation's housing stock.

III. Housing Economic Data and Analyses. The projects in this area of research provide essential information about the quality and supply of the Nation's housing stock. They also track housing and mortgage market trends and demographic changes which relate to housing and urban problems. The information is used by HUD and other public and private decision makers to assess changing housing conditions and needs. The largest single project is the ongoing Annual Housing Survey. It measures changes in housing inventory and compiles data, in both urban and rural areas, on the physical condition of housing units, the neighborhoods in which they are located, and the characteristics of the occupants. Other work includes the effects of Federal and local tax policies on the production and location of new housing, the economics of preserving existing housing and neighborhoods, the policy and program implications of urban economics studies, assessments of alternative housing finance instruments, and surveys of mortgage market activity.

IV. Consumer and Equal Opportunity Research. This research is conducted to improve HUD's equal opportunity and fair housing compliance programs by increasing available information about discriminatory practices and their effects,

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and by identifying and testing techniques to detect discrimination and expand housing opportunities. In 1980 and 1981 efforts will be directed to: (1) assess the extent to which the opportunities of households with children are restricted by no-children policies, and (2) educate lending institutions about women's credit worthiness and thereby facilitate the entry of women into the mortgage market. Programs are also conducted to provide improved living environments for persons with special housing needs such as the elderly, the handicapped, and those living in small cities and rural areas. Activities are also aimed at improving homeownership opportunities for low- and moderate-income families through the development and testing of counseling and consumer information and assistance.

Specific projects in this area include: a demonstration that fair housing groups, by working cooperatively with HUD, can identify and rectify instances of housing discrimination (this demonstration complements the Community Housing Resource Board fair housing assistance initiative to be conducted by the Assistant Secretary for Fair Housing and Equal Opportunity); continuation of the study of discrimination practices by the lending industry; a longitudinal study of the housing adjustments of older people; an evaluation of a pilot demonstration to provide home maintenance service for the elderly in Baltimore, a multicity Elderly Home Maintenance and Repair Demonstration; and, the continuation of work on the development and demonstration of better methods of delivering housing and community development services to rural areas.

V. Community Conservation Research. This work examines the dynamics of the residential environment and measures the effectiveness of policies designed to preserve or improve the quality of neighborhoods. A key focus in 1981 will be research to assess the impact of factors external to a neighborhood on that neighborhood's internal dynamics, such as local and Federal reinvestment policies, private market activities, and other exogenous forces. This work will build on previous analyses of neighborhood deterioration, revitalization, and displacement to address certain issues including the impact on older urban and inner-suburban neighborhoods of population flows from central-city neighborhoods, and the indirect impact on neighborhoods left out of targeted preservation/revitalization programs. This research will suggest policies and techniques to alleviate adverse, uncontrolled, or unintended impacts on other areas in the city of targeted reinvestment programs.

Other activities include security research, which seeks to develop practical tools and strategies and short- and long-term solutions to reduce crime and the fear of crime in housing developments and neighborhoods; and community design research, which deals with the planning, design, and management of the physical environment of neighborhoods. In 1981 this program will continue to explore and identify relevant principles of design and management to assist in solving urban problems.

VI. Community Development Research. Programs are conducted to help State and local governments develop and adopt improvements in policy analysis and management to deal with public finance problems, assess the environmental impact of HUD programs, and better understand patterns and trends in national and community growth and decline. Work will continue on technical assistance in financial management. Programs to build local capacities to involve more minorities and women will be pursued.

Research to assist State and local governments to deal with the problems of economic development and public finance will focus on six key issues: urban capital infrastructure; public pensions; public-private linkages in economic development; the State role in economic development; land use and housing costs; and, urban impact analysis, with substantially increased commitment of resources to this last issue. Environmental research activities related to housing, urban revitalization and development will also be conducted. Lead poisoning research which, heretofore, has been included under the Housing Safety and Standards Program, is now a part of the broader environmental research program. Current

findings strongly indicate that the problem of lead poisoning or exposure is not specifically a housing problem but rather a more general environmental problem.

The research about natural hazards, previously conducted by HUD, has now been transferred to the newly created Federal Emergency Management Agency (FEMA).

VII. Energy Conservation and Standards Research. HUD, in cooperation with the Department of Energy and other agencies, has been encouraging the development and use of new energy conserving designs, methods, and standards for all types of new and existing residences, including mobile homes. Major activities in 1981 include: the design and demonstration of energy efficient rehabilitation techniques; demonstration and evaluation of new energy efficient systems for residential structures; continuation of a project to develop energy conservation manuals; energy audit procedures for Public Housing Authorities; and, continuation of research on the effects of building mass on energy use.

Community utilities research seeks to develop on-site systems that are innovative, practical, and conservative of resources, including fuel and water. Activities in 1981 will include: (1) the development of long-range planning guidelines for water conservation and reuse; and, (2) demonstrations of water efficient households systems and appliances in single-family houses, multifamily buildings, and communities.

VIII. Program Evaluation. These efforts are designed to provide HUD's principal staff with timely and policy relevant information about the cost, impact, equity, and effectiveness of Department programs in achieving their goals. The 1981 effort will continue to focus on evaluating the Department's major operating programs. Major ongoing studies continuing through 1981 include the community development strategies evaluation, the Brookings' CDBG monitoring study, Section 8 and, the urban initiatives evaluation. Major studies scheduled to be initiated in 1981 include the evaluation of Housing Assistance Plans, the evaluation of State Fair Housing Agencies, the evaluation of HUD's environmental quality policies, and the evaluation of graduated mortgages and coinsurance.

IX. Research Program Support and Utilization. These activities include the improvement of program control functions, the supplying of miscellaneous services which support more than one research program, the operation of the research management information system, and the dissemination and transfer of research results. Funding for dissemination activities continues to grow, as new and improved means are devised to reach the audiences for which specific research projects are intended, and then to assist them in using the results.

RESEARCH AND TECHNOLOGY BUDGET SUMMARY
(Dollars in Thousands)

	Research and Technology	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980	PAGE NO.
I.	HOUSING ASSISTANCE RESEARCH	$8,528	$9,800	$9,613	$7,156	-$2,457	N-8
1.1	Experimental Housing Assistance (EHAP)	4,863	4,300	4,613	1,400	-3,213	N-8
1.2	Section 8 Housing Assistance	1,627	2,000	1,500	2,350	+850	N-10
1.3	Management of Assisted Housing	1,754	2,100	2,500	2,750	+250	N-12
1.4	Assisted Housing Policy Research	284	1,400	1,000	656	-344	N-16
II.	HOUSING SAFETY AND STANDARDS RESEARCH	3,994	2,892	2,650	3,700	+1,050	N-18
2.1	Residential Safety and Technology	1,933	1,542	1,400	2,181	+781	N-18
2.2	Lead Paint Hazards	566	400	400	...	-400	N-21
2.3	Mobile Homes	618	500	400	500	+100	N-22
2.4	Codes Administration	877	450	450	1,019	+569	N-23
III.	HOUSING ECONOMIC DATA AND ANALYSES	12,367	15,110	14,570	15,250	+680	N-25
3.1	Surveys of Housing	9,971	13,010	12,607	12,635	+28	N-25
3.2	Housing and Financial Market Studies	2,396	2,100	1,963	2,615	+652	N-26
IV.	CONSUMER AND EQUAL OPPORTUNITY RESEARCH	5,633	5,250	3,195	4,400	+1,205	N-28
4.1	Fair Housing and Equal Opportunity	1,200	900	400	550	+150	N-28
4.2	Housing Needs of Special Users	2,457	3,500	2,145	1,900	-245	N-30
4.3	Housing Counseling and Consumer Aids	1,976	850	650	600	-50	N-32
4.4	Rural Housing	...	...	...	1,350	+1,350	N-34
V.	COMMUNITY CONSERVATION RESEARCH	11,362	3,050	3,205	3,325	+120	N-35
VI.	COMMUNITY DEVELOPMENT RESEARCH	5,166	6,435	7,058	6,740	-318	N-42
6.1	State and Local Policy Analysis	2,912	3,820	4,548	4,115	-433	N-42
6.2	Environmental Studies	...	...	...	475	+475	N-45
6.3	Economic Development and Public Finance	1,755	1,600	1,835	1,550	-285	N-46
6.4	Community Growth and Land Use	499	1,015	675	600	-75	N-47
VII.	ENERGY CONSERVATION AND STANDARDS RESEARCH	2,349	1,900	1,700	2,800	+1,100	N-48
7.1	Energy Conservation and Utilities Research	1,275	1,400	1,200	2,800	+1,600	N-48
7.2	Solar Heating & Cooling	...	...	...	...	...	N-53
7.3	Utilities and Energy Systems	1,074	500	500	...	-500	N-54
	(DOE Transfers)	(15,980)	(6,350)	(11,000)	(5,000)	-(6,000)	
VIII.	PROGRAM EVALUATION	6,083	5,863	5,050	7,225	+2,175	N-55
IX.	RESEARCH PROGRAM SUPPORT & UTILIZATION	1,664	2,700	3,050	3,404	+354	N-60
9.1	Program Planning & Management	775	1,200	1,550	1,585	+35	N-60
9.2	Transferring Research Results	889	1,500	1,500	1,819	+319	N-60
	Total	57,146	53,000	50,091	54,000	+3,909	

Research and Technology

I. HOUSING ASSISTANCE RESEARCH

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$8,528	$9,800	$9,613	$7,156

1.1 Experimental Housing Assistance (EHAP)

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$4,863	$4,300	$4,613	$1,400

The Experimental Housing Allowance Program (EHAP) will be completed in 1981. It has been carried out in accordance with the authorization of Section 504 of the Housing Acts of 1970 and 1974, as amended, which directed that the concept of housing allowances be tested.

EHAP was designed to answer three basic sets of questions. Three different, yet interrelated, experiments were designed: the Demand Experiment to answer "how do families respond to housing allowances?"; the Supply Experiment to answer "how are housing markets affected by allowances?"; and the Administrative Agency Experiment to answer "how might such a program be administered and what are its administrative costs?".

The Administrative Agency Experiment was completed in 1977. The Demand Experiment will be completed in 1980 and the Supply Experiment will be completed in 1981. EHAP involved over 30,000 households: it was tested in twelve different areas of the nation; it provided about a billion items of data; and resulted in the production of over 300 technical reports.

As required by the 1970 and 1974 Acts, the Department submitted progress reports on EHAP to the Congress in 1973, 1974, and 1976. In addition to these, summary reports on findings from EHAP were published and delivered to the Congress in 1975, 1978, and 1979. Another is being prepared and will be delivered in 1980.

Because EHAP represents such a significant investment of Federal dollars, its design, analyses, and findings have been continuously submitted to experts in the field of housing for their scrutiny. For example, there were two major conferences on EHAP in 1979 and 1980. One, organized by HUD, concentrated on technical analyses and findings from the experiments. The other, conducted by the Brookings Institution, focused on the design, analyses, and findings of EHAP, as well as implications for housing policy and social experimentation in general. The proceedings of both conferences will be published in 1980.

Prior to EHAP there was very little agreement as to the answer to any of the questions EHAP was designed to address. Now there are empirically-based answers to each of these issues. In fact, the quality and quantity of knowledge about housing allowances (and therefore similar program approaches) now greatly exceeds what is known about other types of housing programs. To date, the key findings are:

-- Less than half of the income-eligible population participates. Approximately 20 percent of all households would be income eligible for a housing allowance program. When offered housing allowances upon condition that they will occupy decent, safe, and sanitary housing, approximately 50 percent of all eligible rent-

ers and 30 percent of all eligible homeowners participate by enrolling and then complying with the program's housing standards, thus qualifying for payments.

-- A majority of eligible households live in substandard housing. The percentage of households that occupy substandard dwelling units prior to the program varies by site and with the stringency of the housing standards. Using housing standards based on American Public Health Association criteria, professional inspection of dwelling units revealed that 85 percent of income-eligible renters' units in Pittsburgh were unacceptable. In Brown County, Wisconsin, which has above-average-quality housing stock, and where a slightly less stringent housing standard was used, 48 percent were judged unacceptable.

-- The larger the percentage of households living in substandard housing, the smaller the percentage that participate in the program. In Pittsburgh, only about 30 percent of the enrolled renters in substandard housing later qualified for payments by moving to a standard unit or obtaining repairs to their existing units; in Brown County, 78 percent qualified.

-- Standards and payments affect participation. Eligible households are willing to make minor repairs, but are reluctant to move in order to qualify for payments. Raising the minimum acceptable housing quality standard causes participation to drop substantially. Substantially increasing payments produces only modest increases in participation.

-- Less than a fourth of all payments goes to improved housing. All recipients must live in standard housing and spend at least as much for housing as the amount of their allowance payment. Still, most of the allowance payment is used to decrease the typically high housing cost burden of low-income families.

-- Payments must be tied to housing standards in order to assure that families live in safe, sanitary, structurally sound dwelling units. When allowances are not earmarked for housing improvement, relatively few enrollees voluntarily attempt to improve their housing quality. To obtain such improvements, the use of standards is essential. Among families that receive payments not linked to housing, approximately two thirds would not live in standard housing.

-- Mobility is determined less by payments than by other factors. Residential mobility is not particularly affected by program participation. Location of residence is governed largely by ties to relatives, neighborhoods, friends, workplaces, schools, and previous mobility patterns.

-- Housing allowances have little effect on housing prices. A full-scale, open enrollment housing allowance program has no perceptible effect on rents in either a tight or a loose housing market. The increment to total housing demand is relatively small, and the program's housing requirements can usually be met by inexpensive repairs.

-- Allowances do not stimulate new construction or major rehabilitation. However, they do increase the supply of decent, safe, and sanitary dwellings by encouraging repairs to existing housing.

-- Costs. When participants contribute a fourth of their incomes toward their housing expenses and are required to live in standard housing, the program costs about $1,150 annually per household: $900 of allowance payments and $250 for administration (1976 dollars).

In addition to providing answers to the original issues, the results from EHAP are continuously being used within the Department to help shape its operating programs. They have, for example, been used to design and modify the Section 8 Existing Program, and to address other major policy issues. Also, the EHAP data on housing markets and choices of low-income households provide information at a level of

detail and with completeness not previously available from other sources. It is expected that this rich body of data will be used by HUD and other analysts for many years to come. (Budget subcategory 1.4 describes how these data will be made available.)

When EHAP ends in 1981, it is estimated that its costs will total $163.1 million. Of this amount $74.1 million will have been from Section 23 Annual Contribution Contract payments and the remaining $89.0 million from Research and Technology obligations. The current request of $1.4 million for 1981 completes the funding for the EHAP program.

1.2 Section 8 Housing Assistance Research

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$1,627	$2,000	$1,500	$2,350

The Section 8 Housing Assistance Payments Program is currently HUD's major program to assist lower income families in meeting their housing needs. It is important, therefore, for the Department to have a continuing assessment of how well all components of the program are meeting the goals established for it by the Congress. It is to this concern that the Section 8 Housing Assistance Research budget is addressed. Specifically, this research and evaluation activity seeks to answer questions such as these:

-- Who is being served and who is not, among eligible families?

-- In what ways do families benefit from the program?

-- How does housing quality change for participants?

-- What effect does the program have on racial and economic deconcentration?

-- What are the costs of the program and what are the factors which affect these costs?

Answering such questions will provide a solid basis for implementing program improvements.

The first phase of this program concentrated on the existing housing component of Section 8. It found that the Section 8 Existing Housing Program has achieved some early successes in meeting its statutory objectives. Some of the principal findings include:

-- Actual recipients were generally representative of the eligible population, except that there was a disproportionately large share of elderly women and non-elderly female-headed households with children.

-- About half of the recipient households had members who were elderly, handicapped, or disabled.

-- One-third of all recipients changed neighborhoods.

-- The most important reason cited for moving was to reduce over-crowding.

-- For the average recipient, housing expenses were reduced by approximately half, from over 40 to 22 percent of gross income.

-- Under the program, the average recipient's out-of-pocket contribution was $64 per month, and the average government subsidy was $103 per month.

-- On the average, program recipients were contributing $55 per month less for rent than they were before becoming recipients.

-- The program recruited many owners and managers of properties who had not previously participated in a federally-sponsored housing program, especially landlords owning a very small number of units and landlords occupying units on the same property as Section 8 recipients.

-- Landlords did not consider Section 8 recipients to be problem tenants. At least 90 percent of the landlords found Section 8 tenants equally or more responsible than other tenants in maintaining property, paying rent, and getting along with neighbors. Ninety percent of the landlords would also consider leasing additional units to Section 8 recipients.

-- Thirty-seven percent of all units ultimately subsidized required repairs (41 percent of movers' units and 33 percent of stayers' units).

-- All those involved in the program at the local level -- participating households, households who applied but were unable to participate, landlords, and local officials -- expressed a high degree of satisfaction with the way the program was administered.

A second phase of Section 8 Program Research and Evaluation began in 1979 and is now examining all three major components of the Section 8 Program -- Existing Housing, New Construction and Substantial Rehabilitation.

New Construction and Existing Housing in Urban Areas

One study, begun in 1979 and with results scheduled for mid-1980, is looking at the Existing Housing and New Construction Programs in urban (SMSA) areas. The major focus of this study is on improvements or changes in the quality of housing occupied by program participants before and after entering the program. Also included are detailed analyses of who participates in the program.

Section 8 in Rural Areas

A second study, begun in 1980 and scheduled to run until mid-1981, is reviewing the Existing Housing and New Construction Programs in rural areas. This study is designed to complement the urban study, and it will address many of the same issues, such as housing quality change and the characteristics of the participants in rural areas. An additional element of this study is the variations in administrative environments within which the program operates, and their effects upon participants and their benefits.

Impact on Housing Stock

A third study, to be completed in 1980, is assessing the extent of repairs and maintenance which occurs in units being leased under the Section 8 Existing Housing Program in urban SMSAs. This study will provide detailed data for assessing the impact of the program on the housing stock and the improvement in housing that results for program participants.

Administrative Fees

Another project is examining the administrative fees paid by HUD to the Public Housing Agencies (PHAs) which manage the Section 8 Existing Housing Program. It

will evaluate the determinants of these costs and recommend a fee structure which better matches the actual costs incurred in the program. The study started in 1979 and will be completed in 1980.

Other Key Administrative Issues

In addition, a series of case studies of PHA administrative practices has begun in 1980. They examine the current processes and procedures in local administration of the program and how HUD monitors them. Particular attention is paid to key administrative elements such as the assessment of unit quality, rent reasonableness, income certification, use of PHA fees, and controls to prevent fraud and abuse. The results of these case studies are due early in calendar year 1980.

Multifamily Development and Financing Costs

A study of development and financing costs of HUD multifamily housing will begin in late 1980. It will increase the understanding of the various costs of HUD sponsored construction and rehabilitation programs. The study will concentrate on Section 8 New Construction, Section 8 Substantial Rehabilitation, and Low-income Public Housing. Subsidized Sec. 221(d)(4) developments will also be included for comparative purposes. An exploratory phase to test the feasibility of the study was done in 1979. The study will continue into 1981.

Substantial Rehabilitation

The Section 8 Substantial Rehabilitation Program plays an important role in the Section 8 Program. However, there is a need to collect empirical data about who is being served by this program and the extent to which the program helps participating families improve their housing condition. The Substantial Rehabilitation Participation and Benefits Study beginning in 1981 will seek to answer these questions.

Racial and Economic Integration

In 1981, the Department will study the degree of economic and racial deconcentration sought and achieved by participants in the Section 8 Program. Data will be collected on the location of Section 8 participants' residences before and after receiving Section 8 assistance. In 1982 data from the 1980 Census will be used to determine the socio-economic characteristics of the participants' pre- and post-Section 8 neighborhoods. Combining the change of location data with before and after characteristics will reveal the nature of the changes that have occurred.

1.3 Management of Assisted Housing

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$1,754	$2,100	$2,500	$2,750

This research program is designed to support the Department's efforts to improve the operations of federally-assisted low- and moderate-income multifamily housing, including the public housing and insured and subsidized inventory. Severe problems have beset an increasing number of these housing projects in recent years. This has resulted in inadequate housing services for project residents, neighborhood instability, and significant occurrences of mortgage default and foreclosure in HUD-insured projects. The assisted housing management research program seeks to remedy these problems through the development and testing of innovative methods for treating financial and operational distress. Emphasis in this program is placed on devising ways to improve the delivery of housing services in

assisted housing, to ensure the financial viability of assisted housing, and to preserve the assisted housing physical inventory.

Public Housing Management Research

A wide range of financial, managerial, physical, and social problems increasingly burdens public housing authorities in their efforts to provide decent public housing for the Nation's poor. Research in the public housing area--both past and current--addresses these major issues in three areas: providing for more effective delivery of public housing services, ensuring adequate funding levels for public housing operations, and, providing for adequate maintenance of the public housing stock. Future work will be guided by a recently developed comprehensive research agenda. The Department will also continue to seek the participation of housing management professionals in its public housing research program. A formal agreement with the National Association of Housing and Redevelopment Officials to participate in the development and review of research projects will help assure the relevance of the work for practitioners in the field.

(1) More effective delivery of public housing services

Among the new public housing research efforts to be conducted in 1981 will be a review and analysis of public housing operations to determine the most effective management practices for alleviating and preventing troubled project conditions. A series of case studies of successful public housing authority operations will be the vehicle for determining and documenting effective practices. The National Tenant Management Demonstration, designed to assess whether and under what circumstances the management of public housing projects by the tenants themselves can improve the operating performance of public housing, has recently reached the end of a three-year demonstration period. A comprehensive report evaluating the demonstration will be available during 1980. In addition, a follow-up evaluation will be conducted at those sites which have received additional funding to continue their tenant management operations for another two years. The extended evaluation will examine tenant management's record over the two-year period in a more "real world" (non-demonstration) situation, as the public housing authorities/tenant management corporations assume responsibility for directing their own programs, without the technical assistance that was available during the demonstration. This effort is expected to be completed in 1981.

Under the Housing Management Curriculum Development Program, curriculum materials have been produced over the past few years to upgrade the capabilities of multifamily housing managers. Six courses designed for college students and eighteen workshop packages intended for housing managers have been completed and will be ready for use shortly. A national dissemination effort is currently in the early stages of market analysis and design, with the actual dissemination to universities, public housing authorities, and other organizations to occur in stages in 1980.

Also in the training area, an Hispanic housing management component and career development program has recently been completed. These materials will help non-Hispanic managers of predominantly Hispanic housing projects acquire the skills necessary to improve the quality of life for Hispanic residents, and they will also help and upgrade the qualifications of Hispanics in the housing management field.

Other recently completed work includes an evaluation of the Small Housing Authority Demonstration Program, an evaluation of selected Target Projects Program developments, and a longitudinal study of housing management systems and performance.

In support of the effort to provide more effective public housing services, the characteristics of a sample of 10,000 households residing in public housing in 1979 have recently been surveyed, with the results to be available in 1980. These

data including demographic and income information, update an earlier survey of tenant characteristics taken in 1976, and make it possible to assess changes in the tenant population over the three-year period. Using these data, in-house research is currently underway to assess progress in implementing that section of the Housing and Community Development Act of 1974 which directs public housing authorities to maintain a broad range of tenant incomes within their public housing projects. The research will examine changes in public housing authority income, demographics of tenant populations, and public housing authority admission and occupancy policies, assessing the relationships among these factors.

In addition, the development of a wage-rate determination process is nearing completion. This process will provide the Department with a methodology for determining on a uniform and more equitable basis the compensation for maintenance personnel in public housing, based upon wage rates that are prevailing for similar work in the local labor market, as required by Davis-Bacon provisions of the housing statutes.

New work, which will be initiated in this area in 1980 and continue into 1981, will build on prior work to examine public housing operations and management performance to determine the most effective methods of providing public housing services. The critical factors affecting management performance will be isolated and current management methods will be analyzed to identify those administrative practices which are most effective and least costly. This will provide a data base for developing direct performance standards and adequate service levels for public housing. A series of case studies of successful housing management innovation will be conducted as an important part of this effort.

One of the first projects to be undertaken in this area will be an assessment of the Management Assistance/Project Based Budgeting Program, one component of the Department's Public Housing Urban Initiatives Program. This study will assist the Department in evaluating the public housing authorities' efforts to develop detailed expenditure and income projections at the project level.

(2) Adequate funding levels for public housing operations

A large-scale evaluation of the Performance Funding System has been initiated and is well underway. The System is the current mechanism used by HUD to allocate operating subsidies to housing authorities. When completed in 1980, the evaluation will provide the basis for recommended short-term and long-term actions which should be taken to improve the Performance Funding System. The research will also lay the groundwork for the future development of an improved mechanism for allocating operating subsidies, one that will relate actual, local costs to norms for specific service delivery levels, and have built-in incentives for improved management. In addition, in 1981, a research study will examine small public housing authorities to determine whether the circumstances in which they operate create unique funding needs, and to determine whether these have been met by HUD's current operating subsidy allocation system.

In the interim before the Performance Funding System evaluation and related work is completed, research necessary for its regular updating is continuing.

(3) Adequate maintenance of the public housing stock

A large-scale study has been undertaken to determine the costs of modernizing the public housing stock and providing energy conservation and accessibility by the handicapped. It will yield an estimate of the cost and scope of requisite activities in early 1980. Based on this research, minimum standards of quality applicable to the public housing inventory have been developed and will be reviewed by the Department shortly. Following the preparation of training materials for field office and housing authority personnel, the standards will be implemented in 1981.

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One result of this work is an energy audit procedure designed for public housing. It will enable a Public Housing Agency to estimate the need for, as well as the feasibility of, applying energy conservation measures to its housing stock, and will be implemented in 1981. In addition, the public housing manual for accessibility by the handicapped will be evaluated by the Department in 1980 and disseminated in 1981.

Work begun this year on alternatives for meeting the physical improvement and maintenance requirements will continue into 1981. Research directed towards a revised modernization program is anticipated in 1981, including consideration of a requirement for comprehensive modernization planning and projections of funding requirements for future years.

HUD-Insured and Assisted Multifamily Research

In response to the increasing incidence of financial, managerial, and operational problems experienced by a significant number of HUD-insured and assisted multifamily developments, the Department has initiated a research program specifically to address the needs of the troubled-project inventory. Since 1975, projects have been undertaken to identify ways through which HUD's loan management and disposition programs can be strengthened and the causes underlying default and ultimate foreclosure can be reduced. The research seeks creative means for improving the Department's management of its mortgage portfolio, for resolving the fiscal and operational problems facing its distressed properties, and for disposing of defaulted properties in a manner which minimizes the impact on residents and surrounding neighborhoods.

Much of the existing work in this field will be nearing completion by 1981. Results of several research projects will be synthesized and made available for nationwide dissemination. For HUD-insured and assisted multifamily housing, 1981 efforts will summarize the research findings on comprehensive diagnostic and treatment programs for distressed properties and make them available for application nationwide.

A comprehensive plan for multifamily housing research is being developed in 1980, and will guide future work. Among the efforts currently underway in this area are two demonstrations to develop and test alternative methods for diagnosing and treating distressed federally-assisted multifamily projects. They are in the New York City and San Francisco areas. Both seek solutions which use: (a) interdisciplinary teams to conduct comprehensive financial and management audits of the distressed properties; (b) work-out plans or treatment programs to resolve financial and operational difficulties; and, (c) on-site technical assistance in the implementation of these treatments and programs. The application of these procedures has shown promising results. Financial relief, operating economies, improved property management, physical improvements, and better tenant-management relations have been produced in the demonstration projects. Demonstration products are now being utilized by the Department in its loan management program. They include the format and procedures for field staff to conduct the annual management review of multifamily projects, and auditing techniques for preparation of management improvement and operating plans ("MIO Plans"), required by the recently developed Troubled Projects (Flexible Subsidy) Program.

In New York, a Housing Resource Center has been established to test whether the comprehensive diagnostic and treatment, developed for individual projects, can be extended to the improvement or stabilization of the housing conditions in an entire area. The New York demonstration will also continue to assist the HUD area office in its administration of the Flexible Subsidy Program, through the use of audit procedures and work-out plans in distressed projects targeted for the program. This demonstration will also examine the rising incidence of physical and financial distress in nonsubsidized, Section 207, insured developments.

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The San Francisco demonstration has developed a number of workshops for HUD, State of California personnel, and owners and sponsors of subsidized housing. Subjects have included property taxes, accounting principles and use of financial information, and common problems confronting board members and owners of rental and cooperative multifamily projects. Currently, a national training program on preventive multifamily loan management is being developed for the loan services and property disposition staff.

A third research project underway in the Boston area is a demonstration of resident participation in the management and disposition of HUD-acquired multifamily developments. The objective of this demonstration is to develop nationwide procedures for carrying out the new property disposition requirements of the Housing and Community Development Amendments of 1978. For example, improved procedures and criteria are being developed and tested for the competitive procurement of skilled management and disposition teams. These teams will also perform housing management, resident training, and employment functions, while carrying out the disposition of the property.

Different forms of resident-controlled ownership for HUD-owned multifamily projects are being examined. Techniques developed under this demonstration include: (1) an improved property management procurement process; (2) standards for assessing proposals by management and disposition consultants, and for assessing purchase proposals; (3) procedures for tenant participation in the evaluation of competitive property management proposals; (4) a handbook preparing residents for participation in the evaluation of property management proposals; and, (5) a handbook for use by residents and property managers in evaluating options for resident control or ownership following disposition.

In 1979, a fourth research project was undertaken to design improved methods and systems for developing work-out agreements for the Department's portfolio of HUD-held properties (assigned and defaulted mortgages). A review of existing HUD-held mortgage servicing policies, procedures, data systems, and regulations has been completed. Based on this review, a systematic decision-making process is currently being designed for HUD loan servicers to use in analyzing and managing the HUD-held mortgage inventory. The new system will strengthen HUD's loan management programs by enabling HUD loan servicers to make proper and timely decisions. These will be based on an in-depth, physical and financial analysis of the project, an evaluation of site management and marketing potential, and determination of the consequences and cost to the government of alternative work-out decisions.

1.4 Assisted Housing Policy Research

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$284	$1,400	$1,000	$656

This budget category encompasses two major areas of activity: (1) basic research on assisted housing; and, (2) program analyses and implementation research. Most of this work will draw upon existing data sources. More specifically, the Department has collected over the past few years an extensive amount of data on housing units, housing markets, the behavior of lower-income and other families with regard to housing, the mobility of families with regard to housing, and the actions of landlords in the rental market. While these data have been used effectively to address issues within the framework of a specific program, such as Section 8 or EHAP, the value of these data sets often extends considerably beyond the original reasons the data were collected. Thus, one of the prime objectives is to ensure that the full potential of the investment made in these data is appropriately realized. In addition to the use by HUD, these data will also be made available to

universities and other institutions which study housing market behavior and policy making. Wherever possible, the results of studies utilizing these data will be applied to improving the operation of current department programs.

Two new projects aim to improve the implementation and administration of the Section 8 Housing Program. They draw upon EHAP as well as previous Section 8 results. Their subjects are housing quality inspections and income verification. In the area of housing quality inspections, a project was begun in 1980 to develop a training package which could be used by HUD field office personnel to train Section 8 housing inspectors to apply, accurately and consistently, the Housing Quality Standards of the Section 8 Existing Housing Program. The training program will be developed using expertise developed in similar work under EHAP and the earlier Section 8 evaluation. Actual training of PHA inspectors will begin in 1980.

In 1979, in response to the growing concern for fiscal integrity of income-based welfare programs, PD&R produced a report, based on EHAP data, which provided a dollar estimate of the savings which could be realized by the Section 8 Program through more careful determination of Section 8 applicant income. As a result, appropriate administrative changes were made in the program. In the course of this work, it was also found that welfare agencies in several State and Federal programs have developed their own techniques to improve the verification of recipient income, eligibility, and the amount of benefits. A project has been undertaken to examine these techniques in detail, for application of the most promising to the Department's housing programs. The work will be reported in 1980.

A number of more fundamental research projects have been initiated. One such project is concerned with the nature of housing markets, the production of housing services, the nature of the demand function for housing, and the determination of residential mobility. This research started in late 1979 and will continue through 1980 and 1981.

In order to support complementary work, (both basic and applied) by independent researchers, the Department is supporting a Housing Research Data Center, which will make PD&R generated data available to universities and others in the housing research community. This data sharing is expected to provide a much greater return from the investment made in HUD's data collection efforts, through results of analyses by other independent researchers that would not ordinarily be supported by HUD. First work on the project began in 1980, and the Data Center will become operational in 1981.

In 1981, a university research grant program will be implemented. This program will provide grants for faculty and graduate students to pursue basic and applied research on important housing issues. Because the newly created Data Center will provide information not available through any other source, it is expected that recipients of the university grant program will draw heavily upon the Center.

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II. HOUSING SAFETY AND STANDARDS RESEARCH

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$3,994	$2,892	$2,650	$3,700

2.1 Residential Safety and Technology

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$1,933	$1,542	$1,400	$2,181

This category is, and has been, a continuing response to Section 502 of the Housing and Urban Development Act of 1970 which calls for the "employment of new and improved technologies, methods, and materials in housing construction, rehabilitation and maintenance--with a view to reducing costs--the acceptance and application of such advanced technology, methods, and material by all segments of the housing industry, communities, industries engaged in urban development activities, and the general public."

To carry out the objectives of Section 502 the Department explores the failures in existing practices, investigates the need for new technologies, or encourages the development of new building techniques (especially those for lowering costs), tests or demonstrates those new developments, and promotes the acceptance of techniques which prove most successful.

The construction and technical problems which surface in HUD's operating programs offer the greatest opportunity for fruitful research and development. Additional technical data is often vital for the approval by HUD of Structural Engineering Bulletins, Materials Releases, Use of Material Bulletins, and for revisions to the Minimum Property Standards. Research responses to these needs have included materials durability tests, computer studies on marginal cost versus the marginal value of added insulation, definition of hazards in the use of certain materials in home construction, and the development of methods for assuring that innovative material or systems are structurally sound and safe from fire.

The following programs for 1981 are dedicated to fulfilling those objectives.

(1) Performance Feedback

HUD has begun systematically to collect data from the Department's operating programs on significant, current building technology problems: a performance feedback system. Has the energy shortage caused significant changes in the design and construction of houses? Are new methods and materials being accepted in the marketplace? Is HUD studying the most important problems? Do HUD's standards really result in a good house for the money? These are the types of questions that HUD is trying to answer via the performance feedback system.

The collection methodology was designed to assure the information could be gathered without delay or modification to existing reporting systems. The information has been gathered from homeowner and tenant complaints, field investigations, and HUD's own property disposition process. It is now available to the operating program offices to help keep them abreast of design and/or construction trends, strengths and weaknesses. It will be further developed this year and prepared for transfer to automatic data processing. Computer trend analyses will

allow the prompt highlighting of priority problems, so that they may be addressed as early as possible.

All sectors of the housing industry need feedback on new, proven, cost-effective technology. The designer, builder, code official, building inspector, banker, etc., all need to be aware of new items of construction which provide better value. A system to provide this needed information is being introduced in 1980 in the form of Technical Notes. Each Note addresses one item of construction and is to be made available to all parties having an interest in the topic. A pilot dissemination effort in selected areas will seek economical means to obtain maximum distribution to those expressing an interest, with particular emphasis on housing finance professionals, building officials, and builders. Finally, in a related effort, HUD will begin to assess the reliability and effectiveness of existing HUD and industry standards. The first such assessment is of the standard for double-glazing of windows. Independent field checks will determine whether such windows actually perform in the manner called for by the standard. The assessment was begun in 1979; the results, for this and other assessments will be available in 1983.

(2) Improving Housing Design and Construction

Improvements in the design and construction of residential buildings is a slow and evolutionary process. Changes in the technology over the past 10 years are visible only to the trained eye. The use of more thermal insulation and a swing to heat pumps head the list of changes. On the other hand, subtle improvements have been made by the manufacturers of such items as prefab fire-places, windows, doors, floor coverings, and paints. The introduction of the ground-fault interrupter and plastic plumbing are the principal changes seen in wiring and plumbing. Otherwise these component systems have gone unchanged over the decade, although large technological gaps do remain.

Last year studies were initiated to bring these technology gaps to the attention of the industry and to encourage further development. Heading the list are two projects showing innovative and cost saving techniques which might be applied in the plumbing and wiring of houses. A catalog of information will be published on each subject showing the potential for simpler, less expensive material and methods which might be made available by the industry, if more exhaustive product research and development were undertaken.

Floor systems will be investigated in 1981. Traditional methods and materials have produced floor systems that have performed adequately. In flooring, many new systems have been and are being introduced. The question here is will the new materials perform adequately? On what basis should these materials be approved or disapproved? In 1981 HUD will begin a program to establish the appropriate level of performance of single-layer floor systems. Some important parameters are impact resistance, durability, serviceability, and resistance to fire and decay. This project will provide HUD with the tools required to judge impartially the performance of proposed new floor systems.

Inflation accompanied by tight mortgage money emphasizes the need for less expensive and more efficient houses. A national conference on house design and building technology will be sponsored by HUD to encourage greater consideration of such problems in the new decade of house construction for the 80's. This conference will be followed by another round of design competitions, initiated by HUD in 1980, along with a publication of house designs and systems dedicated to cost savings and greater value, through better use of building technology.

In 1980 HUD reported to Congress on the constraints to the construction of earth-sheltered housing. Included in the report were recommendations for overcoming those constraints through the provision of information to the housing industry and the public on earth sheltering. Such a program will be initiated in

1981 to supplement the Solar Energy Development Bank Act which will provide subsidies for below-market interest rate loans made to owners or builders of earth-sheltered houses. A manual on earth sheltering will be made available to the public during 1981.

Site problems will be addressed in several projects. Although there are many aspects to site problems, they all have two characteristics in common: namely, they are difficult to detect and are expensive to correct. The traditional engineering approach is not acceptable because the cost of housing is too high already. There is a need for cost-effective ways of identifying the problems, accompanied by inexpensive solutions to the problems. To this end site development cost studies were initiated in 1979. This work is being expanded to include cost-effective techniques for site development, the identification of the special problems and solutions for by-passed, difficult building sites, and research into expansive clay soils. In the development of the cost-effective techniques, the value-engineering methodology of satisfying the required function at the lowest overall cost without degradation of the quality will be used. Marginal sites that have been by-passed by developers possess many and varied problems. These sites may have been used as random fill areas for many years, or are the result of mining operations, or have unsuitable soils, or are swamp lands, etc., and may present extra expense in design and construction.

Tools will be developed to minimize the cost impact of the use of these otherwise acceptable sites. The expansive clay soil problem affects many regions of this country. The physical basis for the problem is not well understood, and therefore, some of the solutions that have been used address symptoms and not causes. The research program will look into the various techniques to assess the how and why some were successful and some were not.

(3) Demonstration of New Building Technology

In order to better apply the results of research, more full-scale demonstrations will be initiated throughout the country. The first one in 1981 will be a 25 house development jointly sponsored by HUD and the National Association of Home Builders (NAHB). It will be constructed in Las Vegas, Nevada, and will be completed for the NAHB national convention in January 1981. The project will demonstrate ways to lower the cost of site development as well as the cost of construction through technology and careful design. New standards for such items as streets, gutters, drives, walks, and parking will be stressed as well as new designs for smaller, more efficient houses intended to meet the growing needs of the nation's newly developed households. A manual of cost saving items will be published along with plans for all the houses in the subdivision.

Designing of the NASA/HUD technology demonstration house will begin in 1981. The gathering of technical information for the design was begun in 1980 in a joint program sponsored by the two agencies. Construction of the demonstration house on the Mall in Washington, D.C. using the most advanced technology known is scheduled for 1983.

In addition, a full-scale demonstration building will be constructed for public display in 1981, to show the results of the research in new plumbing systems, electrical distribution systems, flooring systems, and heating systems. This project will present the best of the systems brought to light in components research started in 1980.

(4) Maintenance and Rehabilitation

The amount of Federal housing funds expended in the United States for maintenance and rehabilitation is currently estimated at $1.6 billion per year, almost three times what had been expended as little as three years ago (1977).

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Private sector expenditures for residential maintenance and rehabilitation are twenty to thirty times this figure. Despite the enormous sums currently being expended for maintenance and rehabilitation, the techniques, materials and products used were generally developed and intended for use in new construction.

This has had several adverse consequences. It is extremely costly, with few products or techniques designed specifically to meet the special problems of rehabilitation. "Gut" rehabilitation is far more prevalent than "moderate" rehabilitation. "Gut" rehabilitation essentially "guts" or removes all parts of the existing building down to the external shell and begins anew, using the better understood techniques of new construction. No consideration is given to how the existing materials and building assemblies could have been more cost effectively repaired and reused. It is conspicuously resource-wasteful as well as costly, but in the absence of a developed technology for rehabilitation, "gut rehab" remains the preferred means for most firms in the field. New products that meet the special needs of existing buildings must be developed. An example is the security screen that provides adequate security in an aesthetic manner, but can be easily unlocked from within for safe fire exit.

There is also a need for different measurement and estimating techniques than are commonly used on new construction sites. Construction personnel need cost-effective, nondestructive evaluation (NDE) methods for assessing the safety, health, and serviceability of existing building components in residential properties. Maintenance and rehabilitation have other problems that are not encountered in new contruction. These problems also have potentially innovative solutions, such as the strengthening or repairing of structural members with epoxies and other chemicals suitable for insertion in such members.

The development of new techniques and products for the maintenance and rehabilitation markets is clearly a responsibility of the private sector, but it will be a difficult one, because the maintenance and rehabilitation markets are fragmented among thousands of extremely small (1 to 10 worker) firms. HUD will, through this effort, encourage the development of innovative products and materials that will meet the special needs of the maintenance and rehabilitation markets. Those special needs will be identified. Performance criteria will be developed (initially for selected areas, such as the security window that will meet security, fire egress and durability requirements). Evaluations and demonstrations will be sponsored for innovative products and techniques that meet the identified needs. And there will be large-scale dissemination of information to the maintenance and rehabilitation industry.

This effort was begun in 1980, through the identification of innovative systems for plumbing and wiring in old buildings, through the investigation of existing nondestructive evaluation methods, through the development of a new standard for bathtub refinishing, and through related efforts. In 1981 these efforts will expand to encourage the development of an industry that provides suitable products and services for maintenance and rehabilitation markets.

2.2 Lead Paint Hazards

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in thousands)		
$566	$400	$400	...

The work described in this section in previous years has now been included in subcategory 6.2, Environmental Studies under Budget Category VI, Community Development Research.

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2.3 Mobile Homes

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$618	$500	$400	$500

In 1974, Congress decreed that a single, pre-emptive, and mandatory building code be established for the Nation's $6 billion mobile home industry, and it prohibited the States and local communities from imposing differing construction requirements. The National Mobile Home Construction and Safety Standards Act (title VI), mandated that HUD have sole regulatory control over the development and enforcement of a new Federal Mobile Home Construction Safety Standard. It gave new emphasis to mobile home durability and quality, as well as safety, and it directed HUD to undertake systematic research before promulgating the mandatory standards.

To understand the impact of Title VI and the new responsibility placed upon HUD, one should remember that building codes have traditionally been, with minor exceptions, the province of States and local jurisdictions. There are now more than 9,000 varying building codes in the U.S., and more than 17,000 permit-issuing places. For the first time in America's history, a single, uniform building code is now being developed in a systematic, performance-oriented manner for part of the housing industry. The mobile home regulatory "experiment" offers a significant opportunity to accomplish many goals previously identified by Congress, namely: performance-oriented standards; realistic and uniform enforcement methods throughout the U.S.; life-cycle cost and benefit analysis; and, the introduction of new, innovative systems, materials and techniques without the penalty of a decades-long approval process.

Research has been the pathfinder in the development of the HUD mobile home standards. Since 1975, PD&R has created new techniques for judging safety, durability, and quality, principally achieved through full-scale systems testing. This process can evaluate all of the home's structural, electrical, plumbing, heating, and cooling systems for 20 or more years of simulated occupant use, and under a wide variety of climatic conditions. Similarly, full-scale fire testing and wind-resistance experiments have developed a new performance basis for regulating safety. A rigorous cost-benefit and risk-analysis methodology has been developed to test the true life-cycle cost impact to each interest group (manufacturer and consumer) for each proposed change to the Federal mobile home standards.

During 1981, three major research efforts are planned. The first will be to provide research support to the formal rule-making process for proposed changes resulting from recent research recommendations. During the rule-making process issues are usually raised by the mobile home industry and its suppliers. The Department expects to provide the "quick-response" research and documentation which may be needed by the regulatory office. For example, earlier data on questions such as long-term durability, fire-safety and wind-safety may need to be expanded to accommodate design changes occurring in mobile home technology as it moves into the eighties.

Second, the Department plans to complete the technical and economic research project (begun in 1980) relating to mobile home indoor air quality and the effects of urea formaldehyde (insulation) vapors upon the health of the occupants. The third effort will be to conclude the major energy conservation research projects which began in late 1979. These examine realistic alternatives in mobile home design and equipment, and evaluate the possible adverse effects of condensation upon the durability of the mobile home's structure.

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2.4 Codes Administration

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$877	$450	$450	$1,019

(1) Building Codes

Building codes govern the design and construction of almost every new home and rehabilitation project in the country. They were originally developed to set standards for public health and safety, particularly to avoid the spread of fire among closely-spaced buildings. Over the years, however, codes have proliferated. When combined with other Federal, State, and local regulations, the proliferation of codes now burdens the building process with excessive, redundant, and conflicting requirements. This chaotic system causes delays and needlessly increases housing costs. One 1981 project will seek to reduce burdens in the building regulatory process by identifying costly code requirements which do not provide any comparable benefits. A second project will determine how the lack of a comprehensive, authoritative source for technical information may affect codes and housing costs. The same project will study code constraints to the use of manufactured housing. The objective of this research is to encourage simplification within and among codes, and in the processes by which they are administered, in order to reduce costs while maintaining adequate public protection.

(2) Rehabilitation Guidelines

Section 903 of the Housing and Community Development Amendments of 1978 directed HUD to " ...develop model rehabilitation guidelines for the voluntary adoption by States and communities to be used in conjunction with existing building codes by States and local officials in the inspection and approval of rehabilitated properties." Draft guidelines were to be published one year after the date of enactment and final guidelines six months after that. Although no funds were either authorized or appropriated for this particular purpose, HUD has diverted about one million dollars to fulfill this mandate (from funds that were planned for other projects in 1979 and 1980 under this line).

HUD identified over 50 different problems that existing building codes, largely based on new construction practices, impose on rehabilitation projects. With the help of a Policy Steering Committee drawn from the cities, industry, and consumer groups, the dozen most critical building code/rehabilitation problems were identified, and guidelines for overcoming these problems were then developed. These guidelines were published in the Federal Register, Part II (pages 63759 to 64058) on November 5, 1979 for public comment.

During 1980, HUD is revising the initial Rehabilitation Guidelines, based on public comment, and will publish final Guidelines in the Spring of 1980. HUD is initiating a dissemination and support effort for States and local governments to facilitate the use and implementation of these guidelines. It is also beginning the collection of information for the report to Congress, due 36 months after the date of enactment of Section 903.

The initial reaction to the draft Rehabilitation Guidelines has been very favorable. Over 1000 copies have been distributed. Communities such as Chicago, Baltimore, Denver, and Pittsburgh have indicated that these guidelines will be very helpful, as have the major Model Code organizations.

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During 1981, HUD will: (1) continue to aid State and local governments in the use and implementation of the guidelines; (2) report to Congress regarding actions taken by State and local governments to adopt the guidelines and make recommendations for further action; (3) develop and publish additional Guidelines for problems not responded to in the earlier Guidelines, due to time and money constraints; (4) conduct research on specific rehabilitation needs, such as assessment of fire safety in existing buildings; and, (5) develop a model hazard abatement standard, containing specific structural, fire safety and other tests needed by building inspectors to assess the safety of existing buildings or make demolition decisions in interest of the public safety.

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III. Housing Economic Data and Analyses

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$12,367	$15,110	$14,570	$15,250

3.1 Surveys of Housing

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$9,971	$13,010	$12,607	$12,635

Housing and financial market data are indispensible in the formulation of housing and community development policy.

To meet the need for reliable and up-to-date information, PD&R developed and now monitors several major data series on national, regional, and local economic and housing market conditions. These series, developed and financed by HUD, include the Annual Housing Survey, Survey of Market Absorption of New Apartments, Survey of New One-Family Houses Sold and For Sale, Survey of Housing Completions, and the Survey of Mobile Home Placements. These data series are collected by the Bureau of the Census and issued jointly by the Bureau of the Census and HUD in monthly, quarterly, or annual housing and construction reports.

The data on the production and marketing of housing and on the status of the housing inventory are used by analysts in financial institutions, and in the construction industry, by the natural resources and materials manufacturing industries which supply the construction and remodeling industries, and by related industries such as home furnishings and utilities supplying residential energy needs. Other uses of the data include the preparation of the President's Annual Message on Housing Production, the President's National Urban Policy Report, and other reports to the Congress.

The largest project is the Annual Housing Survey, begun in 1973. It is a 1-in-1,000 sample of the total housing stock of the United States. It contains some 130 questions on a housing unit and its neighborhood. The subjects include the quality of the structure and its heating, plumbing and other systems, and thus provide heretofore unavailable detail on the housing conditions of American families and individuals. The survey also provides information on the deterioration and upgrading of units over time, on the present and former housing of families who have moved during the year, and on the quality and supply of vacant housing. The sample data are reported nationally, regionally, in and out of Standard Metropolitan Statistical Areas (SMSAs) and for rural and urban areas. In addition, within each of 60 SMSA housing markets, such data are reported quadrennially, one-fourth each year.

The Annual Housing Survey is used in the Annual Report of the President to Congress on National Housing Production and the National Housing Goal, required by Title XVI of the Housing and Urban Development Act of 1968, as amended. Congress requires that the Report update annually the estimates of housing need; these estimates are based on a large number of housing quality, socioeconomic, and other questions contained in the Survey. Congress also requires reports on progress made in conserving and upgrading housing and neighborhoods, expanding homeownership and equal housing opportunities, and assuring reasonable shelter costs. The annual measurement of these requires a wide battery of questions in the Survey.

Research and Technology

The Survey is used by HUD to support housing programs through analysis of market penetration and efficiency of the programs in meeting housing needs of various population sub-groups, in adjusting Fair Market Rents for the Section 8 Program, which help determine the amount of subsidy available under the program, and in other analyses and evaluation of housing programs and their operations.

The Survey is used by HUD, the Office of Management and Budget, the Congressional Budget Office, the Congressional Research Service, and other Federal and private agencies and groups making policy analyses and critiques of Federal housing programs and policies. The Bureau of Economic Analysis uses Annual Housing Survey data to adjust personal consumption expenditures in the national income accounts. The Departments of Transportation and Energy use data from the survey and from special supplements for their policy and program purposes.

3.2 Housing and Financial Market Studies

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$2,396	$2,100	$1,963	$2,615

The valuable data base provided by the Annual Housing Survey is used in many analyses designed to answer policy, program development, and market analysis issues. Among these are the socioeconomic characteristics of the markets for new and existing housing; projections of the potential needs for housing of various types and tenure through the end of this century; continued development of longitudinal data files to analyze changes in units over time; and, analysis of residential location, employment and income patterns in metropolitan areas to determine, for example, if intra-metropolitan migration of minorities results in improvement in income.

Other housing market research includes: an evaluation of HUD's role in Davis-Bacon wage rate determinations, to refine the data collection methodology and produce more accurate wage rate determinations; an analysis of the determinants and the timing of speculative land development decisions on the periphery of urban areas, to investigate whether decentralized development is inefficient; an analysis of the employment and migration decisions of recently laid-off workers to determine the potential impact on housing markets and the economic base of declining urban areas; and, an investigation of consumer attitudes about mobile homes and similar manufactured housing as an alternate, lower cost, housing choice.

Other research is analyzing the probable effects on decisions by developers and investors of potential changes in the tax laws for residential properties. Included are the effects on the volume and timing of investments as well as on the production and location of subsidized housing construction within metropolitan areas. The Department will also study the effectiveness of the accelerated five-year depreciation for housing rehabilitation expenditures.

Research on studies in the economics of housing and community development, and on mortgage and related financial markets complements the continuing data surveys and provides critical, issue-related information for use both within and outside the Department. Many of the issues studied are prompted by modifications to ongoing programs. Recent years have witnessed financial innovations and proposals on an unprecedented scale: Federally-sponsored mortgage credit agencies have been created - GNMA and FHLMC; existing agencies, such as FNMA and FHLBB, have changed many of their operations; new types of mortgages have been introduced and even more new types proposed; future markets and new types of investment securities have been established for mortgage investors; comprehensive reforms have been proposed for the portfolios of major lenders; and, new financing mechanisms have been designed for housing subsidy programs.

Research and Technology

Viewed against this background of change and innovation, the importance of policy research is evident. In the past year research efforts focused on a number of recent innovations. To mention a few:

-- As part of a larger study, a number of preliminary papers were completed on the Government National Mortgage Association's (GNMA) mortgage-backed security program.

-- A review was made of the impact of the GNMA securities on mortgage yields.

-- An analysis of the Federal National Mortgage Association's commitment process was completed.

-- Several papers on the relationship of anticipated inflation and the price and return to homeownership were done.

During the next fiscal year research on GNMA securities and inflation/homeownership will continue. In addition the Department will focus on the role of alternative mortgage instruments and trends in demand for FHA insurance.

Research and Technology

IV. CONSUMER AND EQUAL OPPORTUNITY RESEARCH

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$5,633	$5,250	$3,195	$4,400

4.1 Fair Housing and Equal Opportunity

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$1,200	$900	$400	$550

PD&R, in cooperation with the Assistant Secretary for Fair Housing and Equal Opportunity (FH&EO), conducts research and demonstrations designed to promote compliance with fair housing and equal opportunity statutes. The 1980 and 1981 activities aim to strengthen enforcement of the fair housing laws. They are based on a comprehensive research agenda developed in 1979. This research agenda identifies and sets precedence for a set of research initiatives needed to help end the direct and indirect effects of discrimination and segregation. Efforts in this budget category are complemented by a substantial amount of related work described under Budget Categories VIII. "Program Evaluation," I."Housing Research", and V. "Community Conservation Research".

During this Administation, PD&R has concentrated its fair housing research and demonstration activities in three major areas: (a) demonstrations to improve the performance of State and local fair housing enforcement efforts; (b) research on discrimination in mortgage lending; and, (c) supplemental research in such areas as housing justice mechanisms and neighborhood racial change. Some of these projects will continue into 1980 and 1981.

(1) Fair Housing Demonstrations

Title VIII of the Civil Rights Act of 1968 gave HUD overall responsibility for coordinating the enforcement of fair housing laws, but HUD is also assisted by State and local fair housing agencies and private fair housing groups. PD&R has sponsored several demonstrations designed to improve the ability of these non-federal agencies to promote compliance with the law. Nearly completed is a demonstration of Improved Administration of State Agencies for Combating Discrimination, as is a demonstration to provide Innovative Techniques for use by Private Fair Housing Groups.

A current project is the Fair Housing Enforcement Demonstration. It is designed to increase the aid local fair housing groups provide Regional FH&EO offices in enforcing fair housing laws. Such aid is advantageous to HUD for two reasons. First, local groups can provide HUD with detailed information on local conditions from their own experience or by conducting fair housing tests. Second, they can supplement HUD's limited staff resources and enforcement powers by helping to process complaints and conduct fair housing studies. Cooperative Agreements have been signed with nine groups for a two-year effort ending in 1981. This demonstration also complements the Community Housing Resource Board Fair Housing Assistance Initiative conducted by the Assistant Secretary for FH&EO. An evaluation of the demonstration will begin in the Fall of 1981.

Research and Technology

(2) Research on Lending Discrimination:

(a) Equal Credit Opportunity: Accessibility to Mortgage Funds by Women and by Blacks - In 1978 PD&R expanded its earlier work measuring discrimination by sales and rental agents to include discrimination by mortgage lenders. The project examined the treatment of actual homeseekers upon their submission of loan applications to mortgage lenders. The study used data from two states -- New York and California -- with recordkeeping requirements similar to those now being adopted by the Federal financial regulatory agencies. The data analysis procedures (as well as the results themselves) provided HUD and the financial agencies a wealth of information which can be used to improve the access to mortgage funds by women and by minorities. The project found that the existing civil rights legislation has yet to end discrimination.

(b) Pre-Screening of Applicants in Mortgage Lending - This project, to be jointly funded by the Ford Foundation, will assess the extent of discriminatory practices by mortgage lenders in the inquiry/application stage prior to the actual submission of written applications. It will use a modification of the audit procedure used in PD&R's Housing Market Practices Survey (HMPS).

(3) Other Fair Housing Related Research:

(a) Housing Justice Study - This study, conducted by the American Bar Association, has examined special court systems (housing courts) which deal exclusively with housing-related cases, such as tenant-landlord disputes and code enforcement. Case studies were conducted in 13 cities, including those with and those without these special judicial mechanisms. The final report will contain extensive descriptions of innovative means of handling these disputes. Other activities of the study include: (1) a statistical analysis of the frequency, disposition, and satisfaction level of participants in small claims, tenant-landlord cases; (2) brief examinations of a variety of nonjudicial, dispute-resolution mechanisms for handling housing cases; and, (3) planning awards to seven jurisdictions proposing to create comprehensive housing courts.

(b) FHA Insurance and Racial Transition - In response to a request by the Assistant Secretary for Fair Housing & Equal Opportunity this study analyzed credit underwriting standards for 400 FHA cases in several suburban Cleveland neighborhoods. A complaint had alleged these neighborhoods were undergoing racial change as a result of FHA activity. The study concluded that the Cleveland Area Office was adhering to consistent and nondiscriminatory underwriting procedures, both for individuals and neighborhoods. It supported the results of an earlier, independent FH&EO investigation. FH&EO has reviewed the procedures and methodology of PD&R's study and expects to use them as a model in investigating other fair housing complaints.

(c) Limitations on Rental Housing Opportunities for Households with Children - This is a two-part study. The first part is a national survey to measure the extent of no-children restrictions among dwelling units with various characteristics. The second part of the study will gather information in six cities about the victims of such practices. The information will be used to give a preliminary profile of who the vicitims are, what types of no-children policies are being encountered, how these policies affect the types of housing people choose, and the ways in which people located the unit they moved to. In one city, possible relationships will be investigated between the location of units which pursue these policies and other urban problems. This project is part of PD&R's families-research agenda.

(d) Housing Search - Little is known about the indirect effects of discrimination on the housing situation of minority groups and women. The patterns people follow in searching for housing are influenced by past experience, as well as expectations about conditions in various locations and submarkets. Segregation

may result because expectations of discriminatory behavior discourage prospective renters from even entering particular markets. This study will compare housing-search patterns of different groups, e.g., Blacks, Hispanics, families with children, etc., who experience difficulties in finding suitable rental accommodations. Interviews with renters will constitute the main source of data. An addition to the Annual Housing Survey is under consideration to provide large-scale information on selected issues. Data from previous studies (HMPS, Hispanic Audit, No-Children policies, etc.) will be incorporated.

This study will determine to what extent the anticipation of discrimination in particular submarkets influences search patterns, whether discrimination in these target submarkets is more or less frequent than usual, and how these factors affect the overall housing situation of the studied groups. Study results should enable HUD to inform disadvantaged groups about any self imposed limitations they may have set, specific submarkets problems, under-utilized opportunities, positive opportunities, and positive trends in the rental market.

4.2 Housing Needs of Special Users

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$2,457	$3,500	$2,145	$1,900

The Special Users Research Program seeks to develop improved methods for providing housing and housing-related services to people who have special requirements caused by such factors as age, physical condition, or cultural background. While the primary emphasis of the program is on the needs of the elderly and the handicapped, research is also sponsored on the needs of such diverse groups as Single Room Occupants, Indians and Alaskan Natives. In all cases, the research measures items such as providing special management, administrative, funding, legal, and regulatory responses to meet the needs of these groups.

In 1981, as in prior years, the research sponsored by this program will seek to identify impediments to independent living, to develop information about the nature of the housing and special service needs of these groups, and to design and implement better techniques for their delivery. In 1981, emphasis will be placed on: a longitudinal study of the housing adjustments of older people; an evaluation of a home maintenance demonstration in Baltimore; and, a multicity elderly home maintenance and repair demonstration funded in cooperation with a number of community-based foundations. Comprehensive research agendas are being developed for the elderly and handicapped programs from which additional work will be initiated.

Special emphasis in this research program has been placed on the housing needs of the elderly. Several recent publications reflect this concern, including: (a) "Low Rise Housing for Older People - Behavioral Criteria for Design," (winner of a Progressive Architecture award); (b) "Occasional Papers in Housing and Community Affairs-Volume I: the Housing of Independent Elderly"; (c) "Volume III - Housing Options for the Elderly"; and, (d)"How Well Are We Housed? 4. The Elderly." Currently, a companion to the "Low Rise" book, which will concentrate on mid-rise elevator buildings, is being prepared.

Preliminary work began in 1979 on the shaping of a research agenda for the problems of the elderly. The Gerontological Society, using an advisory group of well-known gerontologists, will complete suggestions for this agenda in 1980. Implementation will begin in 1981. The agenda will consider the needs of all elderly persons with housing problems. It is unlike previous work, which concentrated only on those already or in need of occupying specialized elderly housing.

Research and Technology

Several of the projects initiated in 1979 will continue. One is a longitudinal study of the housing adjustments which people make in response to key age-related changes (such as loss of occupation and income, deterioration in health, and widowhood). Such information will be extremely valuable in designing programs which are more responsive to the different phases of elderly life. The survey instrument for this study was developed and pretested during 1979. In 1980, the data-gathering for the first of ten years of collection is planned.

Another continuing project, begun in 1979, is an evaluation of the home maintenance program in Baltimore. Data has been collected from program participants and control groups in Baltimore. Preliminary analysis will begin during 1980. In 1981, a second round of data collection will be undertaken to allow the analysis of the effects that such a program has on the housing and neighborhood condition, as well as on its direct recipients.

The Baltimore home maintenance pilot program has provided a sound basis for planning a broader-scale, multicity demonstration and evaluation. The demonstrations will take place in six to ten communities. They will permit a careful assessment of the administrative feasibility and costs of such programs, and if feasible, will provide a mode for a nation-wide program. The project is unique, because it will be jointly sponsored by HUD and a number of local, community-based foundations. The design was finalized in 1979. Actual delivery of repair services is planned to begin in the Summer of 1980. The demonstration will be conducted over a two year period, ending in 1982. An independent evaluation of the program will also be undertaken.

Additional testing will continue in 1980 of model training programs for potential sponsors of the Section 202 loan program for elderly and handicapped. The purpose of these training materials is to increase minority participation in the Section 202 program. The demonstration will help develop an institutional network which can provide training and technical assistance on an ongoing basis, without Federal support.

A major section of the Special Users program is devoted to the problems of housing the handicapped. The major accomplishement of this program has been the development of a new national standard on accessibility for the handicapped. It has been accepted by the American National Standards Institute (ANSI) as an ANSI Standard. Although ANSI standards are voluntary, they often gain the force of law by being referenced or included in State or local codes and Federal regulations.

Two related efforts will continue during 1980. Construction has begun on several demonstration units, which are being built to the ANSI standards so HUD can identify the true costs of accessibility. The units will also be shown to the public, and their market acceptability will be evaluated.

HUD and Department of Health and Human Services are jointly funding a demonstration of housing for the severely mentally ill. The two Departments are also jointly supporting an evaluation of the project, which will continue into 1980, after the units are occupied. The Department of Health and Human Services will evaluate the costs and benefits of such specialized, service-intensive housing in actual operation to obtain a better comparison with existing alternatives.

Finally, a major study of the costs of modernizing public housing for accessibility, energy conservation, and general modernization (described in more detail in Section 1.3, Management of Assisted Housing) will be completed in 1980. This project will result in an estimate of the costs of making public housing accessible to the handicapped (as required by Section 504 of the Rehabilitation Act of 1973), and in the publication of a manual which will assist local housing authorities achieve accessibility in their projects.

Research and Technology

New research efforts in 1980 and 1981, drawn from the new research agenda, cover matters such as: adapting current programs to assure accessibility to the handicapped; developing incentives for the private sector of the housing industry to provide housing and services to the handicapped; and, developing accurate estimates of the needs for specialized housing at various levels of income.

The Special Users research program also responds to other groups with special housing needs, and HUD will continue to provide research support for these groups in 1981. For example, work has recently been completed on a project for special requirements on Indian reservations. The study looked at the needs of five Southwestern tribes for special housing for the elderly, the handicapped, and neglected or abandoned children. It developed solutions for those needs, and resulted in the preparation of proposals for the construction of special units from a set-aside of Indian Public Housing funds. Each of the tribes has proceeded with several such units, and they are currently in early development.

Another special concern has been housing for Single Room Occupants (SRO). Work will continue in 1980 on a project which measures the need for such housing, the current provisions for it, and the role which HUD should play in its provision.

4.3 Housing Counseling and Consumer Aids

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$1,976	$850	$650	$600

RESPA Studies

Consumer concern with high settlement costs led to the enactment of the Real Estate Settlement and Procedures Act (RESPA) of 1974. The cornerstone of the Act is a requirement that lenders provide buyers with advanced notification of settlement (or closing) costs to permit comparison shopping and encourage greater competition among those providing settlement services.

Sections 13 and 14 of this Act, on the other hand, represent an attempt to deal with some of the other causes of underlying high settlement costs. Specifically, Section 13 calls for a demonstration of one or more model systems for the recordation of land title information. These are to be designed to facilitate and simplify land transfers and reduce their costs. Section 14 requires HUD to analyze several far-reaching alternatives to the advance-disclosure provisions of RESPA, including a lender-pay concept and direct regulation of settlement costs.

In the first phase of the Section 13 work, reports have been prepared on the following subjects: a state-of-the art analysis of innovative title recording procedures; a description of a model registration (Torrens) system; an analysis of various means of eliminating repetitive title researches; and, a legal examination of State and local laws which inhibit or facilitate the recording and examining of title information. These reports will be available in 1980. In addition, HUD has made demonstration grants to seven State and local jurisdictions to operate model title recordation systems. Four jurisdictions received grants to set up and operate more efficient recordation systems, involving the use of parcel indexes, computerized storage retrieval of information, and other innovations: Warren County (Ohio), Pinal County (Arizona), the City of St. Louis, and the State of North Carolina. Three jurisdictions receive grants to operate registration (Torrens) systems in which local jurisdictions themselves compile all title information and assure title condition: Southern Middlesex Registry (Massachusetts), Summit County (Colorado), and Hennepin County (Minnesota).

Research and Technology

In early 1979, HUD began the Section 14 research. It includes an examination of the advance-disclosure procedures and their effects on consumer awareness and shopping, as well as an analysis of such alternatives as direct regulation and lender-pay. The latter involves the payment of all settlement costs by lenders, who because of the volume of their settlement transactions, presumably could exercise greater leverage than consumers in acquiring settlement services at a lower cost. Research results will be based on data drawn from 20,000 HUD Forms (Settlement Statements) and from several thousand interviews with homebuyers, sellers, lenders, attorneys, real estate brokers, title insurers and others.

Findings from the Section 13 and 14 research efforts will be incorporated in a report to Congress in 1980, along with recommendations for further Federal action, if necessary, to deal with problems in settlement costs and practices.

4.4 Rural Research

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
...	...	...	$1,350

This new line item contains work that previously was part of Section 4.2, Special User Research. Because of the importance of issues concerning rural areas, this research is now presented as a separate budget item.

Since 1978, HUD has worked closely with the Farmers Home Administration (FmHA) and the Housing Assistance Council (HAC), toward the development of a rural research agenda. Through this coordinated effort, in which numerous rural needs and problems were considered, there has emerged agreement that the delivery of housing and related services to rural areas is a primary issue. More specifically, rural areas often fail to receive the benefits of Federal housing and other Federal programs, because public agencies, technical expertise, development capacity, etc., are either very limited or do not exist. These conclusions were supported by HUD's Task Force on Rural and Nonmetropolitan Areas. Thus, the principal focus of this research area is on improving the delivery of housing and related services to rural areas. Within this framework some activities have been accomplished, and others are scheduled through 1981. These are:

HUD/USDA Rural Housing and Community Development Demonstration

The first two-year phase of this joint venture between FmHA, and HUD's Offices of CPD and PD&R is being completed in 1980. Conducted in four States (California, Colorado, Illinois and West Virginia), the primary purpose was to encourage greater involvement by the States in the delivery of housing and community development services to "hard-to-reach" rural areas. When all activities begun under Phase I are completed, it is estimated that 20,000 rural families will have been aided through construction of new housing, substantial rehabilitation of housing, rental housing assistance, additional sewer and water facilities, and other programs. FmHA provided $41 million in program loans and other funds, and CPD supported the demonstration with $2.5 million of Community Development funds. PD&R funds ($500 thousand)--this amount is shown under subcategory 4.2--was used by the States to initiate the demonstration and to support a modest assessment of the Phase I activities. FmHA and HUD's Offices of CPD and Housing plan to expand the demonstration in a Phase Two effort. Because the new activity will be at an operational level, additional PD&R research funding is not needed.

HUD's Rural Assistance Initiative (RAI)

The RAI, initiated in 1979, is being conducted in the States of North Carolina

and Washington. It is a cooperative demonstration between local HUD offices and several small cities, counties, State agencies, and local public and private institutions to identify how Departmental programs and staff can be more effectively matched to the special needs of rural areas. Examples of promising techniques being tried include:

Delegated Processing -- Local mortgage lenders are authorized to initiate most of the steps involved in processing HUD insured loans.

Rural 1000 Program -- Allows new flexibility and simpler processing in developing Section 8 New Construction units in communities with populations of less than 1000.

Rural Homes Programs -- A cooperative venture in which associations of home builders and lumber and material dealers are promoting the construction of Section 235 units in rural areas on a Statewide basis.

Rural Track Processing -- One large developer familiar with HUD programs works with smaller local builders at several rural or small-city sites. Completion of this initiative is planned for 1981.

National Rural Center (NRC)

In 1980, HUD and nine other Federal agencies funded NRC, a clearinghouse for all types of rural development information. The NRC project is designed to provide rural information services to all interested Federal, State and local agencies and to the rural client groups they serve. HUD plans to continue support of NRC in 1981.

Rural Cooperative Housing Demonstration

HUD in 1980 joined FmHA in initiating a multiyear demonstration of housing cooperatives for small groups of low-income rural families. While housing cooperatives have been successful in urban settings, they are virtually nonexistent in rural areas. Based on research about small housing cooperatives in other countries, it is believed that if Technical Service Organizations (TSOs) are introduced into the system, small rural cooperatives will become feasible. A TSO provides services to several small cooperatives during their formative and operational stages. In this way small cooperatives are able to realize economies of scale by combining their resources.

It is anticipated that TSOs will be developed in at least three rural areas and that each will establish a number of housing cooperatives. It is planned that several co-ops will be in place by 1981. An assessment of the formative and early operative experience should be available in 1982.

Housing Assistance Council (HAC)

PD&R will continue to work with HAC and their funding from PD&R will be increased in 1981 to $1,050,000. This is $325,000 more than the 1978 support level, and $190,000 above 1979.

V. COMMUNITY CONSERVATION RESEARCH

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$11,362	$3,050	$3,205	$3,325

The Community Conservation Research program has responsibility for research to strengthen residential environments. The neighborhood preservation component seeks to improve our understanding of neighborhood change and to analyze neighborhood preservation programs; key study areas include neighborhood revitalizations, displacement, and housing abandonment. The housing maintenance and rehabilitation component deals with activities to preserve and improve the quality of the older housing stock. The neighborhood organization component examines and supports the role of local organizations in the revitalization process. The residential security program studies and tests programs to reduce crime and crime-related problems in public housing projects and other residential neighborhoods. Finally, the community design program is concerned with the effects of the physical environment on the quality and stability of residential areas.

(1) Neighborhood Preservation

This program assists in the formulation of public policies and programs to reverse neighborhood decline and encourage revitalization. Studies of revitalization utilize data sources and methods drawn from program evaluations. All of our program-oriented research, in addition to assessing program effectiveness, provides basic information about how neighborhoods work.

Urban Homesteading Program Evaluation. The Urban Homesteading Program, begun as a PD&R demonstration in 1975, was elevated to operating status during 1977. The program has been received with enthusiasm in local communities. Concurrent with the initiation of the program, an independent multiyear evaluation was begun. That evaluation will be completed in 1980, and during 1981 extensive dissemination of its findings is planned.

In 1980 the Third Annual Report on the evaluation was submitted to Congress. The report documented the activities in the original 23 cities, and based on the experience gained over the past four years, included recommendations for operating local homesteading programs. The final report will present an overall cost-benefit analysis, as well as several recommendations for future management of homesteading. The evaluation data file is one of the most extensive and sophisticated ever developed for neighborhood analysis. It is expected to be of great interest to independent researchers, and it will be made available for extended secondary analysis.

Urban Reinvestment Task Force/Neighborhood Housing Services Evaluation. PD&R's evaluation of the Urban Reinvestment Task Force and the Neighborhood Housing Services (NHS) program examines the strengths and weaknesses of the NHS approach to preserving single-family residential neighborhoods which are experiencing early decline. This information will permit HUD to compare the effectiveness of this intervention strategy with that of other strategies such as Urban Homesteading and local CDBG initiatives.

The evaluation, which began in 1977, is focusing on such issues as how the Task Force was organized to carry out its mission, operating costs, and NHS implementation strategies. A major part of the evaluation is to assess the NHS program's neighborhood impact, including socio-economic changes in the target areas, effects of NHS activities on housing conditions and property values, and the effectiveness

of NHS in leveraging private mortgage and home improvement capital. Evaluation reports will be published during 1980, with the final report due early in 1981.

Multifamily Sweat Equity Evaluation. In contrast to the Urban Homesteading and NHS programs, the Multifamily Sweat Equity Program focuses on neighborhoods with multifamily housing problems. In 1977 HUD awarded a grant to the Urban Homesteading Assistance Board (UHAB) in New York City to support a demonstration in which landlord-abandoned multifamily housing would be rehabilitated through tenant's sweat equity and become tenant-owned cooperatives. Additional project resources include HUD's Section 312 rehabilitation loans and a portion of the city's Comprehensive Employment and Training Act funds. This demonstration provided the basis for expansion to a multicity project in 1979.

An in-house evaluation of the New York City demonstration is expected to be completed during 1981. The evaluation results, together with information from other studies on housing abandonment and local property disposition, will yield program recommendations on property reuse, multifamily housing rehabilitation, and alternative ownership forms. These activities will extend through 1981.

Neighborhood Strategy Areas (NSA) Evaluation. The NSA demonstration program helps local communities solve multifamily housing problems, when they undertake neighborhood preservation activities. It is administered by the Assistant Secretary for Housing, and it provides a set-aside of Section 8 Substantial Rehabilitation funds to selected cities and counties in the Community Development Block Grant (CDBG) program. These cities must develop comprehensive revitalization programs and accept certain relocation aid requirements in order to participate. The objective of the NSA demonstration, which began in late 1978, is to strengthen cities' ability to bring about neighborhood revitalization by improving their ability to accomplish multifamily rehabilitation. The relocation assistance requirements are designed to minimize the displacement of lower income families.

PD&R is undertaking an evaluation of this five-year program to examine: how cities carry out the program; how well they are able to avoid displacement or, where necessary, assist families to relocate; to what degree the program improves working relations among the city and other entities which shape the local investment environment; how well cities are able to generate and package Section 8 proposals and coordinate them with their CDBG activities; and, whether the cities' role in Section 8 relocation requirements should be extended to the non-NSA Section 8 Program. This evaluation began in 1979 with the collection of initial neighborhood-condition data from a sample of 48 NSA neighborhoods.

Reuse of Abandoned Property. A manual of "Municipal Reuse and Management of Surplus Real Property" will be completed during 1980. The manual will examine strategies and procedures for ameliorating the effects of housing abandonment. It will provide practical information for local officials including: (1) methods of inventorying abandoned properties; (2) strategies for the acquisition and interim management of abandoned structures; (3) procedures for establishing reuse priorities and disposing of surplus property; (4) relationships between reuse programs and general land use planning; and, (5) a catalog of local, State and Federal programs relevant to reuse programs. During 1980 and 1981 PD&R will develop and implement a dissemination plan to bring the material to the attention of local officials.

Measuring Neighborhood Change Using the 1980 Census. Beginning in 1981, when the first tapes become available, PD&R will analyze the 1980 Census results to identify and measure changes experienced by neighborhoods between 1970 and 1980. The data-base generated by the Census provides an opportunity to advance significantly the understanding of the dynamics of neighborhood change and to measure the impact of existing, local, neighborhood-preservation programs. The cost of data collection ordinarily severely limits the extent of neighborhood analysis that can be attempted. However, tract and neighborhood level data from

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the Census will make possible extensive and intensive analysis, at relatively small cost.

Displacement Research. Prior work to be completed during 1980 includes: a six-city analysis of revitalization and displacement; a detailed neighborhood case study of displacement; an analysis of revitalization in Washington, D.C.; and, an analysis of legal issues in displacement. Together, these studies provide a comprehensive picture of how displacement occurs, its relation to revitalization, who is displaced, and how they are affected.

The six-city study documents the characteristics of private market revitalization and displacement in 12 neighborhoods and it develops a system for recognizing these phenomena once market forces have set them in motion. The study analyzes these processes in a variety of city and neighborhood types in order to provide a broad basis for understanding the phenomena and recommending appropriate intervention. The neighborhood displacement case study emphasizes the identification and location of outmovers to determine their post-move housing and neighborhood conditions, and the circumstances surrounding their moves.

The analysis of neighborhood revitalization in Washington, D.C. uses a computerized local data system to trace the city-wide progress of revitalization since 1970. The research project on the legal issues of "gentrification/displacement" is underway to assess the relevant laws, regulations, public policies, and programs.

Finally, data from the Panel Study of Income Dynamics (PSID) are being used to measure the extent of displacement nationally and to profile displaced households over time. The PSID is a national longitudinal study begun in 1968 by the Survey Research Center at the University of Michigan.

Housing Abandonment. During 1980 and 1981 PD&R will undertake two projects to study the causes and effects of central-city housing abandonment and to suggest possible solutions to the problem. The first will develop a conceptual model for the analysis of housing abandonment. The model will examine abandonment within the larger metropolitan context and will relate abandonment to neighborhood change. The project will identify those causes amenable to programmatic intervention and will discuss policy options available to local, State and Federal officials.

The second project will evaluate the Alternative Management program currently underway by New York City. Under this experimental program, city-owned, tax-defaulted, residential buildings are leased to community or tenant organizations, private management firms, or quasi-public bodies. The program is partially supported by the city's CDBG funds. The program objectives are to rehabilitate the properties, to assure they return to the private sector, and to establish a cash flow that will avoid their reversion to the city. This study will extend the work conducted in the preparation of the building reuse manual (discussed earlier), by evaluating a local operating program trying to deal with the problem.

Co-ops for Neighborhoods Demonstration. In August 1978, PD&R implemented a new demonstration pursuant to Section 305(b) of the Housing and Community Development Amendments of 1978. The amendment added Section 510 to Title V of the Housing and Urban Development Act of 1970, and authorized the Secretary to test the feasibility of converting urban multifamily properties into cooperatives, condominiums, or alternative forms of tenure. The intent of the amendment was to provide an additional tool for neighborhood preservation, by permitting tenants to acquire a sense of ownership and thus a stake in the neighborhood.

The "Co-ops for Neighborhoods" Demonstration has been successful in leveraging city funds, private investor funds, and financial institutional

interest in rehabilitating and converting distressed multifamily buildings into cooperative units.

In September 1979, three New York City neighborhoods were selected, one each in Brooklyn, Manhattan, and the Bronx. The demonstration in New York City is a joint initiative by the New York City Department of Housing Preservation and Development and HUD. In each case, a private developer and a local community group jointly share in the management, rehabilitation, and conversion of the city-owned buildings for low-income families. The Manhattan site is in the path of private market revitalization, and it will provide a test of such tenant-co-op conversions as a counter-displacement tool. The demonstrations are funded from various sources. HUD's funds will cover demonstration staffing requirements, management and ownership training to the residents who become cooperators, and the legal fees for conversion. The City of New York is making part of its CDBG funds available for those buildings requiring moderate rehabilitation, and for management until the units become cooperatively owned by the tenants. Private developers have been given priority access to Section 8 Substantial Rehab contracts for the buildings requiring it. In turn they will contribute 5% of mortgage value from tax-shelter syndication proceeds, to provide a replacement reserve, or equivalent, for the cooperative units. Financial institutions have expressed interest in providing "piggyback financing" for additional rehabilitation (beyond the capacity of the CDBG funds), where the nature and distress of the buildings mandate such treatment.

An independent assessment contract has recently been awarded to examine the impact and effectiveness of the demonstration model, and to help determine whether the demonstration should be extended to other cities having similar, but not identical problems. The demonstration will be concluded at the end of 30 months, in June 1982. Six major assessment reports will be prepared during the 30-month period, three of which will be presented before the end of 1981, and three at the conclusion of the demonstration period. If the initial evaluation supports it, expansion into at least two other cities is expected to be implemented in 1981, by which time some measure of success in New York City should be known.

(2) Housing Maintenance and Rehabilitation

Research in this field seeks to understand the problems and constraints faced in the rehabilitation of existing housing. It also investigates the role the public sector might play in stimulating the maintenance and renovation of housing in older urban and suburban neighborhoods. It supplements the rehab-technology work, discussed under 2.1 and 2.4, and the public housing maintenance research, under 1.3. The four studies underway in 1980 and 1981 cover a range of related topics.

One is to develop and test methods to measure the condition and rehabilitation needs of the Nation's housing stock. This project began in the Summer of 1979 and is being carried out under two separate but coordinated efforts by HUD and the Canada Mortgage and Housing Corporation (CMHC), pursuant to a bilateral memorandum of understanding. The objective is to improve the utility of the Annual Housing Survey (AHS) (and its Canadian equivalent) in providing national estimates of the extent of substandard housing and the cost to rehabilitate it. These estimates will will assist in making decisions on allocating housing program funds and designing programs. The immediate purpose is to test the feasibility and usefulness of augmenting the AHS questionnaire with further housing-condition questions.

A second project is a guidebook to provide basic information for local officials attempting to design local housing-rehabilitation programs. This guidebook is to be based upon the accumulated expertise of practicing local rehabilitation officials, plus in-depth analyses of six case study programs. Among the key issues to be discussed are goal setting, budgeting, financial assistance alternatives (including leveraging private funds/non-financial assistance), program marketing, contractor monitoring, fund disbursement, and staffing. It will be published during 1980.

A third study concerns the Section 312 Rehabilitation Loan Program, one of the key Federal housing rehabilitation programs. Its purpose is to encourage property rehabilitation through the provision of low-interest loans to owners of single-family and multifamily housing, and nonresidential properties. The program has been expanded considerably during the last few years, particularly its multifamily loans. In 1980 PD&R will begin an impact evaluation of the multifamily component of the Section 312 rehabilitation loan program. This evaluation will focus on four groups of people who are affected by the program: loan recipients, residents of rehabilitated structures, residents of the surrounding neighborhood, and local program officials. Among the issues to be examined are: the kinds of investors who participate in the program; the types of families; the ways in which the program affects the surrounding neighborhood; the impacts of local administrative procedures; and, the costs of rehabilitation.

The fourth study, which is currently underway, is using the National Bureau of Economic Research (NBER) urban simulation model to simulate the impacts of housing rehabilitation in the Chicago SMSA. This study will simulate a number of alternative rehabilitation programs and estimate the impact on families and neighborhoods. The study will complement and extend similar work completed for HUD in which the Urban Institute's Housing Market Simulation Model provided estimates of the market effects of rehabilitation. If such simulations prove accurate, they may provide a better basis for the allocation of program funds.

(3) Role of Neighborhood Organizations

During 1980 and 1981 PD&R will continue its examination of the role of neighborhood organizations in the neighborhood revitalization process. Several research projects will investigate the current involvement of neighborhood organizations in community conservation activities and evaluate ways in which their involvement, and the neighborhood revitalization process in general, can be strengthened.

In 1978 PD&R initiated a research program to assist the objectives of the Assistant Secretary for Neighborhoods, Voluntary Associations and Consumer Protection (NVACP). The program seeks new means to strengthen the capacity of neighborhood organizations to develop and carry out neighborhood revitalization activities. Projects currently underway include the preparation of guidebooks for community groups on a variety of neighborhood development activities, the development of a methodology for locating and assessing the needs of small neighborhood organizations, and the creation of a centralized information-sharing exchange for neighborhood groups. These projects will continue during 1980, and, where promising results are obtained, will be extended into related areas in 1981.

Two projects initiated in 1979 test the effectiveness of providing different forms of assistance to neighborhood organizations through an intermediary. Under the first, workshops for community groups will be held in ten cities to inform them of strategies by which they can can induce reinvestment in their neighborhoods. The workshops provide case study materials about the process through which neighborhood groups receive assistance, how they use that assistance, and the value of this approach to neighborhood revitalization.

The second project supports issue-oriented research conducted by neighborhood organizations. Several neighborhood organizations will receive small grants to study issues that have an immediate impact on them. The project is designed to: (1) provide a measure of the research concerns of neighborhood groups; (2) test the capacity of local neighborhood groups to conduct competent research related to their needs; and, (3) to evaluate whether broader use of such capacity would aid national as well as local needs. Both projects will extend through 1980 and into 1981.

Research and Technology

During 1980 and 1981 an evaluation of the Neighborhood Self-Help Development program will be conducted. Under this new NVACP program, neighborhood development organizations will receive grants to carry out a variety of self-help, neighborhood revitalization projects. The evaluation will: (1) assess the success and failures of the particular projects; (2) identify characteristics of neighborhood organizations which contribute to successful completion of a project; (3) evaluate whether the grants build continuing capabilities (beyond the specific projects) in the neighborhood organizations; and, (4) evaluate the impact of such Self-Help projects in contrast to other means to foster community conservation. The evaluation will begin during 1980 and will continue through 1981.

(4) Security

The security research program develops and facilitates implementation of practical methods and programs for reducing crime and its consequences in housing developments and surrounding neighborhoods. Particular emphasis is given to the assessment of anti-crime innovations and to the development and dissemination of manuals explaining how innovations judged to be effective can be replicated by local housing officials.

Anti-crime Evaluation. Evaluation of a part of the Urban Initiative Program was legislatively mandated by the Public Housing Security Demonstration Act of 1978. Thirty-nine public housing sites are participating in the demonstration. Each site's anti-crime program includes strategies that address the responsiblities of the Public Housing Agency (PHA), programs by and for tenants, and local government and private sector responsibilities. The evaluation includes an assessment of crime and victimization rates, residents' fear of crime, and resident behavior and attitudes in response to crime and fear of crime, in a subset of the participating sites. Pre- and post-intervention measurements are being taken. Similar surveys are being conductd at "best-fit", comparison (quasi-control) projects, and in the residential areas surrounding each measured site.

Security and Planning Manuals. In 1980, PD&R is completing a series of manuals that describe, among other things, how site elements such as structures, trees, walls, fences, and lighting can most effectively be used to help provide a secure and attractive environment for residents of public housing projects. The manuals also present a methodology for assessing and planning security-related social elements such as resident social relations, management services, and social services. Survey instruments for assessing tenant crime-related experience and concerns is part of this package of security-oriented materials. These surveys aid the planners to target resources to the most vulnerable parts of the project. In addition, a 1980 workshop is being presented to facilitate PHAs' use of these products, and to communicate with PHAs about security issues in general. Exploration of further ways to aid the thousands of PHAs across the country to use these materials will continue to be an important objective during 1981.

Elderly Victimization. In 1980 the distribution of another series of anti-crime manuals is being completed. These manuals address anti-crime programs for the elderly: "Combining Community Crime Prevention and Victim Services," "A Guide to Planning," and "A Guide to Program Activities." Developed from the experience of a six-city demonstration to reduce the criminal victimization of the elderly, these manuals give effective "how-to" assistance to those attempting to aid urban elderly crime victims.

Community Anti-crime. A major concern of most community anti-crime programs, including the Department's Urban Initiatives Anti-crime Program, is to develop strategies that help people feel secure when they are outside their own residences. Yet, one conclusion of recent research is that routine activities which draw people away from households and families increase the opportunities for them to be victimized. Current PD&R anti-crime research provides a foundation for addressing this potential conflict.

Research and Technology

Recent PD&R activities have reinforced the importance of neighborhood vitality as a crime-prevention strategy in and of itself. Clarification of the linkages between neighborhood revitalization and neighborhood security is a research focus of 1981. The primary goal will be discovering and implementing strategies that work.

(5) Community Design Research Program

The physical environment exerts an important influence on the social structure of a community and its future viability. The community design research program studies the planning, design, and management of this neighborhood living environment. This requires the identification of personal and community needs, the correlation of these needs with specific physical forms, and the examination and selection of appropriate designs to meet those needs. An important earlier example of this process is Newman's work on "Defensible Space," which received its initial support from PD&R.

The major effort in 1980 is a review of program progress to date and the development of a comprehensive agenda for future research. This includes an evaluation of the past focus of the program and an exploration of alternative areas of work. No major research projects are being initiated during this review period.

A study to improve the administration of urban environmental design by local governments is continuing in 1980. Technical and administrative guidance will be developed and disseminated. The study is based on the transferable techniques for planning and managing local programs which encourage superior urban environmental design.

Research and Technology

VI. COMMUNITY DEVELOPMENT RESEARCH

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$5,166	$6,435	$7,058	$6,740

6.1 State and Local Policy Analysis

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$2,912	$3,820	$4,548	$4,115

There has been a continued trend toward increased State and local government discretion in allocating HUD housing and community development assistance. This has led to a need for greater management and policy analysis skills in local government. These were not generally attained under our earlier narrowly-delineated categorical programs. The need has become more urgent for several reasons: the high inflation rate has continued to erode local ability to maintain service levels; citizen dissatisfaction with increasing tax rates is growing, as evidenced by the number of tax-limitation/rollback measures being sponsored across the country; and, at the same time, many citizens are looking to government for new or improved services.

In light of these trends HUD is seriously concerned that limited Federal funds be used in the most efficient and effective manner possible. This objective can be best achieved by improving and strengthening general, local government management and organization methods and by helping improve the delivery of services. HUD's local government capacity sharing program is designed to contribute to this end.

(1) Financial Management

Based on an extensive needs assessment in 1978, HUD initiated and developed a local government financial management capacity sharing program, concentrating on three high priority areas: (a) forecasting revenues and expenditures; (b) integrating budgeting, accounting, auditing, and performance measurement; and, (c) removing State and Federal barriers to good financial management practices.

1979 and 1980 were years for building and development of these activities. A Financial Management Resource Center was established to help local officials and others to keep abreast of current financial management publications, to answer inquiries, to provide for workshop facilitators, and to provide for expert review and advice on financial management questions where no consensus exists on "best" practice.

National searches were conducted to identify and assess exemplary financial management practices for smaller and for larger local governments. Practices surviving rigorous peer-screening are being disseminated to local government officials through publications, regional conferences, and workshops for smaller and for larger jurisdictions.

Five intrastate or regional networks were competitively selected to provide direct financial management technical assistance to local governments.

Research and Technology

In recognition of the State role in local financial management, a number of model bills were drafted dealing with the several aspects of local government financial management, and technical assistance was made available to States interested in developing or revising legislation to improve government financial management.

A major project was funded to develop concepts and standards for modern local government accounting. This three year project, endorsed by the General Accounting Office and the Treasury Department, and encouraged by the Office of Management and Budget, was suggested by local government officials themselves as a possible way to bring greater uniformity to myriad Federal and State reporting requirements, in the face of wide-spread variance from existing standards. This project, being conducted by the National Council on Governmental Accounting, includes cooperation with the other major standards-setting body, the Financial Accounting Standards Board.

Finally, numerous publications have been developed to deal with specific financial management topics where little useful information was previously available. Such publications include: an auditing manual for public officials; a guide and related materials linking budgeting, accounting, auditing and performance measurement for improved financial management; a "practical ideas" series of publications (such as, Practical Ideas for the Government That Has Everything - Including Productivity Problems); and, a series of handbooks for local officials on other important financial management topics.

Most of the information collection and sharing activities described above will continue in 1981. It is too early yet to be able to assess the full impact of these activities, but there are some early indications. As an illustration, more than a dozen of the 44 larger jurisdictions that attended revenue and expenditure forecasting workshops afterwards indicated an immediate intention to implement forecasting systems. More than 20 States are formally developing new legislative packages dealing with local financial management, and one - New Hampshire - has already passed legislation dealing with fiscal notes. Demand for program information remains very high.

In 1981 HUD will assess its experience in fostering information sharing and will seek ways to preserve the most effective sharing mechanisms after Federal research support for them is phased down.

Finally, additional effort will be targeted toward development of financial management materials reflecting the "real world" experience HUD has gathered. The materials will be for use in academic programs and curricula for local officials. Currently it is difficult to prepare prospective local officials adequately for their financial management responsibilities, because, among other things, there is a lack of good case studies for use in curricula.

(2) Other Capacity Building/Sharing Activities

In addition to financial management, other capacity sharing activities are expected to continue in 1981. Based on a 1979 needs assessment, HUD initiated several projects intended to facilitate the participation of women and minorities in public service. These projects include a resource for women in public management, to facilitate contact among these individuals, and to provide technical assistance for career planning to ensure upward mobility; and, an Hispanic emphasis program aimed at better understanding the unique needs and interests of Hispanics in municipal service delivery. It is also anticipated that in 1981 an effort to facilitate Hispanic participation in public service will begin. This program will include support for academic training, work internships, and aid in identifying and securing public management positions.

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An additional need which surfaced through three independent needs identification mechanisms is for better understanding of data and information management. This stems from the growing complexity of local government operations and management, the corresponding isolation of decision makers from direct knowledge of the operations and programs for which they are responsible, and the consequent dependence on information provided by others. In 1980, efforts began to address this need in conjunction with and support of the financial management capacity sharing program. In 1980 a project will be undertaken to assess the quality of financial management information systems, in terms of such things as how data are collected, what information is or can be generated based on this data, and the degree to which that information satisfies the needs of the various parties internal to and external to local governments who require it. This effort will continue in 1981.

Also in 1981, efforts will explore local government capacity to analyze and assess technological developments and alternatives which may have profound implications for how, or even what, services are provided by government. To give an example, not many years ago, many governments were preparing to, and in some cases had begun to, invest in roadside communication networks to ensure that emergency aid could quickly and easily be summoned to any point along major roads. Such networks were extremely costly. In the last couple of years, the need for such networks has been obviated by the technological advances which led to the proliferation of CB radios in private automobiles.

At the present time there is a conjunction of a number of technological advances and other factors. Years ago data processing offered only minor variations on a single theme with the result that local government data processing generally involved centralized data processing with a large scale computer and highly trained data processing staff. New advances in data processing hardware and software offer an incredible variety of options. For example, computers are inexpensive enough so that it is as cheap to store data in a computer as on paper, and it is no longer necessary to learn esoteric software languages to be able to use a computer. These advances in information technology have happened concurrently with corresponding advances in communication technology. When these advances are compounded with the spiraling cost of energy, there may be profound implications for local government organization, structure, and responsibilities.

In 1981, efforts will explore the capacity of communities (in terms of personnel, planning, and management capabilities) to deal with such technological alternatives and their implications. Demonstrations are not envisioned; rather it is anticipated that the experienced communities which are already involved in assessing and adapting major technological innovations will be examined. The necessary capabilities, the costs and the benefits, resulting institutional changes, and any other information which can help local governments facing similar decisions, will be identified.

This examination of ongoing major technological innovation may also suggest areas where additional technological development could be of significant benefit to local government.

In 1981, efforts will also continue to develop reliable means for assessing local government management capacity and to identify how Federal actions impact that capacity. Also, HUD's liaison with local government, through the Urban Consortium and the Intergovernmental Science, Engineering and Technology Advisory Panel, will continue.

Research and Technology

6.2 Environmental Studies

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
...	...	...	$475

Environmental hazards, both natural and man-made, impact upon the lives, property, and well-being of urban residents in a variety of ways and in an inequitable manner. Often the effects of these hazards are not borne by those who cause them, e.g., noise and air pollution. The burden is frequently disproportionately heavier on the economically-and-socially disadvantaged. HUD research into environmental hazards seeks to understand their mechanisms and effects, in order to develop standards and guidelines to mitigate or avoid their consequences, at the lowest cost possible.

The research program for 1981 will continue the shift, begun in 1979-1980, toward significant environmental hazards, other than lead-based paint. Emphasis is being placed on improving the methodology for preparing environmental impact statements (EIS) in order to lower the cost and time spent in carrying out these analyses. Initiatives planned for 1981 include: (a) research on the utilization of remote sensing data, gathered by other agencies, for urban environmental quality analysis; (b) computer-based storage, retrieval, and analysis of data for preparation of EIS; and, (c) demonstration of area-wide assessment techniques developed by HUD of specific hazards such as toxic waste disposal, radiation hazards, indoor air pollution, noise and lead exposure.

Research on natural hazards, previously conducted by HUD, has now been transferred to the newly created Federal Emergency Management Agency (FEMA). Along with this function, HUD has also transferred the results of completed research projects which provide FEMA with alternatives for implementation of Section 1302 of the National Flood Insurance Act of 1968, and, the feasibility of flood-proofing for small commercial buildings.

Research concerning lead poisoning continues to decrease, primarily due to a better understanding of the problem and to successful completion of a number of the original objectives. Over the the past three years, four new lead-based paint, hazard-abatement technologies have been developed, one of which has already moved to commercial development and is currently being marketed. Another HUD developed technology also has considerable commercial potential. HUD has completed several field demonstrations of lead-based paint hazard abatement and has published several reports on its techniques and economics. Of greatest impact has been the analytical studies of lead levels in children in urban areas. These analyses show high correlation between lead levels in children and demographic and environmental factors other than lead paint on walls. The highest is correlation with levels of lead in gasoline. The results of HUD's research have made a major impact on the setting of both gasoline and air-lead standards by the Environmental Protection Agency, and by equivalent agencies in Canada and Great Britian.

Evaluation of the lead-based paint poisoning research program, by HUD staff and by the National Academy of Sciences has led to a redirection of HUD's research role in this area, and to the consequent budget reduction to the $100,000 currently being requested, for the lead-based paint poisoning research within this activity.

Research and Technology

6.3 Economic Development and Public Finance

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	CURRENT ESTIMATE 1981
	(Dollars in Thousands)		
$1,755	$1,600	$1,835	$1,550

HUD's research in this field assists States and local governments with problems of development, private employment opportunities, revenue, and finance. Solutions to the urgent problems of housing, neighborhood decline, and loss of vitality of central cities depend directly on local economic development efforts that can attract private investment, generate employment and entrepreneurial opportunity, and sustain the local tax base. The current fiscal crises of many local governments underscore the interrelated need to improve local economic conditions and local government finances.

(1) Economic Development

A major responsibility has been the continued preparation of Urban and Community Impact Analyses for the Department's new initiatives, in accordance with guidelines in OMB Circular A-116. Several other Urban Impact Analyses of Federal programs have also been prepared or commissioned. Urban Impact Analyses, whose methodology has been developed largely by HUD research staff, have demonstrated important linkages between Federal programs and local economic development patterns. These analyses have become a major new and permanent tool in planning new programs for HUD, and their use is growing in other agencies.

Other recent efforts in economic development included: (a) a conference on the public-private interactions fostered by the UDAG program; (b) a study that analyzes the housing and economic development impacts of California's recent drought and water shortages; and, (c) a study on the direct employment effects of industries that expand or relocate in distressed areas.

(2) Public Finance

Research on tax and expenditure limitations was a major component of the public finance effort. Analyses have been commissioned to examine the Michigan tax limitation amendments, as well as the implementation and impact of California's Proposition 13. Related to California's initiative, a conference on tax and expenditure limitations was held in Santa Barbara, California. The papers presented at that conference have been published in a special supplement of The National Tax Journal. A principal finding was that local taxpayers seem to be attempting to shift tax burdens from property taxes to other sources, rather than simply reducing expenditures.

The fiscal implications of State and local pensions is of vital concern to taxpayers and public servants alike. It is the subject of a major study. A combination of actual and simulated economic analysis will be undertaken for both large and small public pension systems. The analysis will include funding status, benefit adequacy, and projection of fiscal impacts on local governments.

The analyses of conditions of the urban capital infrastructure has produced two publications by the Urban Institute thus far: The Future of New York City's Capital Plant, and The Future of Cleveland's Capital Plant. Case studies of other cities will be published in the future.

New and continuing projects include studies of: the impacts and distribution of Federal block grants to local governments; issues related to Federal tax-exempt

property; and, urban economic indicators. Work has also continued on developing better public finance data. The Assistant Secretary of PD&R chairs the Interagency Task Force on Urban Data. This task force supports in-house and external research on fiscal data and other urban indicators.

6.4 Community Growth and Land Use

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$499	$1,015	$675	$600

Accomplishments in 1979 included the completion of a joint HUD - National Science Foundation project on methods by which local governments can better manage development through coordinated capital improvements. Also completed in 1979 was a study of ways localities can reduce delay in the administration of zoning, subdivision, and environmental regulations.

In 1979 and 1980 new research was initiated on key economic questions of land development patterns and regulations. A major project is the analysis of the use of urban infill as an economic alternate to urban sprawl. Urban infill is a strategy of encouraging the development of by-passed, vacant lands in areas where public services are already in place. Studies are underway in three metropolitan areas -- Miami, Dade County; Rochester, Monroe County; and Seattle, King County -- to assess the extent of infill opportunites and costs of utilizing them. The project has attracted nationwide interest.

A related project will investigate ways of monitoring urban land prices. Land prices are rising at twice the rate of national inflation, and they are contributing substantially to rising housing and business costs. The project will try to develop ways by which policy makers can affect land prices through public actions on land supply and demand. A third initiative is a major study of the effects of land-use regulations on the costs of housing. The study will survey public officials and builders in 500 communities, and there will be intensive case studies in six cities. An important study of State and regional urban policy continues. It was commenced in 1979. In parallel with the Federal Urban Policy, numerous States and regional agencies have been evolving their own urban strategies to encourage more orderly growth and to stem costly urban decline. Some of these strategies may be worth replicating elsewhere; others may be in conflict with their neighborhoods or with Federal policies. The results of the study should improve our ability to assist useful local efforts, and provide a basis for others to improve theirs.

In 1981, work will continue on the economic consequences of development patterns and regulations and the urban infill research will be concluded. Several regional demonstrations are expected to be launched to monitor land prices and the supply and demand for developable land. The effects of recent national changes in the capital financing and future availability of capital infrastructure will be assessed. PD&R will look at the availability of sewer, water, roads, and transit to support future housing. This topic will be a major concern for cities and suburbs in the 1980's. It affects not only municipal fiscal conditions, but housing and business costs.

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VII. ENERGY CONSERVATION AND STANDARDS RESEARCH

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$2,349	$1,900	$1,700	$2,800

7.1 Energy Conservation and Utilities Research

HUD APPROPRIATION

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$1,275	$1,400	$1,200	$2,800

DEPARTMENT OF ENERGY TRANSFERS

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
($980)	(...)	(...)	(...)

The conservation of energy and water in the construction and operation of housing is among the nation's highest priorities for economic and environmental reasons. This program investigates new energy and water conservation designs, and where appropriate, encourages their development and use in all new and existing residential structures, including mobile homes.

Major Areas of Activities

(1) Energy Impacts on Housing Policy

Because over 30% of the nation's energy supply is used to heat and cool buildings, the availability and cost of energy directly affect housing. Following the oil embargo in 1973, the recognition of this relationship has led to a series of legislative incentives, enacted and proposed, directed to reducing the consumption of energy, both in existing and in new dwellings.

Many of these incentives are now being implemented as new public programs to reduce energy consumption. At the same time, energy costs continue to rise, and new techniques for reducing energy use and substituting renewable energy supplies (such as solar energy) are constantly being announced. These changes will have a profound impact on the quality of housing and the choices open to Americans in the coming years, but to date no assessment has been made of this impact or ways to minimize its negative aspects.

In 1980, HUD is undertaking an initial assessment of the key relationships between energy and housing. Identified will be the policy issues which housing and energy experts consider most important in the coming decade. A series of commissioned papers by recognized authorities will form the basis for a workshop discussion of these issues.

In 1981, HUD plans to initiate the specific research activities, data collection, and evaluation programs recommended by the workshop. This information

will then be used to develop policy and program recommendations to minimize the negative impact of energy-related problems on housing quality and housing choices.

(2) New Energy Efficient Systems

The continued demonstration and evaluation of new energy efficient systems for residential structures is an outgrowth of our first Energy-Efficient Demonstration Residence. This demonstration was begun in 1978 and should continue through 1983 and perhaps beyond. An Energy Efficient Residence (EER) will be constructed in the Washington, D.C. area in 1980. Houses will be designed for every HUD Region. They will include a variety of cost-effective, energy-efficient systems, many of which may not now be available but which should become readily available to builders within the decade. Data gathering, analysis, and evaluation will be initiated in 1980. Subject to the results of the 1980 activity, other EER residences are planned for 1981.

(3) Energy Conservation Demonstration in Rehabilitated Structures

In 1975, HUD issued "In the Bank or Up the Chimney," a highly popular pamphlet designed to aid homeowners in the selection and installation of effective energy conservation measures. Although highly successful and popular, there were some limitations in this document. First, this document was primarily addressed to residential units constructed after 1940. Houses built prior to 1940 frequently have quite different construction characteristics, which do not permit the direct application of the solutions contained in "In the Bank or Up the Chimney." For example, rafter roofs and floored, usable attics (rather than truss-type roofs) usually restricted the amount of attic insulation that could be added. Wood laths and plaster applied directly to exterior masonry walls restrained the amount of wall insulation that could economically be added. To assist the owners of older American houses in conserving energy, HUD is currently developing a new pamphlet, similar, to "In the Bank or Up the Chimney," which would provide them specific recommendations for conserving energy.

There are considerable gaps in our knowledge about effective means for conserving energy in older residences. Most energy conservation research has been focused on the post-World War II home. The older home frequently has much different dimensions (larger rooms, higher ceilings, etc.), different temperature responses (due to the effect of mass), and may require entirely different energy conservation strategies. Many of these older houses were not designed for central heating (or cooling). Installations made during an energy-cheap era may have to be reexamined and substantially changed. Our efforts will focus on cost-effective means for providing energy conservation under such conditions. The earlier effort (for post-1940 homes) was largely derived from the state-of-the-art for new construction. This effort will result from analytical investigations and measurements conducted on older demonstration houses rehabilitated for energy-conservation purposes. In addition to the new pamphlet, the results will be used to encourage energy-conservation products designed specifically for the older house, and for revising energy-conservation standards for rehabilitation projects.

(4) Health and Safety Effects of Energy Conservation Measures

The effects of energy conservation measures on residences and their occupants are becoming more important as air leakages are sealed and insulation levels are increased. There are indications that indoor air quality may suffer as a result of inadequate ventilation in very tight homes. Increased levels of insulation and misuse of vapor barriers may cause moisture problems, fire hazards, and corrosion under some circumstances. In cooperation with DOE, NBS and EPA, HUD will examine these problems.

Research and Technology

(5) Infiltration Research

Infiltration of air resulting from cracks and openings in the building envelope can account for a significant amount of energy loss in residential structures. A project was initiated in 1979, and will continue through 1981, to develop safe and healthful methods of controlling infiltration.

(6) HUD Minimum Property Standards (MPS) Insulation Standards

The insulation standards of the MPS for minimum thermal insulation, thermal transmittance through walls, and maximum glass areas have been critized as not being cost-effective. Planned research includes a cost/benefit analysis which balances savings in actual energy consumption against initial capital requirements and any other offsetting operating costs. It will examine structures using different construction methods and the effects of varying climatic regions. The results may generate recommendations for further revisions of the MPS insulation standards. A project study of the effect of thermal mass (bulk and weight) was initiated in 1979 and will continue through 1981. This project should help establish whether increased wall mass, such as masonry or log construction reduces the required level of insulation in walls.

(7) Public Housing Energy Conservation Demonstration

A proposed HUD rule, "PHA-Owned Projects - Energy Audits and Energy Conservation Measures," will require energy conservation in public housing. Under it, public housing management will have to: (a) conduct energy conservation audits on on all projects; (b) identify opportunities for cost-effective energy conservation; and then, (c) enumerate and rank these energy conservation opportunities on the basis of potential savings. During 1980 and 1981, an Energy Technical Assistance Package (Energy TAP) will be produced. This will aid HUD field offices to assist public housing administrators to understand and perform their mandated energy-conservation roles. Materials for the package are expected to include brochures, training manuals, guides, workbooks, forms, computer programs, films, tapes and/or slides.

In 1981 follow-on elements of the program, which affect the approximately 1.3 million public housing units in the United States, will include: (a) documentation of existing public housing energy-conservation demonstrations, so that valuable experience can be transferred to other public housing authorities; (b) the development of operating manuals for energy-efficient maintenance of public housing facilities; and, (c) the creation of a package of tenant education materials and the identification of incentives for the public housing residents to support energy conservation goals.

(8) Neighborhood Energy Conservation Manual

The "Neighborhood Self-Help Development Act of 1978" Title VIII of P.L. 95-557, provides that energy conservation and weatherization projects are eligible for grants and other forms of assistance. During 1980 and 1981, Neighborhood Energy Conservation Materials will be developed to assist neighborhood organizations in producing well prepared proposals and projects. An appropriate combination of materials will contain: (a) information on organizing the community to introduce the energy issue; (b) a framework for the basic neighborhood planning process; (c) a catalogue of energy-saving ideas; (d) a compendium of available government energy-conservation programs applicable to neighborhoods; (e) proposal preparation procedures; (f) ways of working with and through local governments; (g) illustrative case studies; (h) a selected annotated bibliography; and, (i) an indexed survey of neighborhood energy conservation projects and programs.

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(9) Residential Energy Efficiency Standards Study

Section 253 of the "National Energy Conservation Policy Act of 1978" directs HUD to perform a feasibility study of mandatory energy programs with requiring "mandatory Federal action" for existing residences (1-4 unit dwellings) to make them meet "applicable energy efficient standards." In particular, HUD is to study whether the time of sale or exchange is the appropriate point to impose a prescribed energy efficiency standard.

The National Institute of Building Sciences is aiding HUD in this study. It is developing energy efficiency standards for existing residences, estimating potential energy savings and retrofitting costs, and assessing potential impacts on the building industry. In addition, the Urban Institute is assessing the impact of a Section 253 requirement on households and housing markets, and examining possible methods of administering and implementing a mandatory energy efficiency standard. A progress report has been prepared and transmitted to the Congress. A final feasibility report is to be sent to the Congress in mid-1980.

(10) Solar Energy and Conservation Bank - Technical Support

Legislation is under consideration which would authorize a Solar Energy and Conservation Bank to provide low-interest loans for energy conservation and the purchase and/or installation of solar energy equipment in housing and other buildings. The Solar Energy and Conservation Bank is to be organized as a separate corporation within HUD, similar to the GNMA organization, and is expected to be approved and to go into operation in 1980. HUD will provide technical support for the new Bank. HUD will first develop procedures to establish loan levels for passive solar applications. In contrast with active solar systems, which generally have specific equipment and identifiable costs, passive solar applications utilize elements of the building structure, and their costs cannot readily be separated from the basic structural cost. Recognizing this, the legislation directs that the level of assistance for passive solar systems vary according to the estimated amount of energy which they save.

The procedure being developed will use a set of "recognition factors" and supporting material which will enable lenders to determine quickly whether a specific building qualifies for a passive subsidized loan. Once eligibility is ascertained, the lender can then use a special table of potential savings for typical passive solar applications to determine the level of loan appropriate for a specific project. Also in 1980, HUD is continuing to refine technical standards and calculations for solar installations, drawing upon experience from the HUD solar demonstration program. The House bill directs that evaluation of active solar systems also be shifted from cost savings to energy saved in 1981. The procedure developed for evaluating passive solar applications will be adapted, if possible, to determine assistance levels for active solar systems.

In 1981, HUD will seek further refinement of technical standards, operating requirements, and other features of the Solar Energy and Conservation Bank program based on the needs shown in early operational experience with the Bank.

(11) Mobile Home Energy Conservation

Because mobile homes comprise 17% of all new single family dwellings and about 85% of all residences under $20,000, effective energy conservation measures and construction standards are urgently needed to give guidance in this major segment of the housing market. In addition, a large portion of mobile homes are occupied by low- and moderate-income families, who can ill-afford the rising cost of energy thus, there is further urgency for reduction in energy use.

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During 1981, the thermal envelope research project (studying the thermal performance of mobile-home wall, ceiling, roof, floor, door, and window assemblies) will be concluded. In addition to proposed improvements in the Federal mobile home standards, a design manual will be prepared to assist designers, architects and builders of mobile homes. A new project will be undertaken, seeking substantial improvement in mobile home furnaces and air-delivery systems. A second new project will begin, relating to very cold weather performance standards (as in Alaska). Studies will address water-supply freeze-ups, indoor air quality under prolonged recycling, as well as thermal performance.

(12) Residential Water Conservation Research

This program develops data on residential water conservation and municipal supplies. The President, on July 12, 1978, directed that a program of water conservation become part of the housing programs of HUD, the Department of Agriculture, and the Veterans Administration. Despite a predicted doubling of water needs by the year 2000, little research has yet been done in this field.

Not only is there increasing water need, but costs are rapidly rising, a trend which will continue. Cost increases result from the use of less accessible sources of supply, the increased treatment standards of the National Drinking Water Quality Standards, and from the inflationary pressures faced by the economy as a whole. The impact on the individual user and the municipality can be reduced through more efficient use of existing supplies. Real cost and energy savings (decreased fuel use) would result from decreased water-processing, distribution, heating, and use. For these reasons, water conservation research will be continued and broadened. The research conducted in 1980 will include:

a. Residential Water Conservation Handbook

A water-use handbook will be produced to assist homeowners and renters to use water more efficiently. This consumer publication will contain information on household water management practices, repair and maintenance of water using systems, purchasing of water-saving devices, and plumbing modifications.

b. Water Conservation Appliance Performance Test

This project will develop baseline technological information for conservation in residential water consumption devices and systems including plumbing fixtures, fittings, and appliances. From this baseline information, performance standards and evaluation procedures will be derived. This information is needed by consumers, State and local government code officials, standards bodies, and legislators, in order to have a more rational basis for making choices and mandating improved performance.

c. On Site Sanitary Devices

HUD is collecting information about water reuse and recycling to find ways to reduce community needs for fresh water, to understand social reaction and health implications of reuse, and to develop proposals for acceptable reuse programs. Activity for 1981 will include: (1) the development of guidelines for water conservation and reuse in long-range planning; and, (2) demonstrations of water efficient household systems and appliances in single-family houses, multifamily buildings, communities, etc., to illustrate the ways in which the practices could/should be implemented, and to document the benefits.

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7.2 Solar Heating and Cooling

Department of Energy Transfers

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
($15,000)	($6,200)	($11,000)	($5,000)

The HUD solar program, established under the authority of the Solar Heating and Cooling Act of 1974 (PL 93-409) as an element of the national program managed by the U.S. Department of Energy, is now approaching completion. PL 93-409 called for a five-year program. The initial program plan (ERDA 23A) specified five cycles of demonstration projects over this period, leading to the commercial readiness of solar heating and cooling systems. The plan also called for standards development, market studies, and information dissemination which, together, were expected to help bring about an effective solar industry, and a growing solar market.

In 1979, HUD completed the fifth of the planned five cycles of solar demonstration grants. It concentrated on energy-conserving, passive solar installations, as the most cost-effective and immediately applicable form of solar energy. With the Cycle 5 construction awards, HUD has funded over 750 projects involving almost 12,000 dwelling units, located in every State, in Puerto Rico and in the District of Columbia, and involving all types of housing. In 1979, HUD also completed and published two studies of the legal issues involved in "solar access", or the right to receive sunshine. One study addressed the problems of solar access and sun rights in existing, built-up areas where property rights are already established. The resulting report, Solar Access Law, has been acclaimed as the definitive work in this area. The other study looked at the legal and technical issues involved in assuring solar access in new developments. One report, Protecting Solar Access for Residential Development, provides guidelines for public officials on land-use control methods to assure solar access, while another report, Site Planning for Solar Access, provides guidelines for site planners and developers on the design and development of new projects.

In 1980, HUD activities include an improvement in the information response capabilities of the National Solar Heating and Cooling Information Center and a continuing evaluation of the data being collected from the demonstration projects. The Information Center, operated under a HUD contract by the Franklin Research Center, has responded to more than half a million inquiries since it first went into operation October 1, 1976. Due to increasing concerns about energy in recent months, the volume of telephone calls has increased greatly, resulting in many callers receiving busy signals. HUD expects to increase the call-handling capabilities of the Center during 1980.

In 1981, more and more of the demonstration project will be completed and sold. It is expected that the data to be obtained from these projects will confirm the improved technical capability found as HUD evaluated the original applications. Early in 1980, as the steadily decreasing number of active projects call for less support to technical and market-experience, reports based on the first three program cycles will be published. In 1981, it is expected that HUD will revise and improve this information from the later demonstration cycles, which stress passive solar designs, thereby providing the latest current useful information on solar installations and the marketing of solar projects to the housing industry. This information will help support the activities of the Solar Bank, and encourage more builders and other housing sponsors to consider solar energy in their project development. Program expenditures will continue to decline following 1980, as the steadily decreasing number of active projects call for less support to monitor and manage these projects.

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7.3 Utilities and Energy Systems

HUD APPROPRIATION

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$1,074	$500	$500	....

DEPARTMENT OF ENERGY TRANSFERS

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
(...)	($150)	(...)	(...)

The work described in last year's budget under this section differed very little conceptually from that undertaken in 7.1 above. Therefore, all future work and funding have been included under 7.1.

VIII. PROGRAM EVALUATION

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$6,083	$5,863	$5,050	$7,225

The Assistant Secretary for Policy Development and Research provides the Secretary, the Under Secretary, and other principal staff of the Department with an in-house capacity to perform a broad range of priority analytical research and evaluation activities. This work includes: the preparation of quick response papers; outlines of new program alternatives for use by the program offices; actual initiation and demonstration of new policies; field investigations providing feedback on the impact and effectiveness of HUD programs; surveys of the general public and of special samples; cost effectiveness and cost/benefit analyses of HUD programs; and, rigorous evaluations of the success of HUD programs in achieving their objectives.

(1) Evaluation of Housing Programs. For 1980 and 1981 we will focus on the evaluation of new housing programs and new innovations in them. Several of these studies were begun in 1979. The principal evaluations continuing into or beginning in 1980 are:

(a) Income Certification and Recertification - The evaluation will provide HUD with information on the extent and severity of incorrect rent payments by tenants of HUD assisted apartments. It will also identify cost-effective methods for improving determinations of tenant eligibility and rent. Tenants and project administrators of 500 projects under Section 8, Section 236, and Public Housing will be surveyed. The project includes matches of IRS/SSA data to determine misreporting of income, experimental application of uniform income-verification procedures, in-depth interviews with administrators, and the collection of actual income and rent data from a large number of tenants. The analysis will concentrate on: (1) the measurement of error rates and costs; (2) a study of administrative practices and their effect on error incidence; and, (3) a cost-benefit analysis to identify cost-effective alternatives. The study will be completed by the end of 1980.

(b) Urban Initiatives Evaluation - This study will examine the Rehabilitation/Management Assistance component of the Public Housing Urban Initiatives Program (PHUIP). The evaluation will: (1) document the physical and management changes implemented under the program; (2) measure the impact of these changes on the general housing quality of the targeted projects (including the physical condition of the projects); and, (3) measure, to the extent possible, the impact on management performance. Initial data were collected in the Fall of 1979 by use of interviews with management and tenants, physical inspections of the projects, and collection of financial operating data and other factual records. These data provide information on the status of the projects before program implementation. Parallel data are expected to be collected in 1982, to provide information on the post-program implementation. The study is scheduled to be completed in 1982.

(c) Evaluation of the Congregate Housing Services Program - HUD's Congregate Housing Services Program funds public housing authorities and nonprofit Section 202 sponsors to provide meals and other nonmedical support services to their semi-independent elderly and handicapped tenants. Funding is currently on a demonstration basis only, and an evaluation has been mandated by Congress.

The evaluation will examine whether the unique features of this program make it more appropriate for use in HUD-funded projects than alternative Department of Health and Human Services programs which provide similar services. The evaluation will also examine costs of the program and assess its potential to

decrease rates of institutionalization for certain elderly and handicapped tenants.

(d) Evaluation of Graduated Payment Mortgages and Single-Family Coinsurance - The purpose of this evaluation effort is to study the effects of two recently created programs (Graduated Payment Mortgages and Single-Family Coinsurance) designed to provide broader options in FHA single family operations. The GPM provides insurance on loans in which the monthly payment is initially lower than a regular amortized payment but, gradually, increases over several years to make up the difference. The coinsurance program, which trades faster processing for potentially higher but partially shared risk, and graduated payment mortgages are expected to increase rapidly in use over the next few years.

Basic questions to be answered are: (1) does the GPM and Coinsurance programs provide homeownership opportunities for moderate-income families who otherwise could not have obtained a mortgage; (2) what types of lenders and borrowers use these programs and why are they participating; (3) why has the coinsurance program been little used previously; and, (4) what has the default loss experience been and can future loss potential be projected?

(2) Evaluation of Community Development Programs. PD&R has initiated a full range of studies on the Community Development Block Grant program. The emphasis in 1980 and 1981 will be on analysis and presentation of the first major results of the Community Development Strategies Evaluation, which is PD&R's principal research initiative on the program. The major studies currently underway or recently completed are:

(a) Community Development Strategies Evaluation - Design work and baseline data collection have been accomplished for a study of the impacts and benefits of alternative neighborhood strategies, the data covering rehabilitation, demolition/redevelopment, services/facilities, and combinations of these activities in residential neighborhoods. The field work includes extensive household interviews on samples of assisted rehabilitated units and comparison units. In addition, there are interviews with households in neighborhood clusters in nine cities chosen to cover a diversity of city and neighborhood characteristics and community development activities. The surveys are comparisons over time. The data include physical inspections of housing to support an analysis of the durability of rehabilitation over time, and visual inspections of the adjacent streets and housing.

The impacts to be studied include: (1) the characteristics of beneficiaries by income, race, household size, etc; (2) the extent and nature of benefits to target groups; and, (3) changes in the physical housing stock of neighborhoods. The work also includes a study of the citizen participation process. During the remainder of 1980 and 1981, reports of the analysis of first-round data will be initiated, and the final rounds of data collection in the nine cities will be conducted. The second-round data will permit analysis of moving-in/moving-out patterns in community development neighborhoods, and analysis of effects of community development assistance during the period between the first two rounds. The third-round will include follow-up interviews on the clustered-neighborhoods sample and samples of lenders, owners, and managers, for purposes of tracing impacts over the period of the study.

(b) Brookings' Monitoring Study - The Brookings Institution has been monitoring the Community Development Block Grant Program in over fifty jurisdictions across the country. Eventually, this study, which will continue through 1981, will provide longitudinal data on the first six years of CDBG. The central theme of the monitoring project has been the evolution of the decision-making process at the local level, in response to the CDBG program. Other areas of interest have been the programmatic uses of CDBG funds, the distribution of program benefits among income groups, and the national allocation system for distributing CDBG funds. The monitoring is carried out by a network of field associates, who

are trained social scientists residing in or near the jurisdictions which they monitor.

The monitoring projects' first two reports provided HUD with important information on the national entitlement formula for distribution of CDBG funds. In particular, information in the first report assisted HUD in designing changes in the formulas. These changes, which were enacted in 1977 CDBG legislation, were shown in the second report to have resulted in better targeting of funds to declining metropolitan areas. These reports also provided evidence that local coordination and control of community development activity has increased under CDBG relative to HUD's previous categorical community development programs, that smaller-scale, more diversified activities are more common under CDBG than under the categoricals, and that there has been particular emphasis on housing rehabilitation.

A third report covering the third and fourth program years, will be available in mid-1980. This report, "Targeting Community Development," will pay special attention to the impacts of HUD regulations concerning targeting of benefits to low- and moderate-income persons and to well defined neighborhoods; it will also continue the examination of the evolution of local decision-making in response to CDBG, which was begun in the first two project reports. A preliminary analysis of report data indicates the following findings: (1) there appears to have been increased targeting of program monies to low- and moderate-income persons and to geographic neighborhoods; (2) responsibilities for CDBG are increasingly being institutionalized in community development departments; and, (3) citizen influence in CDBG appears to be growing.

The final project report, which will cover the fifth and sixth years of the CDBG program, will be produced in 1981. In this report, particular emphasis will be placed on the quality of program execution. Now that the CDBG program has been underway for several years, it will be possible to analyze factors which affect the rate of program execution. These may include previous community development experience, complexity of program design, or communication problems between community development departments and other agencies. A series of in-depth case studies of CDBG in approximately 10 cities will also be produced by the time of project completion.

(c) Formula Study - This Congressionally-mandated study, entitled "City Need and Community Development Funding," focused on Community Development Block Grant impaction formulas and single-formula systems. Impaction formulas are allocation formulas in which certain variables are weighted to emphasize particular elements, e.g., a formula in which the number of poor persons is further weighted by the percentage of the jurisdiction's population which is poor. The study also examined Annual Housing Survey data to determine whether pre-1939 housing is a good indicator of housing and neighborhood problems.

The study used twenty indicators (e.g., poverty, crime, employment loss, etc.) of community development need to construct indices that measure the relative seriousness of community development problems experienced by different cities. Correlation and regression techniques were then used to measure the responsiveness of the current dual formula and fourteen alternative formulas to the need indices. In addition, the formulas were evaluated using indicators of fiscal capacity and tax effort.

The main conclusions of the study were: (1) the current dual formula exhibits a much higher level of targeting according to city need than the 1974 single formula that it replaced; (2) compared to the current dual formula, formulas that weight pre-1939 housing and overcrowded housing with the percent of poverty increase the targeting of community funding according to need; (3) dropping the absolute population variable in favor of poverty increases the overall response to need; and, (4) pre-1939 housing is significantly associated with hous-

ing deterioration and neighborhood blight, especially when it is tied to renter status or low-income concentrations.

(d) Urban Counties Evaluation - An evaluation of the performance of urban counties in the CDBG program will be completed in early 1980. This study is a joint effort by the Offices of Policy Development and Research and Community Planning and Development. The major objectives of the evaluation are to describe the experiences of urban counties in implementing their CDBG programs, to analyze the relationships of urban counties with their cooperating jurisdictions, and to assess the overall performance of urban counties. With respect to the latter, indices have been developed which measure the performance of urban counties as to program responsibility, comprehensive strategies, Federal compliance standards, low and moderate benefits, HAP's, and program management efficiency. Statistical analysis of these performance indices will show which factors (e.g., size, region, previous experience, etc.) are associated with good performance.

(e) Small Cities Evaluation - This study, also jointly managed by PD&R and CPD, is the first comprehensive, nationwide evaluation of the Community Development Block Grant program in small cities. The evaluation has two major purposes: (1) to explore how the design of the Small Cities component of the CDBG program affects its ability to aid small communities in meeting their needs; and, (2) to determine how well smaller cities have been performing within the framework of the current program and how the availability of technical resources affects performance. Extensive analysis of HUD files as well as surveys of successful program applicants, unsuccessful applicants, and non-applicants will be conducted. Reports on several components of the Small Cities program will be prepared, including reports on: the Project Selection System, the Housing Assistance Plan, distribution of benefits to low- and moderate-income persons, compliance regulations, local planning and implementation, and comprehensive strategies. These will be available in early 1981. A summary report which relates overall performance to program design and to the availability of technical resources will also be produced early in 1981.

(3) Evaluation of Equal Opportunity and Consumer Programs - In conjunction with the fair housing research activities described under subcategory 4.1 above, the major new evaluation initiatives relating to this area planned for 1981 are an update of the Fair Housing Evaluation and an evaluation of Title VIII complaints handling by States.

(a) Fair Housing Evaluation - In 1979, PD&R provided the first national and regional estimates of racial dicrimination in America's sales and rental housing markets. The project--popularly known as the Housing Market Practices Survey--provided direct measures of discrimination by sending homeseekers into the actual market place. The procedure used is called auditing, or testing. Identically matched in all characteristics except their race, approximately 600 teams--each team consisting of one white and one black--visited randomly selected rental and sales agencies. Aggregating the relative treatment of teammates allowed an assessment of whether blacks were systematically treated differently than whites. The findings reported gave irrefutable evidence that the nation's civil rights laws and their enforcement have not succeeded in eliminating discrimination against blacks. The measures of racial discrimination which the study yielded are a baseline against which future progress in eliminating such treatment of minorities can be measured.

In November, 1978 PD&R conducted an extension of its Housing Market Practices Survey (HMPS) (which dealt exclusively with blacks) in Dallas, focusing this time on a different minority group, Hispanics. Dallas was chosen because it was also one of the sites for the HMPS study, and it, therefore, allowed the first direct comparison of the levels of the discrimination suffered by each minority group. In this study, the audits were conducted solely on rental housing. The study found that while all Hispanics encountered discriminatory treatment, dark-

skinned ones encountered significantly more than light-skinned ones. The level of discrimination against light-skinned Hispanics and blacks was roughly equal in Dallas.

The second Fair Housing Evaluation will be another important milestone in assessing the nature and extent of discrimination. The initial Fair Housing Evaluation data on discrimination were the first reliable, nationwide estimates of the problem. They provide a permanent baseline against which the effectiveness of future efforts to eliminate discriminatory practices can be measured. It is extremely important to repeat the audit project, so that changes in discrimination over time--and the factors influencing the observed changes--can be determined. Therefore, a "second round" of evaluation is scheduled.

The second Fair Housing Evaluation is timed to maximize policy and research benefits by collecting its measures of discriminatory treatment near the time when 1980 Census data are collected. This timing is crucial in order to accurately compare discrimination measures with factors frequently believed to influence discrimination, such as vacancy rates and the racial composition of areas in which minorities seek housing -- data which are available for all areas of the Nation only from the decennial census. The first Fair Housing Evaluation was limited to comparisons of the treatments received by black homeseekers relative to white homeseekers in most, but not all, segments of the rental and sales housing markets. In addition to measuring any changes in the nature and extent of discrimination against blacks between the first and second studies, the second round of the Fair Housing Evaluation will measure nationwide discrimination against America's large and growing Hispanic population. Also under consideration is expansion to segments of housing markets not covered in the first study, such as condominiums and new subdivisions.

(b) Title VIII Complaints Evaluation (1981 Activity) - This project will document the characteristics of complainants and respondents in HUD's Title VIII complaint process. This will be the first national study of the parties involved, and of the nature of the complaints. It will be based on a sample of successfully conciliated, unsuccessful, and withdrawn complaints. The study's objectives are: (1) to provide a comprehensive description of the demographic and housing characteristics of Title VIII complainants and respondents throughout the United States, by categories of complaints; (2) to provide an assessment, based on interviews of complainants and respondents, of the complaint conciliation process; and, (3) to record the outcomes of successfully conciliated cases, focusing on types of benefits and direct awards to complainants.

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IX. RESEARCH AND PROGRAM SUPPORT AND UTILIZATION

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$1,664	$2,700	$3,050	$3,404

9.1 Program Planning and Management

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$775	$1,200	$1,550	$1,585

Activities funded under this budget category provide support and management services for the research, demonstration, evaluation, economic analysis, and policy development functions of PD&R. Activities include: (a) the continuous maintenance and upgrading of a research management information system, which produces a series of internal and external reports, including quarterly progress reports to the Congressional Appropriations Committees; (b) the continuing development of program control and contractor reporting systems, through which PD&R's Government Technical Representatives maintain control and supervision of contractors and grantees; (c) management tasks which cut across two or more research budget lines; (d) longer-range planning which attempts to anticipate future research needs and direction; and, (e) support for a modest amount of cooperative international research.

Active projects on which HUD is cooperating internationally include Internal Systems for Utilities in Buildings, and External Systems of Utilities in Populated Areas. Disciplines covered include water supply, waste water, solid waste, fuel distribution and use, electric distribution and use, space conditioning (heating and cooling), controls, and street lighting.

9.2 Transferring Research Results

ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
$889	$1,500	$1,500	$1,819

More effectively than ever before, PD&R--through approaches discussed below --will transform its research reports and findings into materials which are widely accessible, understandable, and useful to the public and professional groups HUD serves.

By the end of 1981, PD&R's computerized report data base, HUD USER, will contain summaries of over three thousand publications and reports. Accepting both mail and phone requests (which, at the start-up, ran about 250 per month and after six months reached 1,200 per month), the HUD USER system provides annotated computer printouts giving information on these research products, with sources for ordering to anyone seeking them.

This service provides bimonthly bulletins and semiannual compendia announcing latest research results. When registering, the users describe their professional concerns and the areas of PD&R research in which they are most interested. As a

result of this, by 1981, PD&R will be targeting from these user profiles, those most likely to want any particular publication, and HUD will have eliminated scattershot mailing of lengthy and expensive reports.

A project initiated in 1980 and continuing through 1981 is making an analytic assessment of the many different types of users of PD&R research. Their various information and research needs will be determined and the transfer techniques best suited to each group will be provided. These techniques may include film strips, seminars, workshops, and other face-to-face techniques, as well as various forms of written materials.

One particularly effective way to support further research in housing and urban development is to share data with independent researchers. In 1980 and 1981 HUD will make accessible to the research community computerized data sets accumulated by the Experimental Housing Allowance Program, Section 8 research, the Annual Housing Survey, the Gatreaux evaluation, and the Louis Harris survey of community attitudes.

Also presented will be significant findings to other researchers through a continuation of two unusual initiatives begun in 1979: (a) the multivolumed Occasional Papers, with each volume a compilation of important recent articles on a single, major, community problem, many prepared by PD&R staff; and (b) through support of special issues of scholarly journals, such as the Black Scholar, the Journal of the Institute of Planners, the Public Administration Review, Policy Studies, and Signs. Among the special-issue topics have been energy and the cities, neighborhood reinvestment, and housing finance mechanisms. In addition to these initiatives, PD&R will continue to:

-- assemble and distribute information kits on special subjects,

-- send exhibits to national conferences of special interest groups,

-- arrange national marketing of outstanding publications (such as has been done for In the Bank...or Up the Chimney, The Homebuyer's Information Package, and The Energy-Wise Home Buyer), and,

-- prepare bibliographies on special subjects for particular constituencies such as State and local governments.

Also expanded in 1981 will be the successful "translations" for the general public of some of HUD's highly technical research. The 1979-80 series, How Well Are We Housed?--volumes which describe in clear English the housing conditions of Hispanics, blacks, female-headed households, the elderly, rural, and large households--arose from an analysis of data available in more abstract form in the report of the Annual Housing Survey. Paralleling this widely distributed series will be others of similar purpose drawn from additional areas of PD&R's work.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 6: POLICY DEVELOPMENT AND RESEARCH

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
		(Dollars in Thousands)				
TOTAL FUNDING BY OBJECT						
Personal Services....	$7,707	$7,955	$7,920	$8,101	$8,030	+$110
Other Services.....	1,519	1,773	1,773	2,152	2,111	+338
(Automated Data Processing Services).....	(1,071)	(1,295)	(1,295)	(1,633)	(1,592)	(+297)
Furniture and Equipment.....	36	30	30	21	19	-11
All Other.....	1,507	1,650	1,650	1,825	1,825	+175
Total.....	10,769	11,408	11,373	12,099	11,985	+612
Pay increase supplemental included above		(429)	(394)			
Permanent positions-End of Year.....	188	200	200	200	200	...
Staff-Years.....	252.2	252.3	251.3	252.3	250.3	-1.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $35 thousand to reflect a reduction of 1 staff-year which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-year reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

Salaries and Expenses, Housing and Urban Development
Revised Budget Request

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $71 thousand--from $8,101 thousand to $8,030 thousand--is included in this revised request. The reduction reflects the possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 2 staff-years has been applied. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Automated Data Processing (ADP) - A reestimate of automated data processing costs, which reflects more recent cost and requirements data, results in a reduction of $41 thousand, from $1,633 thousand to $1,592 thousand. This subject is addressed in greater detail in the section for the Working Capital Fund (WCF), included in Part 3 of the Justification, which addresses overall Departmental ADP requirements.

Equipment - The reduction of $2 thousand, from $21 thousand to $19 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expenses requirements associated with each of the major program areas of the Department, a separate section dealing with each particular Budget Activity of "Salaries and Expenses, HUD," has been included under each section of the Justification. All data is presented on a comparable basis for the three fiscal years, 1979, 1980, and 1981.

BUDGET ACTIVITY 6: POLICY DEVELOPMENT AND RESEARCH

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity.....	$10,769	$11,109	$11,408	$12,099	+$691
Pay Increase Supplemental Included Above.....			(429)		
Permanent Positions - End of Year.....	188	207	200	200	...
Staff-Years.....	252.2	255.0	252.3	252.3	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request is for $12,099 thousand, an increase of $691 thousand as compared to the 1980 level. No additional positions are requested. The additional funds consist of an increase of $146 thousand for personal services costs principally for funding of within-grade increases and $545 thousand in other costs, primarily for travel, automated data processing, and printing.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 estimate varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate	$11,109
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses" ...	-282
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86.....	-14
Add October 1979 pay raise.....	+560
Revised estimate for personal services costs.....	-489
Add revised estimate for support costs.....	+524
Current 1980 estimate.....	$11,408

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

The changes in funding requirements for FY 1980 are the result of the following:

--Action by the Congress on the Department's 1980 Budget request for "Salaries and Expenses"--

* A share of the $396,000 departmentwide reduction from the budget request for travel (-$4,000)

* A share of the $2.0 million departmentwide reduction from the budget request for automated data processing (-$71,000)

* A reduction of 7 positions (-$80,000)

* A share of the general departmentwide reduction of $6.8 million for "Salaries and Expenses" (3.8 staff years and -$127,000);

--a share of the additional departmentwide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by the Congress (P.L. 96-86);

--the additional funds required to implement the pay-increase which became effective during October 1979;

--a revision of personal services cost estimates based on more recent average salaries and benefits data; and

--an increase in other objects of expense on the basis of more recent cost and requirements data. The increase consists of $616 thousand for printing partially offset by a net reduction of $92 thousand for other items. The increase for printing reflects the objective of the Department, established during 1979, to expand the promulgation of research and evaluation findings to constituent interest groups and the general public.

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$10,769	$11,408
Increased pay rates:		
October 1978 raise	+7	...
October 1979 raise	+560	+7
Cost of within-grade increases	+105	+109
Cost of two extra days pay in 1980	+60	...
Cost of one less days pay in 1981	...	-31
Changes in average personal services costs	-484	+61
Changes in equipment rental cost	+36	+24
Changes in printing costs	+122	+117
Changes in automated data processing	+224	+338
All other changes	+9	+66
Total Obligations	$11,408	$12,099

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost $567 thousand in 1980 and an additional $7 thousand in 1981.

Within-grade increases for employees are estimated to cost $105 thousand in 1980 and an additional $109 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared with 260 days in 1979. The two extra days are estimated to require an additional $60 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 in 1980. The one less day is estimated to require $31 thousand less in 1981.

Changes in average salaries and related personal services costs result in a decrease of $484 thousand in 1980 and an increase of $61 thousand in 1981.

Rate increases for and the expanded use of office equipment result in increases of $36 thousand in 1980 and $24 thousand in 1981.

The increased cost of labor and materials result in increases of $122 thousand in 1980 and $117 thousand in 1981 for printing.

Expanded use of automated data processing service, primarily related to single family and multifamily housing data, and increased costs for such services result in increases of $224 thousand and $338 thousand in 1980 and 1981, respectively, for automated data processing services.

Changes for all other items, such as travel, transportation, other services, supplies and equipment result in net increases of $9 thousand in 1980 and $66 thousand in 1981, and primarily reflect cost increases.

STAFFING SUMMARY

SCOPE OF ACTIVITY

Personnel of the Office of Policy Development and Research (PD&R) are responsible for the management of research conducted under contracts, cooperative agreements, and grants; as well as in-house research, economic analyses, program evaluation, and policy development conducted by staff of the Office. A continuing goal of this Office is the improvement of in-house capabilities to perform quick-response analyses and evaluations. In addition, visiting scholars and graduate students, working at HUD, conduct research sponsored by this Office.

1. Research Contracts and Demonstrations. Staff in this area manage research contracts, cooperative agreements and grants. Activities include housing research, community development research, and State and local government research supported out of the appropriation for Research and Technology. In addition, research activities are managed by the Office but funded from sources other than the Research and Technology appropriation. Included for example, are residential demonstrations of the use of solar energy, and development of energy performance standards for new residential and commercial buildings funded by transfer of funds from the Department of Energy.

2. In-House Research, Economic Analyses, Program Evaluation and Policy Development. Personnel of PD&R conduct a broad range of activities necessary for the efficient and effective operation of the Department's programs, such as:

a. Performance of background analyses, studies, and priority assessments, and the provision of staff assistance to the Secretary, Under Secretary, and Assistant Secretary for PD&R in determining policy for national housing and community development goals, program priorities, and objectives for the Department.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

b. Provision of economic analyses and recommendations, performance of housing and financial market research, and the design and monitoring of several housing and housing-related data series.

c. Evaluation of the impact of HUD programs on specific clients and on communities in general, and the performance of short-term analytical studies in problem areas.

3. Service Functions. Approximately ten percent of the PD&R staff perform program control, planning, budget and contract, administrative and other services for the policy development, economic and research staffs.

EXPLANATION OF STAFFING REQUIREMENTS

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Headquarters	188	207	200	200	...
Field Staff	...	...	...	...	...
Total	188	207	200	200	...

	STAFF YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Headquarters	247.3	242.0	239.3	239.3	...
Field Staff	4.9	13.0	13.0	13.0	...
Total	252.2	255.0	252.3	252.3	...

The staff-years indicated above, except for the 1980 Budget estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget estimate would be 258.7 staff-years, and the current estimate of 252.3 staff-years is a 6.4 staff-years reduction. The 6.4 staff-years consist of 2.6 staff-years related to the position reduction imposed by the Congress and 3.8 staff-years related to the overall reduction resulting from the general funding reduction of $6.8 million.

The staff-years consist of the following components:

	1979	1980	1981
Staff-years of permanent full-time personnel	195.0	196.0	200.0
Special employment programs	9.6	9.0	5.0
Other temporary and part-time employees	42.2	42.8	42.8
Terminal leave	1.9	1.0	1.0
Overtime	3.5	3.5	3.5
Total Staff-years	252.2	252.3	252.3

A description of the last four categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another section of the Justifications. The changes in these programs reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary and intermittent employment, and special employment programs, which include employment of the handicapped, Vietnam veterans, summer college, etc.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

1. HEADQUARTERS EMPLOYMENT

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Immediate Office of the Assistant Secretary	8	9	8	8	...
Management and Program Control	20	20	20	20	...
Policy Development	42	48	45	45	...
Economic Affairs	45	48	47	47	...
Research	73	82	80	80	...
Total, Permanent Full-time Positions, end of year	188	207	200	200	...

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Immediate Office of the Assistant Secretary	10.4	11.4	10.2	10.5	+.3
Management and Program Control	26.5	23.9	24.4	24.0	-.4
Policy Development	55.5	54.3	54.3	54.1	-.2
Economic Affairs	59.3	55.8	57.0	57.1	+.1
Research	95.6	96.6	93.4	93.6	+.2
Total staff-years	247.3	242.0	239.3	239.3	...

The decrease of seven positions in 1980 as compared to the Budget estimate results from a reduction based on Congressional action.

Principal areas of concentration for staff in 1981 are as follows:

-- development of techniques to lower or stabilize costs of housing;
-- alternative housing finance mechanisms;
-- housing and related service needs of the elderly and handicapped;
-- research aimed at increasing compliance with equal opportunity statutes, executive orders and Departmental regulations;
-- neighborhood revitalization and reinvestment;
-- urban economic development, public finance and tax policies;
-- capacity building research with emphasis on attracting minorities and women to urban public service and improving fiscal management capabilities of State and local governments;
-- a comprehensive series of evaluations reviewing the key elements of operating programs in HUD;
-- use of technology in urban systems to improve and maintain the vitality of communities at affordable taxes; and
-- dissemination and transfer of research results to users.

Staff is distributed among the following areas:

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Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

a. Immediate Office of the Assistant Secretary

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	8	9	8	8	...
Staff-years	10.4	11.4	10.2	10.5	+.3

The Assistant Secretary is principally responsible for the development, planning, execution, and evaluation of HUD research programs and demonstrations; and for providing economic and policy analysis and staff assistance for the Secretary and Under Secretary in determining Departmental policy for national housing and community development goals, program priorities, and objectives. In fulfilling these responsibilities, the Assistant Secretary and her staff are also involved in the development of strategies to better coordinate policy development, and the implementation of such policies across program areas.

The current estimate for 1980 as compared to the Budget estimate reflects a decrease of one position. This decrease results from a reduction based on Congressional action. No increase in positions is requested for 1981.

b. Management and Program Control

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	20	20	20	20	...
Staff-years	26.5	23.9	24.4	24.0	-.4

This Office provides general administrative support for the overall Policy Development and Research organization. Other activities performed are the administration of a comprehensive system of program control, and the operation of research management information systems.

Program control involves the definition of milestones, projection of requirements and assessment of progress against planned schedules, as well as monitoring the timeliness of delivery of final products. This allows the staff to ascertain the status of any research effort. The research management information systems allow PD&R to respond to numerous internal and external inquiries in a timely manner.

No increase in positions is requested for 1981.

c. Policy Development

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	42	48	45	45	...
Staff-years	55.5	54.3	54.3	54.1	-.2

The current estimate for 1980 as compared to the Budget estimate reflects a decrease of three positions. The decrease results from a reduction based on Congressional action. No increase in positions is requested for 1981.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

Staff working in this area is responsible for assisting in the development of Department-wide policy initiatives, priority assessments, and background analyses, as well as undertaking short-term analytical studies in problem areas as requested by the Secretary, Under Secretary, and program Assistant Secretaries on an ad hoc basis.

In addition, staff in this Office conducts research in the area of local government capacity building, including fiscal management and improving the representation of minorities and women in the urban public service area. Another responsibility of this Office is the formulation and coordination of dissemination strategies.

The policy development function involves providing staff assistance to the Secretary, Under Secretary, and Assistant Secretary for PD&R in determining Departmental policy for national housing and community development goals, program priorities and objectives. In carrying out these responsibilities, policy goals are analyzed, various options are developed, and overall strategies are established to coordinate Departmental policy development. This function also includes implementation of policy across program areas, including the dissemination and communication of developed policies throughout the Department.

Short-term analytical studies undertaken by in-house staff include: (1) field studies designed to provide information, for a given program, on the characteristics of the projects, neighborhoods, and program participants; (2) cost-benefit studies aimed at gathering data on program costs and benefits; and (3) survey research studies aimed at gathering attitudinal and impact data relevant to pending program and policy decisions and to the evaluation of existing programs.

Dissemination activities include the development and implementation of plans and programs for encouraging the utilization of HUD sponsored research results. Staff in this area is currently utilizing the services of an automated system of bibliographic information on completed research projects to aid in publishing complete and up-to-date information on both in-house and contract studies. In addition, the staff develops special marketing plans and programs for high priority research projects; tests, demonstrates and evaluates transfer methods and techniques; surveys user needs and develops user profiles; and evaluates in the marketplace the effectiveness of transfer activities.

d. Economic Affairs

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	45	48	47	47	...
Staff-years	59.3	55.8	57.0	57.1	+.1

The current estimate for 1980 as compared to the Budget estimate reflects a decrease of one position. This decrease results from a reduction based on Congressional action. No increase in positions is requested for 1981.

This staff is responsible for performing housing and financial market studies and providing economic and market analyses, impact assessment and recommendations, as well as alternatives for Department action with respect to the economy. Studies undertaken include the effects of Federal and local tax policies on the production and location of new housing in housing markets and on the preservation of existing housing and neighborhoods, the policy implications of theoretical and empirical urban economics, and alternative housing finance instruments.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

The staff working in this area is also engaged in designing and monitoring several data series including the Annual Housing Survey. The survey is undertaken to measure changes in the housing inventory, to compile data on the physical condition of housing units, and to determine the characteristics of housing occupants in both urban and rural areas. The other data series include:

-- Survey of market absorption of new rental units;
-- Survey of new home sales and housing construction completions;
-- Survey of mortgage lending and commitment activity; and
-- Survey of mobile home placement.

Another area of research conducted by this Office is aimed at assisting State and local governments in dealing with the problems of economic development and public finance. Areas of concentration will be on six key issues: (1) urban capital infrastructure; (2) public pensions; (3) public-private linkages in economic development; (4) the State role in economic development; (5) land use and housing costs; and (6) urban impact statements.

e. Research

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	73	82	80	80	...
Staff-years	95.6	96.6	93.4	93.6	+.2

The current estimate for 1980 as compared to the Budget estimate reflects a decrease of 2 positions. This decrease results from the reduction based on Congressional action. No increase in positions is requested for 1981.

The major responsibilities of staff working in this Office are the conduct of studies, tests and demonstration programs in the area of housing and community development research, and program evaluations.

In 1981, staff in this Office will continue to emphasize research on the following areas:

-- Issue of freedom of choice in housing;
-- housing and housing related services for the elderly and handicapped;
-- neighborhood reinvestment and revitalization, and reversing decline in neighborhoods; and
-- controlling the costs of housing.

Other areas of research undertaken by this staff include:

-- environmental studies
-- housing design and security;
-- energy and utility systems, including solar energy activities;
-- codes administration;
-- housing counseling;
-- management of assisted housing;
-- mobile home safety standards;
-- housing assistance research; and
-- residential safety and technology.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

The evaluation efforts are designed to provide the Department's principal staff with timely and policy relevant information on the impact and effectiveness of HUD's programs and activities. In 1981, the evaluation staff will continue a series of evaluations reviewing the key elements of operating programs in HUD, including a second round of the fair housing evaluation; evaluation of HUD's environmental quality policies; evaluation of Housing Assistance plans; evaluation of State Fair Housing Agencies and the evaluation of graduated mortgages and coinsurance.

Although all activities concerned with the development of energy conservation performance standards and HUD's Solar Residential Demonstration program are carried out utilizing funds made available by the Department of Energy, the staff required for this work is being provided by HUD. As this research continues a percentage of PD&R's staff will necessarily be devoted to these activities.

2. FIELD OFFICE ACTIVITY

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	...	...	...	...	...
Total Staff-years	4.9	13.0	13.0	13.0	...

Field Staff. Field assistance necessary to the operations of Policy Development and Research programs--especially for field experiments and demonstrations on housing allowances and solar technology--will be carried out by temporary staff because of the intended limited duration of these projects. Staff-years are also required to support the Regional Offices which are performing support functions on behalf of PD&R including: (1) efforts to conduct impact evaluations of HUD programs; (2) efforts to assess the Section 8 assistance program operation and performance; and (3) efforts relative to HUD's Rural Assistance Initiative Program.

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Travel and Transportation of Persons	$176	$198	$175	$208	+$33
Transportation of Things	26	32	9	10	+ 1
Rent, Communications and Utilities	93	90	129	153	+ 24
Printing and Reproduction	1,171	677	1,293	1,410	+117
Other Services	1,519	1,888	1,773	2,152	+379
Supplies and Materials	41	41	44	44	...
Equipment	36	46	30	21	-9
Indemnities for Property Damage	...	...	...	...	...
Total	3,062	2,972	3,453	3,998	+545

Costs for these objects of expense are based in large part on a pro-rata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD". However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

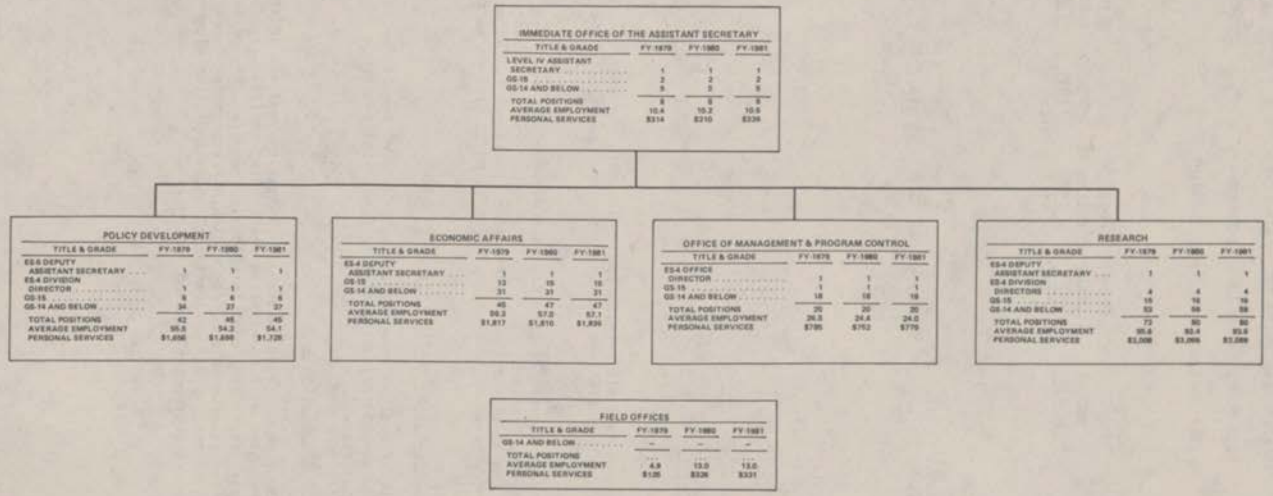
The obligations for travel in 1980 includes the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resoultion providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

Travel funds are used principally for field inspection trips to provide oversight to the activities under Policy Development and Research contracts and grants, field reconnaissance and special studies, regional economists groups work seminars, and solar energy demonstrations. The increase of $33 thousand in 1981 primarily reflects higher travel costs. A more complete discussion of the basis for the Department's travel estimates is found in the section "Salaries and Expenses, HUD" contained in Volume III.

The Other Services category is primarily for automated data processing (ADP) services and for housing vacancy surveys. The funds for ADP services are for development and enhancement efforts, as well as for maintenance and operational costs, related to the eleven ADP programs utilized by this activity. The 1981 request include $1,633 thousand for ADP, an increase of $338 thousand, as compared to the 1980 estimate of $1,295 thousand, and reflects the increased costs for such services. The housing vacancy surveys provide data on the number, location and type of vacant housing units for market analyses prepared. The 1981 request includes $330 thousand for this purpose, and provides an increase of $30 thousand, as compared to the $300 thousand included in the 1980 request for cost increases. These two items account for $368 thousand of the $379 thousand increase for this category.

The additional $117 thousand requested for printing reflects an anticipated increase for the costs of labor and materials.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
POLICY DEVELOPMENT AND RESEARCH
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



IMMEDIATE OFFICE OF THE ASSISTANT SECRETARY

TITLE & GRADE	FY 1979	FY 1980	FY 1981
LEVEL IV ASSISTANT SECRETARY	1	1	1
GS-15	2	2	2
GS-14 AND BELOW	5	5	5
TOTAL POSITIONS	8	8	8
AVERAGE EMPLOYMENT	10.4	10.2	10.5
PERSONAL SERVICES	$314	$310	$336

POLICY DEVELOPMENT

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-6 DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 DIVISION DIRECTOR	1	1	1
GS-15	6	6	6
GS-14 AND BELOW	34	27	27
TOTAL POSITIONS	42	45	45
AVERAGE EMPLOYMENT	55.5	54.2	54.1
PERSONAL SERVICES	$1,656	$1,680	$1,726

ECONOMIC AFFAIRS

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 DEPUTY ASSISTANT SECRETARY	1	1	1
GS-15	13	15	15
GS-14 AND BELOW	31	31	31
TOTAL POSITIONS	45	47	47
AVERAGE EMPLOYMENT	56.3	57.0	57.1
PERSONAL SERVICES	$1,817	$1,810	$1,834

OFFICE OF MANAGEMENT & PROGRAM CONTROL

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 OFFICE DIRECTOR	1	1	1
GS-15	1	1	1
GS-14 AND BELOW	18	18	18
TOTAL POSITIONS	20	20	20
AVERAGE EMPLOYMENT	24.3	24.4	24.0
PERSONAL SERVICES	$795	$762	$770

RESEARCH

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 DIVISION DIRECTORS	4	4	4
GS-15	18	18	18
GS-14 AND BELOW	53	56	56
TOTAL POSITIONS	73	80	80
AVERAGE EMPLOYMENT	95.0	93.4	93.0
PERSONAL SERVICES	$3,008	$3,006	$3,066

FIELD OFFICES

TITLE & GRADE	FY 1979	FY 1980	FY 1981
GS-14 AND BELOW	–	–	–
TOTAL POSITIONS	4	4	4
AVERAGE EMPLOYMENT	4.9	13.0	13.0
PERSONAL SERVICES	$125	$326	$331

SUMMARY
POLICY DEVELOPMENT AND RESEARCH

TITLE & GRADE	FISCAL YEAR 1979			FISCAL YEAR 1980			FISCAL YEAR 1981		
	CENTRAL OFFICE	FIELD	TOTAL	CENTRAL OFFICE	FIELD	TOTAL	CENTRAL OFFICE	FIELD	TOTAL
LEVEL IV	1	–	1	1	–	1	1	–	1
ES-6	1	–	1	1	–	1	1	–	1
ES-4	8	–	8	8	–	8	8	–	8
GS-15	37	–	37	40	–	40	40	–	40
GS-14 AND BELOW	141	–	141	150	–	150	150	–	150
TOTAL POSITIONS	188	–	188	200	–	200	200	–	200
AVERAGE EMPLOYMENT	247.3	4.9	252.2	230.3	13.0	252.3	239.3	13.0	252.3
PERSONAL SERVICES	$7,582	$125	$7,707	$7,629	$326	$7,955	$7,770	$331	$8,101

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING ASSISTANCE PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Program Level:					
Assistance to State and Local Agencies:					
Number	...	31	31	57	+26
Obligations	...	$3,700	$3,700	$3,700	...
Assistance to Community Housing Resource Boards:					
Number	...	...	...	133	+133
Obligations	...	...	...	$2,000	+$2,000
Appropriation	...	3,700	3,700	5,700	+2,000
Budget Outlays	...	3,700	1,295	5,995	+4,700

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget requests $5.7 million in fiscal year 1981 for the Fair Housing Assistance Program. No authorizing legislation is required to support the proposed appropriation.

The Fair Housing Assistance Program has been expanded to include a new component--Community Housing Resource Boards (CHRBs)--under which assistance will be provided to enhance the ability of the Department to carry out its voluntary compliance and enforcement program. The entire increase of $2 million is for this purpose.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

A lower estimate of outlays than originally projected results because this is a new initiative in 1980 and obligation of funds will not occur until the second half of the fiscal year.

EXPLANATION OF INCREASES AND DECREASES

The increases in the number of recipients and obligations reflect additional State and local agencies which will be eligible for funding in 1981. In addition to providing assistance to State and local fair housing agencies, the Department is proposing to expand the program to include funding assistance for Community Housing Resource Boards (CHRBs). The combination of the two program elements will result in increases in appropriations and outlays.

Fair Housing Assistance Program

PROGRAM DESCRIPTION

1. State and Local Fair Housing Agencies

a. Legislative Authority. Title VIII of the Civil Rights Act of 1968 (the Fair Housing Act) prohibits discrimination in the sale, rental, and financing of housing and in the provision of brokerage services. Section 810(c) of Title VIII provides that wherever a State or local fair housing law provides rights and remedies substantially equivalent to those in Title VIII, the Secretary is required to refer to the appropriate State or local agency any complaint filed under Title VIII that appears to constitute a violation of such State or local agency's fair housing laws. Section 816 of Title VIII provides that the Secretary may assist State and local agencies in administering the Fair Housing Law by providing them with financial assistance.

b. Program Background. The Fair Housing Assistance Program represents an important element of HUD's comprehensive strategy to strengthen the Title VIII program. Housing discrimination remains an appallingly serious problem in this country. It is clear that only a small portion of the instances of discrimination, which are occurring daily, are being filed with HUD in the form of discrimination complaints. In 1979, HUD received 2,831 such complaints. The reasons only a small number of complaints are filed with HUD include: (1) the lack of enforcement authority in HUD (no cease and desist authority and no power to hold administrative hearings and assess civil penalties); (2) HUD's inability to process complaints quickly and effectively when complaints must be referred to State and local agencies; and (3) a lack of knowledge about housing rights. As part of its efforts to correct this situation, HUD is increasing coordination and cooperation with State and local fair housing agencies, in order to supplement Federal government resources.

The Fair Housing Assistance Program is designed to provide those agencies, to whom HUD must refer complaints, both the incentives and resources required to develop an effective work force to handle complaints and to provide technical assistance and training to assure HUD referred complaints are handled properly.

Although Title VIII has been in existence for over 10 years and provides authorization for an appropriation to effect its statutory purposes, there was no appropriation under Title VIII for technical or financial assistance until fiscal year 1980. Therefore, while States and localities, historically, had sought recognition by HUD as substantially equivalent, only a few had the ability to process effectively those Title VIII complaints referred to them. As a result, mandatory referral, where recognition existed, was often followed by recall for processing by HUD staff. This caused a decrease in the ability of HUD to conciliate "stale" complaints when recalled, thus denying the protection of Title VIII to complainants. Further, it discouraged others from filing complaints with HUD, and required HUD to expend its limited resources inefficiently--to refer complaints to State and local agencies, monitor their performance, and then to have to process them anyway.

Following this experience, HUD carefully re-evaluated its procedures for determining substantial equivalency to Title VIII and re-examined each of the 37 States which have Fair Housing laws. Twenty-two States and the District of Columbia were determined to so qualify. However, of the twenty-three, initially only nine agencies signed agreements to accept HUD referred complaints because the others did not believe they had the resources to process these complaints

effectively. This contrasted markedly with States' and local agencies' willingness and ability to process complaints of employment discrimination referred by the Equal Employment Opportunity Commission (EEOC), which provide financial assistance to aid in the processing of complaints referred by the EEOC.

Beginning in 1980, the Fair Housing Assistance Program is providing regular financial and technical assistance to qualified State and local fair housing agencies to assure prompt and effective processing of complaints referred by HUD under Title VIII. Since the time that Congress authorized funding for the new program, several more States have secured substantial equivalency recognition; almost all jurisdictions with substantially equivalency recognition have executed agreements with HUD; and a number of localities have completed the process for securing recognition.

2. Community Housing Resource Boards

a. Legislative Authority. Title VIII of the Civil Rights Act also directs the Secretary to cooperate and render technical assistance to organizations which are formulating or carrying on programs to prevent or eliminate discriminatory housing practices. The statute further directs the Secretary to work with persons in the housing industry and other interested parties to develop programs of voluntary compliance and enforcement.

b. Program Background. The Department has implemented a voluntary compliance program in which realtors and builders make a commitment to affirmatively further fair housing opportunities. In 1975 and 1976, the Department signed Memoranda of Understanding with the National Association of Realtors and the National Association of Home Builders, respectively. Pursuant to the Memoranda, members of these associations who wish to participate in the voluntary program sign individual voluntary affirmative marketing agreements. These agreements stipulate that the signatory will develop a marketing plan geared towards free choice in housing. This goal is accomplished through outreach advertising, participation of minority brokers and education on fair housing requirements.

The Agreements require HUD to organize Community Housing Resource Boards (CHRBs), consisting of representatives of community organizations throughout the metropolitan area. The CHRB acts in an advisory capacity to the housing industry, reviewing the progress of agreements and suggesting ways in which the agreements can be improved. Sixty days prior to the expiration of each year, the CHRB, along with HUD, meet to evaluate the overall effectiveness of the agreement.

DISTRIBUTION OF FUNDS

1. State and Local Fair Housing Agencies

A projected distribution of funds and a detailed description of the program components follows:

	Estimate 1980	Estimate 1981
	(Dollars in Thousands)	
Contributions to State and Local Agencies for Capacity Building and Complaint Processing...	$1,750	$2,200
Training and Technical Assistance.....	700	550
Data and Information Systems.....	700	400
Innovative Projects.....	550	550
Total.....	3,700	3,700

Fair Housing Assistance Program

a. Contributions to State and Local Agencies for Capacity Building and Complaint Processing. The Department refers complaints to State and local agencies recognized as substantially equivalent by HUD and which have signed a Memorandum of Understanding with the Department. Oftentimes, these agencies, funded by sources other than HUD, accomplish a number of civil rights objectives, including school desegregation, public accommodations and fair employment practices. In many cases, they lack the resources needed to give sufficient attention to discriminatory housing practices.

For the first year of program implementation, a distribution scale was developed that estimated contributions to State and local agencies for capacity building. Monies for capacity building increased in direct correlation to the number of complaints estimated to originate within the jurisdiction, but did not include specific unit contributions toward reimbursement for complaint processing. Contributions provided under this program component are being used in 1980 for the development of structure and capacity (including full-time staff, adequate space and equipment) by the agency to accomplish a law enforcement program which was formulated in conjunction with the Department and had HUD's formal approval.

Beginning in 1981, slight modifications will be developed which factor in a specific contribution toward reimbursement for complaint processing for those States and localities already participating in the program in 1980. For the first year an agency participates in the program, contributions will be provided solely for capacity building. During the second year that a State or local agency participates in the Fair Housing Assistance Program, contributions will be based partially upon the number of complaints successfully processed and partially upon need for continued assistance in capacity building. After the second year, contributions will be solely for complaints actually processed.

Contributions for complaint processing will be made on the basis of the number of complaints referred to the agency by HUD, and efficiently and effectively processed by the agency. The contribution for complaint processing will, however, be less than the actual cost of such activity by State and local agencies. The Department will monitor State and local agency performance to assure HUD's processing standards are met. In States and localities receiving reimbursement for complaint processing, the amount to which they are eligible on the basis of successfully processed complaints will be deleted from the amount to which they would have been eligible for capacity building, as the program is geared toward phasing out of capacity building and toward providing contributions solely on the basis of work performed. Agreements preclude use of the funds to substitute for funding provided by the State and local agencies' budgets. Complaint processing activity involving systemic or institutional approaches to the elimination of housing discrimination may qualify agencies to get additional monies.

The following table shows the estimated amount of the 1981 contribution to be provided to each State and local agency for capacity building. This distribution formula will be based only on the number of complaints which HUD receives, by jurisdiction, in 1980.

Number of Complaints	Payment
0-15	$15,000
16-50	25,000
51-150	40,000
151-300	50,000
301-500	60,000
501 & above	70,000

Fair Housing Assistance Program

The distribution proposed represents a slight change from the 1980 Budget. The revised distribution from 1980 estimates reflects the limited experience with fund distribution and the situation of funding more agencies in 1981 without an increase in funding.

Payment for capacity building will be subject to a demonstration that such amount would be needed to develop a capability to effectively handle the jurisdiction's current or projected complaint load. The proposed use of such funding must be for development of agency capability in a fashion that will realistically provide for continued viability at such time as contributions are given solely on the basis of complaints successfully processed.

Under any proposed distribution system, inequities may result for a few States and localities. In cases where inequities are substantial and capacity building funds are clearly inadequate to meet an agency's needs, consideration will be given, on a case by case basis, for provision of additional capacity building assistance to mitigate the adverse effects of such differentials.

Additionally, in subsequent years, these figures will be reevaluated based on an analysis of the initial years of the program's experience and the perceived capacity building needs of new jurisdictions entering the program.

In 1981, it is estimated that $2,200 thousand will be used to fund 57 agencies. This is an increase of $450 thousand over 1980 and is due to the additional 26 agencies that are expected to become eligible for funding.

b. Training and Technical Assistance. This assistance will be provided to assure that the State and local agencies have the skills and technical knowledge required. An essential element in administering an effective State and local fair housing program is the training of personnel. Fair Housing law is a rapidly changing area and, based upon empirical evidence, the Department recognizes that intermittent formal training is unlikely to provide the assistance and support necessary for State and local agencies to process housing discrimination complaints effectively. In order to assure consistency in administration and approaches to fair housing enforcement, the training and technical assistance component of the Fair Housing Assistance Program would be used by the Department for the expenses associated with providing training for State and local agency personnel with that training to be administered from Headquarters. The Department will update and improve training modules, including texts, visual aids, and case and exercise notebooks as part of this responsibility. Basic and advanced sessions will be administered on a regular basis throughout the program year at specific on-site locations convenient to State and local agency staff. Part of the funds would also be made available to agencies based upon proposals for training needs specific to their agencies, as well as for technical assistance projects.

It is estimated that $550 thousand will be required to meet training needs. This amount is $150 thousand less than 1980 since some of the initial training in 1980 was mandatory for first year agencies and therefore these agencies will not be required to undergo the same training in 1981.

c. Data Systems. Data systems are needed to support the development of comprehensive and compatible systems for monitoring complaint processing and for understanding the extent and nature of discrimination in housing within a jurisdiction. This program component involves support for the development of various kinds of data and management systems necessary for effective program management and information. Support will be provided for those State and local agencies who do not already have such systems to develop complaint monitoring management and information systems which would enable them to be aware of the status of all complaints in their inventory. It will also provide support to develop systems to compile and assess other indicators of the nature and extent

of discrimination within the jurisdiction. In addition, this program component would be used to fund computerized word processing systems which would assist State and local agencies in assessing procedure, concepts, investigation models, previous existing case authority, and successful approaches for securing appropriate remedies as part of their investigation, conciliation, and/or administrative hearing activities. This capacity will increase significantly the ability of State and local agency enforcement personnel to have available to them expert technical assistance in solving individual complaint investigation problems and issues.

A portion of this component will fund projects designed to develop or improve systems which are transferrable to the total fair housing universe. The thrust of such proposals would be to create systems that could be used to collect all information about a factor or subject affecting fair housing and to provide guidance on how to program the information to allow access by all fair housing enforcement agencies in a fashion that would permit comparisons, correlations, determinations of relevant information and other products usable as analytical or enforcement aids. To be funded for such a project, however, the agency would need to currently have an internal complaint information system compatible to the Department's or have submitted a proposal for such a project, which, in the judgment of the Department, could be implemented simultaneously with a system that can share information on a nationwide basis.

It is estimated that $400 thousand will be required for data and information systems in 1981. This amount is $300 thousand less than in 1980 since many of the systems developed by 1980 participants will have already been funded.

d. Innovative Projects. Assistance for innovative projects which will be utilized by State and local agencies to increase their capacity and broaden their enforcement efforts is proposed as part of the Fair Housing Assistance Program. A portion of these funds would be used for model projects proposed to HUD by State and local agrencies which could be replicated, if successful, by other agencies. Such projects would have both ongoing viability and a high degree of replicability nationwide. The focus would be primarily on institutional or systemtic fair housing problems, but assistance could be provided also to improve non-systemic proposals affecting large numbers of people. In order for agencies' activities to be eligible, innovative projects must meet the following criteria: (1) they must specify a fixed time period in which the project will be completed; (2) they must, if expected to extend for more than one year, identify specific project phases which will be completed within each year and the measures applicable to assessing progess at those junctures (specific project phases must result in products which will be of utility to the agency's fair housing enforcement effort in the event that future funding is not allocated for subsequent phases); and (3) they must detail the measurable outcomes of the project upon completion, and the measure by which those outcomes can be evaluated.

Another category of innovative project grants--not to exceed $15,000 per recipient--would be provided to selected State and local agencies already recognized as having equivalent laws by the Department but who wish to strengthen their capability and broaden their enforcement efforts through new and innovative approaches to fair housing enforcement. This category of grants includes, but is not limited to, projects designed to enhance the agency's administrative hearing process, develop more effective monitoring programs, and strengthen or improve its regulations and procedures. While projects in this category may also be replicable by other agencies, utility to the agency rather than replicability is the primary factor to be considered.

Fair Housing Assistance Program

Projects to be funded in 1981 will be primarily different from those funded in 1980 and it is estimated that $550 thousand will be utilized for these projects, which is the same amount estimated for 1980.

2. Community Housing Resource Boards (CHRBs)

Program Funding. The Department organized 134 CHRBs in 1978 and 210 in 1979. It is estimated that approximately 183 CHRBs will be established in 1980 and 200 in 1981. The Budget request will provide funding to approximately 133 CHRBs in 1981. It is estimated that approximately $15,000 will be provided to each CHRB. The decision to provide financial assistance to individual CHRBs will be based on a number of relevant and current factors including: (1) the size of the real estate board or builder participating in the program and its operational jurisdiction and the influence of the board or builder; (2) the number of real estate firms or builders participating in the program as signatories to the agreement; (3) the vitality and creativeness of the CHRB and representation of its members in the community; (4) the working relationship established between the CHRB and the real estate board or builder; (5) the current financial status of the CHRB; and (6) the impact, if any, that the CHRB has already made in the housing market for minorities and low-income families.

IMPLEMENTATION OF PROGRAM

1. State and Local Fair Housing Agencies

The provision of fair housing assistance to State and local agencies will be contingent upon demonstrated improvement by those agencies in complaint processing and will involve mandatory training of State and local fair housing agency personnel and on-site review and evaluation by HUD for States' and local agencies' progress. The program will be phased in during 1980, and will become fully active during the second half of the year. With the expected growth of the number of State and local agencies which are granted substantial equivalency recognition by HUD, there will be a concomitant increase in program participation. The estimated increase in the number of State and local agencies participating in the program by the close of 1981 is twenty-six (26) with the number growing from 31 to 57. The Department estimates that, by the end of 1981, all 57 agencies will have formally agreed to sign a Memorandum of Understanding with HUD to accept and process HUD referred complaints.

HUD currently has a nationwide complaint intake of approximately 3,000 complaints. The Department estimates that the complaint intake in 1981 will be approximately 6,060. The significant increase will come from the impact of the comprehensive strategy the Department intends to implement prior to that time. This comprehensive strategy includes projects designed to increase cooperation between the Department and State and local public and private fair housing agencies and organizations. It also encompasses other new HUD initiatives, including rapid response processing, systemic units and a national advertising campaign.

2. Community Housing Resource Boards

At the end of 1979 there were 647 affirmative marketing agreements in existence and it is projected that this number will increase by 100 in 1980 and 75 in 1981. The potential universe for agreements is 1,700 realtors and 600 builders associations. As this volume of activity increases, it becomes more difficult for HUD staff alone to monitor and evaluate the agreements. The Department therefore proposes to enter into contracts with CHRBs for services they perform in assisting the Department in carrying out its voluntary compliance and enforcement program.

It is essential that monitoring be a part of the voluntary program because once an agreement is signed, reporting requirements are held to a minimum. Therefore, to ensure that signatories are in fact carrying out an affirmative program, reviews must be made. These reviews can be more effectively performed by CHRBs which are located in a signatory's jurisdiction. CHRBs will review the signatory's outreach program, recruitment of minority brokers and marketing procedures.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 7: FAIR HOUSING AND EQUAL OPPORTUNITY

ACTIVITY HIGHLIGHTS

		ESTIMATE 1980		ESTIMATE 1981		REVISED ESTIMATES
	ACTUAL 1979	PREVIOUS	REVISED	PREVIOUS	REVISED	1981 vs 1980
		(Dollars in Thousands)				
TOTAL FUNDING BY OBJECT						
Personal Services....	$13,287	$16,831	$16,765	$20,133	$19,958	+$3,193
Other Services.....	883	1,045	1,045	1,122	1,101	+56
(Automated Data Processing Services).....	(555)	(671)	(671)	(846)	(825)	(+154)
Furniture and Equipment.....	254	207	207	147	134	-73
All Other.....	1,224	1,334	1,334	1,793	1,793	+459
Total.....	15,648	19,417	19,351	23,195	22,986	+3,635
Pay increase supplemental included above		(822)	(756)			
Permanent positions-End of Year.....	485	560	560	682	682	+122
Staff-Years.....	527.4	573.4	570.4	666.4	661.4	+91.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $66 thousand to reflect a reduction of 3 staff-years which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-year reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $175 thousand--from $20,133 thousand to $19,958 thousand--is included in this revised request. The reduction reflects the possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 5 staff-years has been applied. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Salaries and Expenses, Housing and Urban Development
Revised Budget Request

Automated Data Processing (ADP) - A reestimate of automated data processing costs, which reflects more recent cost and requirements data, results in a reduction of $21 thousand, from $846 thousand to $825 thousand. This subject is addressed in greater detail in the section for the Working Capital Fund (WCF), included in Part 3 of the Justification, which addresses overall Departmental ADP requirements.

Equipment - The reduction of $13 thousand, from $147 thousand to $134 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is shown in Part 3 of the Justifications. However, for each of the major program areas of the Department, a separate section dealing with the particular Budget Activity of "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980 and 1981.

BUDGET ACTIVITY 7: FAIR HOUSING AND EQUAL OPPORTUNITY

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity.....	$15,648	$17,241	$19,417	$23,195	+$3,778
Pay Increase Supplemental Included above.....			(822)		
Permanent Positions End of Year.....	485	533	560	682	+122
Staff-years.....	527.4	556.0	573.4	666.4	+93.0

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request is for 682 positions and $23,195 thousand. This request reflects increases of 122 positions and $3,778 thousand, respectively, as compared to 1980. The 122 position increase is necessary to handle increased workload relating to Title VIII Fair Housing enforcement and the Community Development Block Grant and Urban Development Action Grant programs. More importantly, the 1981 Budget will provide the Department with the resources to begin nationwide implementation of a new, comprehensive strategy to battle housing discrimination and provide fair housing and equal opportunity. The additional funds include $3,302 thousand principally for the increased staffing level, within-grade increases and $476 thousand for other support items, such as travel, equipment rental, printing, and supplies.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 estimate varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate	$17,241
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses"	-281
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-49
Add October 1979 pay raise	+1,102
Add cost of staffing changes due to revised workload requirements data	+554
Add revised estimate for personal services costs	+807
Add revised estimate for support costs	+43
Current 1980 estimate	$19,417

The changes in funding requirements for 1980 are the result of the following:

-- Action by the Congress on the Department's 1980 budget request for "Salaries and Expenses"--

* A share of the $396 thousand department-wide reduction from the Budget request for travel (-$18 thousand);

* A share of the $2 million department-wide reduction from the Budget request for automated data processing (-$39 thousand); and

* A share of the general department-wide reduction of $6.8 million for "Salaries and Expenses" (8.1 staff-years and -$224 thousand).

-- A share of the additional department-wide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by the Congress (P.L. 96-86);

-- The additional funds required to implement the pay-increase which became effective during October 1979;

-- A realignment of staffing based on more recent workload data which resulted in an increase of 27 positions and 21.1 staff-years;

-- A revision of personal services cost estimates based on more recent average salaries and benefits data; and

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

-- a revision of other objects of expense on the basis of more recent cost and requirements data.

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$15,648	$19,417
Increased pay rates:		
October 1978	+11	...
October 1979	+1,102	+16
Cost of within-grade increases	+208	+268
Cost of two extra day's pay in 1980	+128	...
Cost of one less day's pay in 1981	...	-77
Changes in personal services costs, principally due to increases in employment	+2,111	+3,095
Changes in travel	+14	+316
All other changes	+195	+160
Total obligations	$19,417	$23,195

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost an additional $1,113 thousand in 1980 and an additional $16 thousand in 1981.

Within-grade increases for employees are estimated to cost $208 thousand in 1980 and $268 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared to 260 days in 1979. The two extra days are estimated to require an additional $128 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $77 thousand less in 1981.

Changes in personal services costs are due principally to increases in employment including 75 positions in 1980 and 122 positions in 1981, which result in an increase of $2,111 thousand in 1980 and an additional $3,095 thousand in 1981.

Changes in travel funding to support increased staff levels and program activities result in increases of $14 thousand in 1980 and $316 thousand in 1981.

Changes for all other items, such as equipment rental, printing, other services, and supplies result in an increase of $195 thousand in 1980 and an additional $160 thousand in 1981.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

STAFFING SUMMARY

The Department has developed new programs which are planned and dedicated to fully achieve fair housing and equal opportunities in the long term. This comprehensive strategy envisions FHEO's programs growing stronger through more effective enforcement techniques; development of preventive programs; and management techniques that assure impact and performance. The increase in staffing is requested to carry out these programs in a manner which affects all sectors of the nation.

This new program was developed during 1979 and was partially implemented within resources available in 1980. It is based upon several fundamental concepts:

-- Clear regulatory definition of those acts of discrimination covered by Title VIII of the Civil Rights Act of 1968.

-- Faster and more effective processing of complaints of housing discrimination.

-- Increased capacity in and reliance upon State and local civil rights agencies who enforce fair housing laws.

-- Cooperation and assistance from private fair housing groups and community representatives.

-- A specific focus by HUD upon larger-scale patterns of systemic discrimination, with referral to the Department of Justice for prosecution.

-- Increased monitoring and technical assistance to HUD recipients to assure they are meeting civil rights requirements.

1. SCOPE OF ACTIVITY

Section 808(b) of Title VIII of the Civil Rights Act of 1968, as amended, established an Assistant Secretary for Fair Housing and Equal Opportunity to administer Title VIII. The Secretary subsequently delegated the responsibility for administration of all civil rights laws and Executive Orders to the Assistant Secretary for Fair Housing and Equal Opportunity. In addition to Title VIII, this responsibility includes Title VI of the Civil Rights Act of 1964; Executive Orders 11063, 11478 and 11625; Section 3 of the Housing and Urban Development Act of 1968, as amended; Section 504 of the Rehabilitation Act of 1973; and Section 808(a) and Section 109 of the Housing and Community Development Act of 1974.

Under these authorities, the Assistant Secretary for Fair Housing and Equal Opportunity has the responsibility for the following activities:

a. Title VIII and Executive Order 11063. The Department is required to enforce fair housing throughout the United States pursuant to Title VIII and Executive Order 11063. The Department administers a comprehensive national enforcement program which includes the following activities:

(1) receipt, investigation, and conciliation of housing discrimination complaints;

(2) development of strong, coordinated relationships with State and local fair housing agencies through determinations of the substantial equivalency of their laws to Title VIII and monitoring of cases referred to those agencies for processing;

(3) provision of financial and technical assistance to State and local agencies to increase the capacity and effectiveness of their fair housing enforcement programs;

(4) institution of targeted attacks on systemic housing discrimination, including utilization of specially trained personnel to perform major complaint investigations and fair housing studies to provide full information to the Department of Justice for institution of "pattern or practice" cases;

(5) provision of technical assistance to and establishment of close working relationships with local private fair housing groups;

(6) encouragement and assistance in the development of voluntary affirmative action programs in the fair housing area; and

(7) coordination with other Federal departments and agencies with regard to their programs and activities which relate to fair housing. The priority objective of this national enforcement effort is to comprehensively and effectively combat housing discrimination in this country.

b. Title VI, Sections 109 and 504. The Department is authorized to assure equal treatment and participation without regard to race, color, national origin (Title VI), sex (Section 109) and handicap (Section 504) under any program or activity receiving Federal financial assistance. This authority is executed through formal compliance reviews to ascertain whether recipients are meeting the requirements of these laws. The number of compliance reviews to be completed during 1981 is expected to be maintained at the level completed during 1980 (approximately 600). The quality of compliance reviews and complaint investigations will be increased substantially during 1981. Improved quality of FHEO investigations will be accomplished through better targeting of compliance reviews, greater utilization of information and data available from Area Offices, better data analysis (both pre and post-review), and through the development of improved investigative techniques by a team of highly specialized Headquarters based investigators. Complaints, alleging discrimination on the basis of age and against the handicapped, are relatively new responsibilities, therefore the level of complaint activity is difficult to determine.

c. Section 3. The Section 3 compliance review program is designed to assure that to the greatest extent feasible, employment and training be provided to persons residing in the project area. The Department is proposing legislation which would amend Section 3 to provide employment and business opportunities to all socially and economically disadvantaged individuals in connnection with HUD projects, not just those located in the area of a HUD project. This revision is particularly necessary since many HUD-funded programs either do not have a specific "project area" or may include entire cities. The compliance review program includes development of affirmative action plans, investigation and resolution of complaints, monitoring and compliance reviews of contractors.

d. Voluntary Compliance. The voluntary compliance program promotes among persons, firms, and agencies in housing and related industries: (1) an awareness of civil rights laws; (2) voluntary compliance with the laws and HUD equal opportunity requirements; (3) expansion of minority training, employment, and business opportunities; and (4) the development of affirmative

action programs. Primary vehicles to be used to achieve this objective include development of area-wide voluntary compliance agreements, plans, or guidelines with housing industry groups and concomitant establishment of Community Housing Resource Boards (CHRBs), and implementation of a viable minority goals program.

e. Executive Order 11478. This law provides for the development and implementation of an effective Departmental equal employment opportunity program through affirmative action at the various management levels within the Department. Emphasis is on: (1) development of a comprehensive training program for equal employment opportunity counselors, complaint processing officers, new supervisors, new employees, and administrative officers to assure that these employees receive appropriate EEO training; (2) revision of the EEO counseling program to assure that trained counselors are available to all employees who believe they are encountering discriminatory practices; (3) shortening the length of time for processing of formal discrimination complaints; and (4) increasing the effectiveness of affirmative action programs. In addition, the Department's Office of Personnel carries out an affirmative action program which seeks to eliminate discrimination in all aspects of its personnel policies, programs, practices, and operations.

2. WORKLOAD

a. Title VIII. A major Departmental responsibility is the administrative enforcement of Title VIII of the Civil Rights Act of 1968, as amended. This statute establishes an Assistant Secretary at HUD for Fair Housing and Equal Opportunity, and authorizes the Department to receive and investigate housing discrimination complaints, and to seek to resolve the complaints through methods of conference, persuasion, and conciliation.

Recent studies conclude that black families encounter almost 2.5 million instances of discrimination; dark Chicanos have a 96% chance of encountering discrimination in the search for a rental unit; discrimination and not income is the main reason that almost two-thirds of the New York metropolitan area's black families are relegated to ghettos; and minorities encounter racial steering, experience more difficulties in obtaining financing, are forced to make higher down payments and are asked to provide more information than whites. The Department has initiated new activities to address these conclusions and to strengthen enforcement under Title VIII. These activities will continue and expand in 1981.

In 1979, the Department implemented its new comprehensive strategy to prioritize and strengthen the fair housing enforcement program. The key elements of the strategy are the following: (1) the rapid response complaint processing system designed to greatly increase the speed and effectiveness of complaint processing and provide more opportunity for a successful resolution; (2) implementation of a concerted program for development and promulgation of substantive regulations to clarify discriminatory acts under Title VIII; (3) establishment of the Federal, State and Local Programs Division to devote primary attention and resources to improving the system of complaints referred to and processed by State and local agencies by instituting standards, providing technical assistance, monitoring closely, and offering incentives through the Fair Housing Assistance program; (4) a concentrated approach to attacking institutionalized housing discrimination through the development of systemic discrimination units with highly skilled and trained investigative staffs to pursue complaints representing patterns or practices of discrimination, and to refer findings to the Department of Justice; and (5) active support for legislation called for by the President to strengthen Title VIII through the addition of an administrative hearings process with cease and desist authority.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

The strategy which the Department has initiated will constitute a major and meaningful thrust in strengthening the fair housing program.

(1) Rapid Response Complaint Processing. During 1979, the Department radically revised its complaint processing system to provide a streamlined, rapid response technique of complaint handling. Based upon perceived inefficiencies in the current processing system, a Task Force was convened to make recommendations for change. That group of experts included representatives from the Department of Justice, the Equal Employment Opportunity Commission, the New York City Civil Rights Commission and others.

Under the new system, complaints are analyzed immediately upon receipt and those for which quick settlement is possible through informal means are identified. In those cases, the Department seeks resolution, without expensive investigation and long delays. Where appropriate, the remedy is the housing denied, instead of compensation through conciliation. Many of the remaining complaints are investigated and conciliation attempted through regular proceedings. Still others are the subject of intensified investigation by special teams to determine if there has been a pattern or practice of discrimination which calls for referral to the Department of Justice for enforcement. This new rapid response system also focuses upon alternate investigation techniques to improve the efficiency and effectiveness of conciliation efforts.

All aspects of the new processing technique have been developed and now are being implemented in five of the Federal regions, with implementation in the remaining five regions to take place in 1981.

(2) Substantive Regulations. During 1979, the Department put into process a prioritized program for the promulgation of a set of regulations to define acts of discrimination under Title VIII of the Civil Rights Act of 1968. These regulations will provide further explanation to the public of those activities prohibited by law and will assure more consistent application of the Fair Housing Assistance Program by Federal, State and local jurisdictions. They will also aid those who have been discriminated against to understand their rights and the protection approved by law. Although the fair housing law is 12 years old, this will be the first set of regulations which address its substantive rather than procedural matters. Three of the regulations have been published -- Compliance Procedures for Affirmative Fair Housing Marketing, Executive Order 11063, and Section 804(c) -- Prohibiting Discrimination in Advertising. Regulations to be published later in 1980 and in 1981 are as follows:

-- Section 805--Discrimination in the Financing of Housing;
-- Prohibited Broker Conduct;
-- Conduct Which Constitutes Steering;
-- Unlawful Zoning and Land Use Practices;
-- Prohibited Appraisal Practices;
-- Residential Redlining;
-- Discriminatory Practices Regarding Property Insurance; and
-- Section 808(e)--Affirmative Action by Federal Agencies

(3) State and Local Agency Processing. The Division of Federal, State and Local Programs was established in Fair Housing and Equal Opportunity in July 1979 specifically for the purpose of (1) improving the level of cooperation and coordination between HUD and other governmental agencies with fair housing enforcement responsibilities, and (2) administering the new Fair Housing Assistance Program (FHAP) which is described in the previous section of these Justifications.

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Budget Activity: Fair Housing and Equal Opportunity

The Fair Housing Assistance Program will provide $3.7 million to State and local government fair housing enforcement agencies in 1980. This assistance will serve to cement a nationwide coordinated intergovernmental effort to enforce fair housing laws. Extensive discussions with the heads of State and local agencies and the development of funding criteria were accomplished in 1979. The Budget requests $5.7 million for this program in 1981 as described in the previous section.

(4) Systemic Discrimination. Systemic housing discrimination is pervasive, sophisticated and institutionalized in nature. Its impact has significantly damaging effects on a large number of people over extended periods of time. Once identified, systemic discrimination is difficult to legally prove without extensive investigation and comprehensive analysis of documents, testimony, business and financial records, statistical data and other complicated evidentiary materials.

The Department is determined to attack the systemic discrimination problem and will establish in 1980 a specialized regional unit of highly trained and skilled personnel charged with the specific responsibility of bringing the full authority of Title VIII to bear on systemic discrimination. Units will be established in five regions in 1980 and expanded to all ten regions in 1981. A comparable unit will exist in Headquarters for the purposes of implementation assistance, monitoring, technical assistance, research, coordination, evaluation, identification of expert sources, preparation of case reports for referral to the Department of Justice and tracking of referred cases.

The systemic discrimination unit (SDU) personnel will represent skills and training in legal analysis; complex investigation techniques; mass document/data review and analysis; appropriate coordination with Federal, State, and local agencies and private fair housing organizations and utilization of their expert resources; statistical evaluation; subpoena utilization; preparation of interrogatories; technical aspects of interviewing and conciliation; utilization of automated data resources; case management; and development of complete and comprehensive Final Investigation Reports (for Headquarters review and referral to the Department of Justice). Pursuant to the authorization contained in Section 808(e) of Title VIII, these units also will "make studies with respect to the nature and extent of discriminatory housing practices in representative communities, urban, suburban and rural...." Additionally, the SDU personnel will collect relevant data in particular subject areas, e.g., financial discrimination against Native Americans, to provide support information in connection with the holding of a Fair Housing Administrative Meeting by the Assistant Secretary. Finally, upon the anticipated passage by the Congress of a Fair Housing Amendments Bill, the studies and data collection performed by the units will assist the Department in pursuing the authority contained in the Bill for housing discrimination complaints to be filed on the Secretary's own initiative. This approach will serve as an effective deterrent to institutionalized discrimination and, therefore, as a cost-effective approach to enforcement of Title VIII.

b. Title VI/Section 109. A complaint and compliance review law enforcement program is provided under Title VI of the Civil Rights Act of 1964 and Section 109 of the Housing and Community Development Act of 1974.

It is the Department's goal to make compliance review and program monitoring the core of compliance and enforcement activities in the area of service delivery. About 14,000 recipients of HUD's CDBG programs are subject to Title VI or Section 109 compliance reviews. Approximately 2 1/2% of these

recipients are subject to Title VI or Section 109 compliance reviews in any given fiscal year. Approximately 8% of recipients of Community Development Block Grant funding are planned for review during 1980. Experience demonstrates that compliance reviews are a staff intensive and complex enforcement mechanism, especially those which involve block grant recipients, and thus only a low percentage of recipients can be reviewed annually. Although compliance reviews will receive major focus among FHEO activities, they will not exclude the investigation of complaints. The investigation of complaints will be combined with compliance reviews where practical. When impractical to combine a complaint investigation with a compliance review it will be processed and investigated promptly.

The Department has taken several major steps to improve the quality, management and effectiveness of the Title VI/Section 109 enforcement program:

(1) Implementation of a New Program Philosophy. The Department has shifted the emphasis of its compliance review program in two fundamental aspects. First, major emphasis is placed upon monitoring, review of block grant applications, grantee performance reports and other such activities conducted by FHEO Area Office staff. This emphasis will help the Department to better inform recipients of statutory civil rights requirements, discover program deficiencies earlier, and provide technical assistance to aid in bringing about compliance through informal means. Where program deficiencies continue uncorrected, despite monitoring and assistance, future grants could be conditioned and compliance reviews better targeted and more effectively accomplished. Second, the Department will utilize the results of monitoring and reviews by Community Planning and Development and Housing staffs to help identify cases where serious civil rights deficiencies exist. Housing and Community Planning and Development staffs will be better informed of civil rights requirements through training programs and handbooks.

(2) Highly Specialized Headquarters Investigation Unit. This unit, created in 1980, refines existing investigation techniques and develops better systems for handling large and complex complaint and compliance reviews, especially those involving Community Development Block Grant recipients. This unit is an interdisciplinary group of civil rights specialists and program analysts (who are specialists in auditing, demography, housing and community development programs). Because the Headquarters investigation unit is fully equipped to handle complex and large compliance reviews, it will enhance existing FHEO operations by sharing innovative techniques with FHEO Field Staff through formal training and on the job training experiences. Additionally, the unit, for the first time, provides for the review of urgent civil rights situations without disrupting the flow of important but less urgent problem areas in any one Region.

(3) New Regulations and Handbook. During 1980 the Department will complete development and publication of regulations to implement the Section 109 compliance review program. These regulations will incorporate the new FHEO philosophy and assure more effective management of the program. In addition to reflecting compliance review procedures, newly developed handbooks will include detailed sections on monitoring of block grant communities and performance standards. These data will provide clear criteria to communities, setting forth in advance minimum standards for compliance.

(4) New Regional Office Organization. The Department has established a new FHEO Regional Office structure to increase the ability to manage compliance reviews effectively. By creating a separate Title VI and

Section 109 Compliance Branch, more effective resource control and management is provided as well as better implementation of process improvements and a more effective training program.

(5) Work Measurement Standards. The Department has underway a major redesign of the work measurement standards to reflect the new program philosophy outlined above. This will take some time to complete as the new process is installed and experience is gained with it. In the interim, a work measurement study to validate the current standard and to identify processing inefficiencies which can be eliminated is planned.

c. Section 504 of the Rehabilitation Act of 1973 (Discrimination Against the Handicapped). The Department has responsibility for the administration of a law enforcement program under Section 504 of the Rehabilitation Act of 1973. It is expected that the final Section 504 regulation will be published in 1980. This program will be implemented primarily through complaint investigations. Complaints will be processed in as prompt a manner as possible to assure fairness and compliance with the law. Responsibility for the investigation of complaints in this area increases the FHEO investigation and training workload and will require increased field staff and training resources in 1981.

d. Age Discrimination. The Age Discrimination Act of 1975, as amended, requires the Department to expedite the processing of complaints of age discrimination filed against HUD recipients. The process for handling age discrimination complaints has been established by legislation and through a government-wide regulation promulgated by the Department of Health and Human Services. The Department's work on age discrimination complaints will increase the FHEO complaint processing, investigation and training workloads and will require increased field staff and training resources in 1981.

e. Equal Employment Opportunity. Contracts for grants or other assistance from HUD require recipients to provide equal employment opportunities among minorities and nonminority groups and take affirmative action to ensure such opportunities. The Department conducts compliance reviews and complaint investigations of its recipients to determine compliance with this provision. Many compliance reviews conducted in this area are accomplished in conjunction with the employment aspects of Community Development Block Grant compliance reviews. Complaints of discrimination in employment (unless coupled with a CDBG review) are investigated on an individual basis. The Department's work in the area of employment discrimination connected with the delivery of HUD-assisted services is not expected to increase substantially in 1981.

f. Executive Order 11478

	Actual 1979	Estimate 1980	Estimate 1981
Complaints received	56	62	68
Carryover from prior period	67	70	66
Total workload	123	132	134
Less, cases closed	-53	-66	-80
Total on hand, end of period	70	66	54

The Field staff have minimum responsibilities in processing E.O. 11478 (equal employment opportunity) complaints. The major processing and decision making responsibility falls on the Headquarters FHEO staff. A major objective in 1980 and 1981 is to revise HUD's internal complaint process in order to reduce the complaint processing time and reduce the backlog of complaints carried over from prior years.

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g. Voluntary Compliance. Increased emphasis has been placed on the voluntary compliance program in which the Department extends fair housing and equal opportunities beyond the area of enforcement by promoting and supporting programs designed to secure voluntary compliance.

(1) New Horizons. In order to enhance the implementation of program efforts to assist communities in planning and executing comprehensive strategies for assuring fair housing in their jurisdiction, the New Horizons Fair Housing Assistance Project was initiated in partnership with Community Planning and Development.

Based on 1979 experience with agreements, either executed or in negotiation, it is anticipated that in 1981 over 100 operational projects will be in place. Those projects will be evaluated to assess the effectiveness of the action plans for guidance to those communities who will be in start-up phases of New Horizon program activity.

Seminars for local elected officials in cooperation with organizations such as the U.S. Conference of Mayors will be developed to broaden the base of support for fair housing activity. Materials such as the Guidebook for New Horizons Fair Housing Projects and a compendium of selected projects will form the seminar's program content.

(2) Community Housing Resource Boards (CHRBs). Voluntary Affirmative Marketing Agreements are a mechanism to expand working relationships with the national trade associations of housing industry groups. Each agreement is designed to carry out a HUD Fair Housing and Equal Opportunity program, such as outreach advertising, affirmative employment and safeguards against racial steering--all designed to ensure that housing, however financed, will be marketed on an equal opportunity basis. The national association party enters into a Memorandum of Understanding with HUD and then commends its adoption by member affiliates on a State and local level.

The development of community support to encourage and monitor industry participation is initiated by FHEO through its organization of Community Housing Resource Boards (CHRBs). CHRBs consist of representatives from influential organizations throughout a metropolitan area who have an interest in fair housing and equal opportunity. As stated in HUD's agreements, these CHRBs meet regularly with housing group signatories to encourage, assist, and ensure that the Voluntary Affirmative Marketing Agreement's provisions are implemented.

At the beginning of 1980, approximately 647 local real estate boards and builders have signed agreements to implement voluntary plans which will further fair housing. HUD had organized approximately 344 CHRBs at the beginning of 1980 to provide community back-up.

Program activity in 1981 will be directed toward the development of resources at both national and local levels to sustain those CHRBs which have been organized and to promote the continuing expansion. More effective tools for evaluation and monitoring of CHRBs to assure the integrity of the program will also be highlighted as a major component of HUD Headquarters and field activity. Agreements with national housing industry groups which appear to be ineffectual are to be evaluated in order to assess the efficacy of the continuation of those agreements in 1980 and 1981.

(3) Minority Business Enterprise. A comprehensive minority business enterprise strategy will be implemented utilizing a series of action steps designed to secure maximum leveraging of HUD program dollars in order

to assist minority business enterprises to accelerate growth and to develop and implement processes which will assist small minority-owned firms that they may gain access to HUD business opportunities. Interpretation of new legislative actions and development of cooperative working relations with other Federal agencies will be pursued for more effective targeting of opportunities for minorities and small businesses. Guidance and technical assistance will be provided for HUD program staff as well as community organizations. HUD's leadership in the utilization of participation of minority-owned banks as depositories will be maintained by efforts to increase deposits by a minimum of 33% over the Department's performance of 1980.

EXPLANATION OF STAFFING REQUIREMENTS

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Headquarters.....	101	119	127	127	...
Field Staff.....	384	414	433	555	+122
Total.....	485	533	560	682	+122

The increase of 27 positions in the current estimate for 1980, as compared to the Budget estimate, reflects realignment of Departmental staff on the basis of more recent workload data. The additional staff provides for a Title VI/Section 198 strike force, as discussed elsewhere and supports revised work measurement standards.

The increase of 122 positions in 1981 is principally for increased monitoring activities and is discussed in greater detail in material which follows.

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Headquarters.....	102.9	124.0	127.1	131.1	+ 4.0
Field Staff.....	424.5	432.0	446.3	535.3	+89.0
Total.....	527.4	556.0	573.4	666.4	+93.0

The staff-years indicated above, except for the 1980 Budget estimate, include overtime as well as direct staff-years. This is a change from the previous practices of excluding overtime. On a comparable basis, the 1980 Budget estimate would be 560.4 staff-years. The 13.0 net increase as compared to the current estimate, reflects the 8.1 reduction resulting from Congressional action on the 1980 Budget offset by an increase of 21.1 staff-years resulting from a reorganization of Departmental staff addressed above.

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The staff-years consist of the following components:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Staff-years of permanent full-time personnel	456.6	534.0	642.0
Special employment programs	26.5	19.1	16.1
Temporary	38.4	15.0	3.0
Terminal leave	2.8	2.3	2.3
Overtime	3.1	3.0	3.0
Total staff-years	527.4	573.4	666.4

A description of the last four categories of employment is included under the discussion for the appropriate "Salaries and Expenses, HUD" in another section of the Justification. The changes in these programs reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary, and intermittent employment, and special employment programs, which include the employment of the handicapped, Vietnam veterans, college students during summer break, etc.

1. HEADQUARTERS EMPLOYMENT

Summary

In 1979, the Department's Headquarters employment underwent several significant changes. These changes produced a much-strengthened organization with improved capability to plan, manage and evaluate the entire FHEO program, both at Headquarters and at the field level, and with respect to both policy and operations. As a result of these initiatives in general organization and management and the new program objectives described elsewhere in this Justification, the size of Headquarters staff increased by 8 positions in 1980. No increases are requested in 1981. The new initiatives and the new organization are described in detail in portions of this Justification which follow. The highlights are:

-- Creation of a New Organization Structure

The new FHEO structure includes two Deputy Assistant Secretaries to strengthen overall management and leadership of Fair Housing and Equal Opportunity. One Deputy focuses upon the management and operations of the Headquarters and the field with a substantial emphasis upon improved budgeting, new internal management and control systems, major improvements in data and information management and a total re-evaluation of field management systems and monitoring. The second Deputy focuses on new program initiatives, implementing the improvements and new directions described in the detailed preceding sections on the various individual programs.

The new structure includes an Office of Program Standards and Evaluation, formerly a division, under the Deputy Assistant Secretary for Operations and Management. This office provides increased focus on development of comprehensive strategies to accomplish program objectives, provides increased focus upon evaluation of ongoing programs, strengthens data analysis abilities, and evaluates feedback from strengthened field monitoring and management to assure that needed improvements in policy and procedures are made.

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-- Headquarters Responsibility for Technical Direction, Program Interpretation, Field Support and Evaluation

Headquarters assumed responsibility for two functions previously performed at the Regional Office level. First, in 1979 the Department shifted to Headquarters Program Directors the responsibility of providing direct technical assistance, program guidance and interpretation. Previously, this responsibility was assigned to the Regional level, with each Regional Office providing information to its own Area Office.

Second, Headquarters assumed responsibility from the Regional Offices for support and evaluation of Area Office FHEO activity and programs. This occurred as part of strengthening the entire field management and coordination function and will provide for better and more effective assistance to Area Offices in developing new program management systems and in implementing the new initiatives which have specific emphasis at the Area Office level. Furthermore, this allows the creation of a strong field monitoring function.

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Office of Assistant Secretary	15	12	15	15	...
Office of the Associate Deputy Assistant Secretary for Enforcement and Compliance	1	3	3	3	...
Office of Fair Housing Enforcement and Section 3 Compliance	15	19	19	19	...
Office of HUD Program Compliance	17	19	25	25	...
Office of Voluntary Compliance	13	17	16	16	...
Office of the Deputy Assistant Secretary for Operations and Management	4	3	4	4	...
Office of Management and Field Coordination	29	34	32	32	...
Office of Program Standards and Evaluation	7	12	13	13	...
Total permanent full-time positions, end of year	101	119	127	127	...

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	STAFF -YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Office of Assistant Secretary.....	14.2	12.5	15.0	15.2	+ .2
Office of the Associate Deputy Assistant Secretary for Enforcement and Compliance...	1.0	3.1	2.8	3.2	+ .4
Office of Fair Housing Enforcement and Section 3 Compliance..	14.7	19.8	18.6	19.4	+ .8
Office of HUD Program Compliance.....	18.1	19.8	24.5	25.1	+ .6
Office of Voluntary Compliance.....	13.4	17.7	16.4	16.9	+ .5
Office of the Deputy Assistant Secretary for Operations and Management.....	3.9	3.1	4.3	4.6	+ .3
Office of Management and Field Coordination....	30.9	35.5	32.5	33.2	+ .7
Office of Program Standards and Evaluation.....	6.7	12.5	13.0	13.5	+ .5
Total Staff-years.....	102.9	124.0	127.1	131.1	+4.0

a. Office of Assistant Secretary

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent Full-Time-Positions..	15	12	15	15	...
Staff-Years.....	14.2	12.5	15.0	15.2	+.2

The Assistant Secretary serves as the principal advisor to the Secretary and principal source of advice and technical assistance to other Assistant Secretaries and to the Regional Administrators on all matters relating to equal opportunity in housing and community development, facilities, employment, business opportunity and other matters relating to civil rights, and serves as the Director of Equal Employment Opportunity for the Department. In addition, the Assistant Secretary, aided by the General Deputy Assistant Secretary, administers the Department's responsibilities for fair housing and equal opportunity programs in connection with civil rights laws and executive orders established to protect individuals from discrimination based on race, color, sex, national origin, religion, age, or handicap;

represents the Department on matters relating to the administration of equal opportunity programs with other government agencies and outside groups; responsible for all activities relative to the conduct of administrative meetings and hearings pursuant to Title VIII, Executive Order 11063, Section 3, and contract provisions relating to equal employment opportunity; and is responsible for the review of initial decisions of Administrative Law Judges under Title VI and Section 109.

The increase of three positions in the current estimate for 1980, as compared with the Budget estimate provides additional support staff for the Assistant and General Deputy Assistant Secretaries consistent with the expanded program responsibilities and initiatives of the Office of Fair Housing and Equal Opportunity discussed earlier.

b. Office of the Associate Deputy Assistant Secretary for Enforcement and Compliance

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions.....	1	3	3	3	...
Staff-years.....	1.0	3.1	2.8	3.2	+.4

The Deputy Assistant Secretary for Enforcement and Compliance has responsibility for the development, direction, and administration of programs which provide enforcement of civil rights statutes, executive orders and directives through complaint processing, compliance reviews, and voluntary compliance programs. Enforcement responsibilities are pursuant to the following statutes and executive orders: Title VIII of the Civil Rights Act of 1968, as amended; Section 109 of the Housing and Community Development Act of 1974; Section 3 of the Housing and Urban Development Act of 1968, as amended; Title VI of the Civil Rights Act of 1964; Executive Orders 11063, 11478, and 11625; and the administrative enforcement of equal employment opportunity contract clauses. Related to these authorities, the organization of the Office of the Associate Deputy Assistant Secretary includes the Office of Fair Housing Enforcement and Section 3 Compliance, the Office of HUD Program Compliance and the Office of Voluntary Compliance.

c. Office of Fair Housing Enforcement and Section 3 Compliance

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanet full-time positions.....	15	19	19	19	...
Staff-years.....	14.7	19.8	18.6	19.4	+.8

This office has responsibility for the enforcement and administration of the following fair housing and employment-related authorities: Title VIII of the Civil Rights Act of 1968, as amended; Executive Order 11063; and Section 3 of the Housing and Urban Development Act of 1968, as amended.

In addition to a Section 3 coordinator, the Office is composed of two divisions - the Division of Fair Housing Enforcement and the Division of

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Federal, State, and Local Programs. The Fair Housing Enforcement Division is responsible for compliance and enforcement activities under Title VIII, Executive Order 11063 and Departmental regulations and directives as they relate to fair housing. These responsibilities are carried out primarily through a program of complaint receipt, investigation, resolution and compliance reviews. Primary objectives during 1981 include increasing the number of complaints in which investigations are performed, increasing the number of complaints processed within 60 days, and increasing the number of referrals to the Department of Justice for action pursuant to Section 813 of Title VIII (pattern or practice suits). The Federal, State and Local Programs Division is responsible for assisting State and local agencies in developing and executing fair housing enforcement programs. In carrying out this responsibility, the division implements the procedural and evaluative requirements relative to the granting of recognition under the Department's substantial equivalency regulation, implements Memoranda of Understanding affecting Title VIII enforcement responsibilities of other Federal agencies, conducts administrative meetings under Title VIII, and provides training and technical assistance, as appropriate, to national, State and local public and private fair housing agencies, housing industry groups and other organizations subject to the provisions of the Federal Fair Housing Law. A major new initiative in 1980 is the implementation of the Fair Housing Assistance Program designed to provide financial, training, and other assistance to improve the capacity of State and local agencies to effectively handle fair housing complaints and to encourage a cooperative effort to combat systemic discrimination.

d. Office of HUD Program Compliance

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions.....	17	19	25	25	...
Staff-years.....	18.1	19.8	24.5	25.1	+.6

This office has responsibility for compliance and enforcement activities under Title VI of the Civil Rights Act of 1964, HUD contract clause prohibiting discrimination in employment, Section 109 of the Housing and Community Development Act of 1974, as amended, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975 and Executive Order 11478.

The increase of six positions in the current estimate for 1980, as compared to the Budget Estimate reflects a specialized "Strike Force" team which will assist the field offices in the conduct of more complex large city compliance reviews.

The office is composed of two divisions - the Division of Program Compliance and the Division of Public Employment. Primarily through its compliance review program, the Program Compliance Division carries out its responsibility for all compliance and enforcement activities under Title VI and Section 109 in addition to other Departmental regulations and directives as they relate to, or affect, civil rights law enforcement in housing and community development programs, facilities receiving Federal funding, and HUD contract clauses prohibiting discrimination in employment. A major objective in 1981 is to conduct 500 compliance reviews of Community Development Block Grant recipients. In 1980, this Division will have fully implemented its new regulation, handbook and performance standards for the Section 109 program. This will reflect a new approach to the Department's responsibility in this program area--aimed at increased effectiveness through more emphasis on front-end monitoring in the field at the Area Office level. The Public Employment Division is responsible for compliance and enforcement activities under Executive Order 11478, the Discrimination in Employment Act, as amended, and

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Equal Employment Opportunity Commission and Departmental regulations as they relate to enforcement of equal employment opportunity for HUD employees and applicants.

e. Office of Voluntary Compliance

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions.....	13	17	16	16	...
Staff-years.....	13.4	17.7	16.4	16.9	+.5

This office operates under the authority of Section 808(e) and Section 809 of Title VIII of the Civil Rights Act of 1968, as amended, Executive Order 11625 and Section 8(a) of the Small Business Act. The office is composed of two Divisions--the Division of Housing and Community Development and the Division of Business Development. Within its operating authority, the Office of Voluntary Compliance has the responsibility to extend the range of fair housing and equal opportunity activities beyond the areas of law enforcement and compliance by promoting and supporting institutional changes designed to secure voluntary compliance within the framework of a comprehensive fair housing strategy. Voluntary program activity is targeted to include the housing industry, State and local governments, community organizations and minority entrepreneurs (profit and nonprofit). The Division of Business Development was designated by the the Secretary to develop guidelines and directives related to implementing a business and economic development plan for minorities with HUD and through appropriate inter-agency agreement.

The reduction of one position in the 1980 current estimate, as compared to the Budget estimate, reflects reduced workload and staff requirements due to the anticipated completion and publication of handbooks and regulations for the minority business program.

f. Office of the Deputy Assistant Secretary for Operations and Management

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions.....	4	3	4	4	...
Staff-years.....	3.9	3.1	4.3	4.6	+.3

The increase of one position in the 1980 current estimate, as compared to the Budget estimate, reflects an internal redistribution of staff consistent with current workload requirements.

The Deputy Assistant Secretary for Operations and Management has responsibility for the development, direction, and supervision of programs designed to facilitate the day-to-day management and operation of the Office of Fair Housing and Equal Opportunity. This responsibility includes the following activities: development of short-range and long-range strategies and research programs; utilization of resources to achieve equal opportunity goals; evaluation of the effectiveness of Headquarters and field offices in meeting program requirements and delivery of services as they affect

minorities, women, low-income, or under-privileged persons; development and supervision of systems for management controls and information; training, staff allocation and resource utilization; provision of technical assistance and policy guidance to field organizations; and performance of technical and management evaluations of field components. The organization of the Office of the Deputy Assistant Secretary includes the Office of Program Standards and Evaluation and the Office of Management and Field Coordination.

g. Office of Management and Field Coordination

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions.....	29	34	32	32	...
Staff-years.....	30.9	35.5	32.5	33.2	+.7

The reduction of two positions in the 1980 current estimate, as compared to the Budget estimate, reflects an internal staff redistribution consistent with current workload requirements.

This office has responsibility for all administrative and management services required for operating fair housing and equal opportunity programs at the national and field levels.

The office is composed of two divisions - the Division of Management Systems and Services and the Division of Field Support and Evaluation. The Management Systems and Services Division is responsible for a broad range of services, including budgetary planning, preparation, and control; development and maintenance of management information and control systems; issuances and correspondence control; and provision of administrative support services. The Field Support and Evaluation Division has three major functional areas of responsibility. The division is responsible for providing technical assistance and other support to regional and area offices within assigned jurisdictions and serves as the primary point of contact between the Assistant Secretary for Fair Housing and Equal Opportunity and regional and area offices. Field management responsibility is carried out through a program which includes monitoring and evaluation of field staff utilization, work measurement studies, training, and development and implementation of field management systems. The division is also responsible for publication and public information activities. Implementation of specific management objectives is planned for 1981 with the goal of increasing management and operating efficiency.

h. Office of Program Standards and Evaluation

	ACTUAL 1989	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1980 vs 1981
Permanent full-time positions.....	7	12	13	13	...
Staff-years.....	6.7	12.5	13.0	13.5	+.5

The increase of one position in the current estimate for 1980, as compared to the Budget estimate, is consistent with current workload requirements and reflects the staffing of a newly established Evaluation Division.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

The office is composed of two divisions - the Division of Program Standards and the Division of Program Evaluation. The Programs Standards division analyzes and reviews new, existing, and proposed policies and recommends appropriate approaches to ensure the provision of opportunities and services to minorities, women and the disadvantaged in all HUD programs. In addition, the division provides advisory services, guidance and training to FHEO field staff on programmatic matters. Through a program of short and long-term research, the Program Evaluation division, in cooperation with other Assistant Secretaries, analyzes and evaluates HUD programs to determine their effectiveness in meeting equal opportunity objectives, makes policy and program recommendations, as appropriate, based on such analyzes, and defines equal opportunity data needs in the information systems for various HUD programs.

2. FIELD EMPLOYMENT

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Regional Offices.....	200	193	219	254	+35
Area Offices.....	184	221	214	301	+87
Total permanent full-time positions, end of year.....	384	414	433	555	+122
Staff-years.....	424.5	432.0	446.3	535.3	+89.0

The increase of nineteen positions for field offices in the 1980 current estimate, as compared to the Budget estimate, reflects increased workload demands in "front-end" activities such as application reviews, and monitoring consistent with the work measurement standards and workload addressed in the following material.

a. Work Measurement. At the Regional Office level, work measurement standards are being refined for activities involved in conducting compliance reviews under Title VI and Section 109. Staffing estimates were determined for detailed measureable work units in terms of staff hours required for completing each unit. For Area Offices, work measurement criteria have been determined. These criteria provide staffing for FHEO monitoring, training and technical assistance activities, and the processing and review of program applications.

b. Computation of Field Staff Requirements. Staffing levels requested for field office functions are based primarily on projected workload levels and application of work measurement standards developed jointly with the Department's Office of Organization and Management Information. The workload estimates are based on the most current data relative to projected program levels and an analysis of past experience, where applicable.

c. Workload. The following tables depict actual 1979 workload and staff usage and the projected workload and staffing requirements for 1980 and 1981.

FAIR HOUSING AND EQUAL OPPORTUNITY FIELD WORKLOAD/STAFFING REQUIREMENTS

REGIONAL OFFICES	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS
I. TITLE VIII									
Complaints:									
Receipts	2,831	NA	NA	4,050	2	4.5	6,060	2	6.7
Closures	(2,912)			(3,750)			(6,000)		
HUD	2,763	35	84.1	3,400	44	90.5	3,700	44	104.2
States	149			350			2,300		
Referrals	211	NA	NA	600	3	1.0	2,250	3	3.8
Recalls	79								
On Hand End of Period	431			731			791		
Backlog Status (Open More Than 90 Days)	28			75			100		
Compliance Reviews:									
Conciliation Agreements	261	10	1.2	246	10	1.4	250	10	1.4
Affirmative Marketing	497	10	1.9	504	10	2.8	500	10	2.8
SUBTOTAL TITLE VIII			87.2			100.2			118.9

FAIR HOUSING AND EQUAL OPPORTUNITY FIELD WORKLOAD/STAFFING REQUIREMENTS

REGIONAL OFFICES	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS
II. ASSISTED PROGRAMS									
Complaints:									
Title VI									
Receipts	103			100			130		
Closures	94	23	9.6	95	70	4.1	125	70	4.7
On Hand End of Period	47			52			57		
Section 109									
Receipts	75			100			135		
Closures	92	23	5.5	99	130	7.2	115	130	8.3
On Hand End of Period	39			40			60		
EEO Contract Clause									
Receipts	73			75			90		
Closures	65	NA	2.7	65	40	1.4	85	40	1.9
On Hand End of Period	61			71			76		
Section 504									
Receipts	50			70			115		
Closures	49	NA	2.3	70	40	1.7	100	40	2.2
On Hand End of Period	18			18			33		

FAIR HOUSING AND EQUAL OPPORTUNITY FIELD WORKLOAD/STAFFING REQUIREMENTS

REGIONAL OFFICES	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS
III. Section 3									
Complaints:									
Receipts.....	8			50			90		
Closures.....	8	40	.6	50	40	1.1	75	40	1.7
On Hand End of Period.....	4			4			19		
Compliance Reviews	1	23	.3	10	23	.2	25	23	.3
SUBTOTAL SECTION 3.....			.9			1.3			2.0
IV. E.O. 11478			3.8			2.4			3.8
V. AREA OFFICE MANAGEMENT AND EVALUATION...			7.9			5.3			8.1
VI. GENERAL PROGRAM ACTIVITY			12.6			12.0			14.0
VII. GENERAL DIRECTION			42.3			30.4			38.4
VIII. TRAINING.....			9.0			9.0			12.0
TOTAL REGIONAL OFFICES...			213.5			224.3			265.0

FAIR HOUSING AND EQUAL OPPORTUNITY FIELD WORKLOAD/STAFFING REQUIREMENTS

REGIONAL OFFICES	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS
Age Discrimination									
Receipts	...			45			65		
Closures	...	NA	...	45	40	1.3	65	40	1.4
On Hand End of Period	...			...			...		
Compliance Reviews:									
Title IV									
CDBG Recipients	230	150	7.9	250	150	20.8	250	150	20.8
Other	209	108	7.8	100	108	6.0	100	108	6.0
Section 109	242	150	12.8	250	150	20.8	250	150	20.8
EEO Contract Clause	62	NA	1.2	22	40	.4	30	40	.7
Section 504	...	NA	...	...	40	...	25	40	.6
Age Discrimination	...	NA	...	...	40	...	20	40	.4
SUBTOTAL ASSISTED PROGRAMS			49.8			63.7			67.8

FAIR HOUSING AND EQUAL OPPORTUNITY OF FIELD WORKLOAD/STAFFING REQUIREMENTS

AREA OFFICES

	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS	WORK-LOAD	STAFF HOURS PER UNIT	STAFF-YEARS
I. PROGRAM OPERATIONS.....			121.8			154.3			192.8
II. VOLUNTARY COMPLIANCE...			6.3			19.9			29.3
III. GENERAL PROGRAM ACTIVITY.....			25.0			12.2			12.3
IV. GENERAL DIRECTION.....			44.2			23.9			23.9
V. TRAINING.....			13.7			11.7			12.0
TOTAL AREA OFFICE			211.0			222.0			270.3
FIELD TOTAL			424.5			446.3			535.3
FIELD PFT POSITIONS			384			433			555

FAIR HOUSING AND EQUAL OPPORTUNITY FIELD STAFFING REQUIREMENTS

FIELD OFFICES	ACTUAL 1979 STAFF-YEARS USAGE	BUDGET ESTIMATE 1980 STAFF-YEARS REQUIRED	CURRENT ESTIMATE 1980 STAFF-YEARS REQUIRED	ESTIMATE 1981 STAFF-YEARS REQUIRED
REGIONAL OFFICES				
Title VIII	87.2	77.8	100.2	118.9
Title VI/Section 109	43.2	50.0	58.9	60.6
Other Compliance	7.1	6.6	6.1	9.2
Sub-Total	137.9	134.0	155.8	188.7
Other Activity	75.6	76.6	59.1	76.3
Sub-Total Regional Offices	213.5	211.0	224.3	265.0
Regional Offices PFT Positions	(200)	(193)	(219)	(254)
AREA OFFICES				
Total Area Offices	211.0	221.0	222.0	270.3
Area Offices PFT Positions	(184)	(221)	(214)	(301)
Total Field	424.5	432.0	446.3	535.3
Field PFT Positions	384	414	433	555

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Travel and Transportation of Persons	$664	$861	$678	$994	+$316
Transportation of Things	30	21	21	24	+3
Rent, Communications and Utilities	316	359	392	465	+73
Printing and Reproduction	102	91	112	141	+29
Other Services	883	1,054	1,045	1,122	+77
(Special Contracts)	(208)	(257)	(257)	(152)	(-105)
Supplies and Materials	109	99	130	168	+38
Equipment	254	147	207	147	-60
Indemnities for Property Damage	3	1	1	1	...
Total	2,361	2,633	2,586	3,062	+476

Costs for these objects of expense are based in large part on a pro-rata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses." However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The obligations for travel in 1980 include the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

Travel funds for this activity are used by staff to conduct compliance reviews and monitoring activities, to provide technical assistance to State and local agencies, to review conciliation and affirmative marketing plans and to provide equal employment opportunity counselor training--all consistent with legislated mandates and Executive Orders related to fair housing and equal opportunity in the areas of housing and community development. The increase of $316 thousand in 1981 is to support the additional field staff and reflects the increased cost of travel. A more complete discussion of the basis for the Department's travel estimates is found in the section "Salaries and Expenses, HUD" contained in Volume III.

Other Services for this activity consist principally of automated data processing services (ADP) and Special Contracts. The increase of $77 thousand in 1981 is primarily the net effect of an increase of $175 thousand for ADP services partially offset by a decrease of $105 thousand for Special Contracts. The additional funds for ADP are for increased costs and expanded use related to

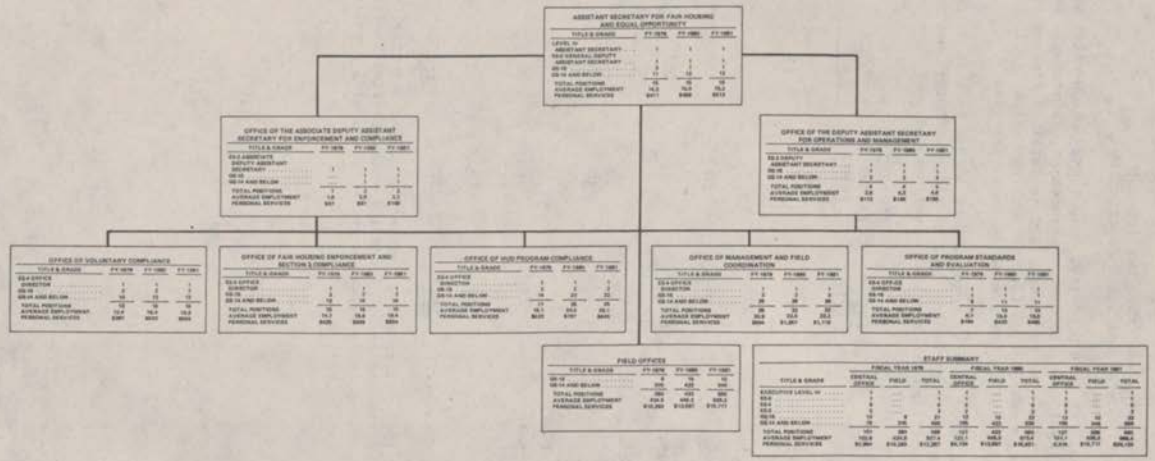
the six programs utilized by this activity. The funds, which total $846 thousand in 1981, provide for development, enhancement, maintenance and operational costs related to the programs. A more detailed discussion of ADP support is included under the section for the Working Capital Fund (WCF) in Volume III, which is responsible for providing these services.

Special Contracts funds are for requirements unique to this activity and are principally for services which cannot be provided with in-house staff. The following table identifies the specific requirements:

	ACTUAL 1979	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
FHEO Exhibit Display and Maintenance	$ 40	$ 40	$ 45	+$5
Subscription for Updating Prentice Hall's Equal Opportunity in Housing	10	10	12	+2
Fair Housing Billboards	8	8	15	+7
Seminars on New Horizons Fair Housing Technical Assistance Project	...	40	40	...
Minority Bank Deposit Public Awareness Project	...	40	...	-40
Other Studies and Technical Assistance Projects	150	119	40	-79
TOTAL	208	257	152	-105

The reduction in 1981 reflects the completion of the Minority Bank Awareness Problem and a reduced level of studies and technical assistance requirements. The remaining items are relatively level, with consideration given to anticipated cost increases.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FAIR HOUSING AND EQUAL OPPORTUNITY
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Justification for 1981 Estimates

Revised Budget Requests

Book 3

Programs Being Revised	Page Reference in Justification Book
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DEPARTMENTAL MANAGEMENT

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is included later in this Part of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 8: DEPARTMENTAL MANAGEMENT

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
			(Dollars in Thousands)			
TOTAL FUNDING BY OBJECT						
Personal Services....	$5,323	$5,492	$5,470	$5,669	$5,620	+$150
Other Services.....	1,260	1,954	1,954	2,077	2,070	+116
(Automated Data Processing Services).....	(189)	(229)	(229)	(289)	(282)	(+53)
Furniture and Equipment.....	56	46	46	32	29	-17
All Other.....	1,109	1,279	1,279	1,450	1,450	+171
Total.....	7,748	8,771	8,749	9,228	9,169	+420
Pay increase supplemental included above		(272)	(250)			
Permanent positions-End of Year.....	136	160	160	160	160	...
Staff-Years.....	185.8	176.4	175.4	176.4	175.4	...

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $22 thousand to reflect a reduction of 1 staff-year which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-years reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $49 thousand--from $5,669 thousand to $5,620 thousand--is included in this revised request. The reduction reflects the possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 1 staff-year has been applied. The pro-rata share is from a Department-wide estimated reduction 130 staff-years.

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Automated Data Processing (ADP) - A reestimate of automated data processing costs, which reflects more recent cost and requirements data, results in a reduction of $7 thousand, from $289 thousand to $282 thousand. This subject is addressed in greater detail in the section for the Working Capital Fund (WCF), included later in this Part of the Justification, which addresses overall Departmental ADP requirements.

Equipment - The reduction of $3 thousand, from $32 thousand to $29 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is included later in this Part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with the particular Budget Activity of "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980 and 1981.

BUDGET ACTIVITY 8: DEPARTMENTAL MANAGEMENT

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity...	$7,748	$9,354	$8,771	$9,228	+$457
Pay increase supplemental included above.....			(272)		
Permanent Positions- End of Year.....	136	159	160	160	...
Staff-years.....	185.8	173.0	176.4	176.4	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request is for $9,228 thousand, an increase of $457 thousand as compared to 1980. No additional staff is requested.

The additional funds are for personal services costs for within grade increases and other average salary adjustments ($177 thousand), and for increased support costs ($280 thousand) principally in the areas of printing, automated data processing and equipment rental.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 estimate varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate	$9,354
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses"	-1,101
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-32
Add October 1979 pay raise	+365
Less revised estimate for personal services costs	-288
Add revised estimate for support costs	+473
Current 1980 estimate	$8,771

The changes in funding requirements for 1980 are the result of the following:

-- Action by the Congress on the Department's 1980 budget request for "Salaries and Expenses" --

* A share of the $396 thousand department-wide reduction from the budget request for travel (-$12 thousand)

* A share of the $2.0 million department-wide reduction from the budget request for automated data processing (-$62 thousand)

* A share of the general department-wide reduction of $6.8 million for "Salaries and Expenses" (2.6 staff years and -$87 thousand)...

* A reduction of $1.0 million for Communication Support Services

-- A share of the additional department-wide reduction of $1.1 million in obligations for travel and transportation of things in the Executive Branch mandated by the Congress (P.L. 96-86);

-- the additional funds required to implement the pay increase which became effective during October 1979;

-- a revision of personal services cost estimates based on more recent average salaries and benefits data; and

-- a revision of other objects of expense on the basis of more recent cost and requirements data, principally in the areas of equipment rental, printing and automated data processing support.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$7,748	$8,771
Increased pay rates:		
October 1978	+5	...
October 1979	+365	+5
Cost of within-grade increases	+67	+70
Cost of two extra days pay in 1980	+42	...
Cost of one less days pay in 1981	...	-22
Changes in personal services costs, principally due to changes in average employment	-299	...
Changes in personal services costs, principally due to changes in average salary	...	+124
Changes in rents, communications & utilities	+112	+66
Changes in printing costs	+50	+98
Changes in special contracts	+638	+38
All other changes	+43	+78
Total obligations	$8,771	$9,228

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost $370 thousand in 1980 and $5 thousand in 1981.

Within-grade increases for employees are estimated to cost $67 thousand in 1980 and $70 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared with 260 days in 1979. The two extra days are estimated to require an additional $42 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $22 thousand less in 1981.

-- A reduction of average employment is the principal cause of a reduction of $299 thousand for personal services during 1980. The major decline was in temporary employment.

-- An increase of $124 thousand in personal services in 1981 is primarily the result of a reduction in the use of temporary staff as compared to permanent staff while total staff-year usage remains level.

-- Increased use of and increased costs for rental of office equipment results in an additional $112 thousand in 1980 and $66 thousand in 1981.

-- Increased printing for informational activities and rising printing costs result in increases of $50 thousand in 1980 and $98 thousand in 1981.

-- Special contract costs increase $638 thousand in 1980, principally for communication support services. The increase of $38 thousand in 1981 is for increases in the use and costs of translation and news delivery services.

-- Changes for all other items, such as travel, and automated data processing services result in increases of $43 thousand in 1980 and $78 thousand in 1981.

STAFFING SUMMARY

SCOPE OF ACTIVITY

The Departmental Management activity includes the Office of the Secretary and Under Secretary and other offices under the Secretary's immediate direction. 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 Under Secretary assists the Secretary in the discharge of his duties and responsibilities and serves as Acting Secretary in the absence of the Secretary. The Office of the Secretary contains staff offices having department-wide responsibility in highly specialized functional areas and which undertake special innovative projects and provide independent in-depth analysis and review of a broad range of issues which cut across the Department and require the Secretary's and/or Under Secretary's personal attention. These include such areas as coordination of field activities, Indian and Alaska Native Programs, Small and Disadvantaged Business Utilization, Labor Relations, International Affairs, Public Affairs, Legislation and Intergovernmental Relations, and administrative judicial proceedings.

During 1979, the Office of Small and Disadvantaged Business Utilization was established in order to provide for a focal point with regard to issues concerning the participation of small and disadvantaged businesses in the contracting activities of the Department. This Office was established pursuant to the provisions of Section 15(k) of the Small Business Act, as amended (Sec. 221, P.L. 95-507). In addition, the Office of the Counselor was disestablished during 1979 and the specialized analysis and review functions performed by the Counselor were transferred to the Immediate Office of the Secretary and Under Secretary. The three permanent full-time positions allocated to the Office of the Counselor were concurrently re-allocated to the newly established Office of Small and Disadvantaged Business Utilization.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

EXPLANATION OF STAFFING REQUIREMENTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs. 1980
Permanent full-time positions	136	159	160	160	...
Staff-years	185.8	173.0	176.4	176.4	...

The staff-years consist of the following components:

	1979	1980	1981
Staff-years of permanent full-time personnel	149.8	152.0	160.0
Special employment programs	10.6	7.7	4.0
Other temporary and part-time employees	18.3	10.4	6.4
Terminal leave	1.9	1.3	1.0
Overtime	5.2	5.0	5.0
Total	185.8	176.4	176.4

A description of the last four categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD", in another section of this part of the Justifications. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment and Special Employment Programs, which include such specialized areas as employment for the handicapped, Vietnam veterans, summer college, etc.

HEADQUARTERS EMPLOYMENT

The following two tables show the distribution of the staff, by office, in terms of permanent full-time personnel and staff-years and are followed by a brief discussion of the functions of each of the offices.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Immediate Office of the Secretary/Under Secretary.	16	29	29	29	...
Deputy Under Secretary for Field Coordination.....	15	18	18	18	...
Counselor to the Secretary..	...	3	...	...	...
Special Assistant for Indian and Alaska Native Programs	2	3	3	3	...
Small and Disadvantaged Business Utilization.....	...	...	4	4	...
Labor Relations.....	7	7	7	7	...
International Affairs.....	15	13	13	13	...
Public Affairs.....	32	36	36	36	...
Legislation and Intergovernmental Relations.....	42	43	43	43	...
Administrative Law Judge....	2	2	2	2	...
HUD Board of Contract Appeals	5	5	5	5	...
Positions, end of year	136	159	160	160	...

The increase of one position in the Current estimate for 1980, as compared to the Budget estimate, reflects staffing adjustments related to the establishment of the Office of Small and Disadvantaged Business Utilization pursuant to Section 15(k) of the Small Business Act, as amended, October 24, 1978.

	STAFF YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Immediate Office of the Secretary/Under Secretary.	31.4	32.0	30.6	29.0	-1.6
Deputy Under Secretary for Field Coordination.....	24.5	18.7	22.4	21.3	-1.1
Counselor to the Secretary..	3.4	3.6	...	...	...
Special Assistant for Indian and Alaska Native Programs	3.0	3.6	3.0	3.0	...
Small and Disadvantaged Business Utilization.....	...	...	1.5	4.2	+2.7
Labor Relations.....	8.9	7.5	8.8	8.8	...
International Affairs.....	18.5	14.0	16.3	16.3	...
Public Affairs.....	44.0	40.0	39.8	39.8	...
Legislation and Intergovernmental Relations.....	45.1	46.1	46.3	46.3	...
Administrative Law Judge....	2.0	2.2	2.0	2.0	...
HUD Board of Contract Appeals	5.0	5.3	5.7	5.7	...
Total Staff-years.....	185.8	173.0	176.4	176.4	...

The staff-years indicated above, except for the 1980 Budget estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget estimate would be 179 staff-years, and the 2.6 staff-year reduction, as compared to the current estimate, reflects the reduction resulting from Congressional action on the 1980 Budget.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

1. Immediate Office of the Secretary and Under Secretary

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	16	29	29	29	...
Staff-years.....	31.4	32.0	30.6	29.0	-1.6

No additional staff is requested for 1981.

The difference between the actual employment of 16 at the end of 1979 and the 1980 current estimate of 29 positions reflects 13 vacancies resulting from staffing shifts due to the change in Department leadership in August and September of 1979.

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 for advising the President on Federal policy, programs and activities relating to housing and community development. The Secretary serves as Chairperson of the Board of Directors of the New Community Development Corporation.

The Secretary formulates recommendations for basic policies in the field of housing and community development for purposes such as the legislative program, the State of the Union Message, and the President's Budget, and works with the Executive Office of the President and with other Federal agencies in keeping economic and fiscal policies in housing and community development consistent with other economic and fiscal policies of the Government.

The Secretary is responsible for developing programs for the preservation and improvement of the Nation's cities and metropolitan areas. The Secretary meets with governors 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 Secretary also meets with and interprets Government housing programs to organizations and officials representing builders, lenders and other facets of the housing industry, local government officials, labor and minority groups, and social service organizations.

The Under Secretary assists the Secretary in the performance of his duties and responsibilities, and serves as Acting Secretary in the absence of the Secretary.

The Secretary and Under Secretary are assisted in these responsibilities by a small immediate staff which includes Executive Assistants and persons who carry out a variety of specialized staff activities which, by their nature, require the personal attention of the Secretary and Under Secretary. These individuals, usually employed under the title of Special Assistant, are authorized to represent the Secretary and Under Secretary.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

2. Office of the Deputy Under Secretary for Field Coordination

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	15	18	18	18	...
Staff-years.....	24.5	18.7	22.4	21.3	-1.1

No additional staff is requested for 1981.

The Office of the Deputy Under Secretary for Field Coordination advises the Secretary and other principal staff of the Department on the adequacy and effectiveness of field operating policies and procedures; serves as the focal point of communication between the Regional and Area Offices and the Secretary/Under Secretary; oversees and manages the Department's Field Performance Evaluation System; provides staff support for the Federal Regional Councils and the Under Secretaries' Working Group; serves as the focal point for interagency relations where related to field activities; and coordinates the recruitment of key personnel in both Regional and Area Offices.

The following functions are assigned to the Office of the Deputy Under Secretary for Field Coordination:

a. Monitoring and coordinating field operating policies.

b. Coordinating the development and administration of a comprehensive system for evaluating the performance of regional and field offices. The objectives are: (1) to evaluate attainment of Departmental goals both as to quantity and quality; (2) to provide feedback concerning needed corrections in staffing and program delivery assumptions; and (3) to assess the effectiveness of managerial direction in the field.

c. Providing staff support for Federal Regional Councils, Federal Executive Boards, and the Under Secretaries' Working Group for Regional Operations to keep policy considerations in focus.

d. Providing guidance and direction for Departmental participation in Interagency and Intergovernmental Relations activities.

e. Coordinating the recruitment and assignment of top management personnel in field offices.

f. Assuring that all proposed issuances and regulations are adequately reviewed by field managers for recommendations prior to implementation. This includes analyzing the proposed issuance for identification of most appropriate reviewing field officials; assignment of action; review and consolidation of responsive comments; and preparation of recommendations for the originator.

g. Scheduling and approving all headquarters-directed meetings of field staff.

h. Assessing the performance of all field executives annually.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

3. Counselor to the Secretary

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	...	3	...	...	...
Staff-years.....	3.4	3.6	...	...	...

The Office of the Counselor was disestablished during 1979 and the specialized analysis and review functions performed by this Office were reassigned to the immediate staff of the Secretary and Under Secretary. Concurrently, the three permanent full-time positions previously assigned to this office were re-allocated to the newly established Office of Small and Disadvantaged Business Utilization.

4. Special Assistant to the Secretary for Indian and Alaska Native Programs

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	2	3	3	3	...
Staff-years.....	3.0	3.6	3.0	3.0	...

No additional staff is requested for 1981.

The Office of the Special Assistant was established in 1978 pursuant to the provisions of the Housing and Community Development Act of 1977 which states: "There shall be in the Department a Special Assistant for Indian and Alaska Native Programs who shall be responsible for coordinating all programs of the Department relating to Indian and Alaska Native housing and community development." The Office of Special Assistant to the Secretary for Indian and Alaska Native Programs is responsible for coordinating all programs of the Department relating to Indian and Alaska Native housing and community development. The Office serves as principal advisor to the Secretary and Departmental officials on current activities, problems and needs of Indians and Alaska natives and ensures that their housing and community development concerns are addressed in HUD policy and program decisions in a coordinated and effective manner. The Office assists in developing an overall Departmental policy statement clarifying HUD's commitment to improve delivery of programs to Indians and Alaska natives. The Office prepares for the Secretary periodic reports to Congress regarding progress toward the objectives of the legislation.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

5. Office of Small and Disadvantaged Business Utilization

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	...	...	4	4	...
Staff-years.....	...	...	1.5	4.2	+2.7

No additonal staff is requested for 1981.

The Office of Small and Disadvantaged Business Utilization was established in 1979 pursuant to the provisions of Section 15(k) of the Small Business Act, as amended (Sec. 221, P. L. 95-507). The Office is responsible for providing technical direction and coordination on all matters relating to the setting of policy on participation of small and disadvantaged businesses in the Department's contracting activity. The primary responsibilities are to:

a. Implement and administer programs under Sections 8 and 15 of the Small Business Act, as amended;

b. Oversee the Department's small business set-aside activity;

c. Represent the Secretary before Congressional Committees concerned with the Department's small and disadvantaged business utilization program;

d. Represent the Secretary at meetings on program activities with Federal, State and municipal or private organizations; and

e. Assume other duties assigned which are consistent with the Government's small and disadvantaged business programs.

6. Office of Labor Relations

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	7	7	7	7	...
Staff-years.....	8.9	7.5	8.8	8.8	...

No additional staff is requested for 1981.

The Assistant to the Secretary for Labor Relations serves as principal policy advisor and consultant to the Secretary on labor relations matters, labor standards enforcement, and organized labor -- particularly the building and construction trades.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

The Office is responsible for ensuring, through a Labor Relations field staff, the effective administration and enforcement of labor standards contract provisions in HUD-assisted or HUD-insured construction. Accordingly, it acts as principal liaison with the Department of Labor on labor standards enforcement matters. The Office also develops program initiatives in the employment and training of the disadvantaged in HUD construction and related activities. The Office is responsible for administration of the wage rate determination program for maintenance employees of low-rent housing authorities and for coordinating with the Assistant Secretary for Housing - Federal Housing Commissioner on matters related to personnel management and labor relations of low-rent housing authorities. The Office seeks affirmative relationships with and support from organized labor for the housing and community development goals of the Department.

7. Office of International Affairs

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	15	13	13	13	...
Staff-years.....	18.5	14.0	16.3	16.3	...

No additional staff is requested for 1981.

The Office of International Affairs is responsible for the formulation and administration of international program policy on behalf of the Secretary. It is headed by the Assistant to the Secretary for International Affairs. The main objective of the international program is to facilitate the access to foreign information in the areas of housing and urban development in an effort to stimulate domestic research activities, prevent unnecessary repetition and learn from the experience of other countries. Access to foreign experience is facilitated by the Office through the coordination of participation of HUD officials in international conferences and meetings and the acquisition of foreign documentation. Analysis of HUD goals and programs and the current priority concerns of the Department enables the Office to identify opportunities for information exchange which can provide relevant, useful data for domestic users.

Exchanges of information involve the identification, analysis, translation, and dissemination of documents through a computer-based information system; preparation of specialized bibliographies in response to HUD program and research staff, as well as public and private users; and publication of specialized documents in support of HUD program and industry interests. In addition, information dissemination takes place through briefings with HUD program staff, response to general inquiries and requests for foreign information from HUD program staff, other Federal agencies, state and local governments, the private sector, and various overseas users.

The Office also provides substantive leadership and support to the Department of State in the formulation and implementation of U.S. foreign policy in the areas of housing and urban development, transfer of technology and detente through participation in multilateral and bilateral programs.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

Programming of foreign visitors to the Department by the Office of International Affairs is in accordance with the "protocol" obligations of the Secretary and provides opportunities for useful exchanges with foreign officials and technical experts.

8. Office of Public Affairs

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	32	36	36	36	...
Staff-years.....	44.0	40.0	39.8	39.8	...

No additional staff is requested for 1981.

The Assistant to the Secretary for Public Affairs advises the Secretary and other principal staff of the Department on matters relating to public affairs, public information, and printed and audio-visual information materials intended for the general public or substantial segments thereof. The Office of Public Affairs provides services in these areas for the entire Department.

The Assistant to the Secretary for Public Affairs is responsible for informing the public about the programs administered by the Department and about the program and consumer related services available through those programs. Informational activities are keyed to the following objectives:

-- describe and explain HUD's programs so that all program participants, prospective participants, and potential beneficiaries are made aware of the nature and manner of operation of these programs;

-- insure that citizens are informed of the rights conferred upon them and the remedies available to them through the statutes, Executive Orders, and regulations administered by HUD;

-- give an accounting to the public at large, and to groups and individuals particularly concerned, of the Department's policies, procedures, and objectives and progress towards attainment of objectives;

-- make HUD's stewardship of public funds a matter of public record through release of relevant information;

-- prepare and make available information designed to assist people to make prudent decisions in matters relating to acquiring and maintaining a home; and,

-- respond promptly and fully to inquiries received from the public and the press.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

For most of HUD's programmatic activity, the information function is a crucial and integral element of successful program administration. These programs offer benefits to communities, groups, and individuals. It is essential that the prospective beneficiaries be made aware of the programs and their procedures so that those who are eligible can participate if they so choose. To this end, a variety of communications channels must be developed and maintained, and appropriate communication vehicles must be developed to reach appropriate audiences most effectively.

The functions of the Office are carried out through four main operating elements:

a. Communication Services: Assigns communication specialists to develop communication programs for each of the offices of the Department which provide the public and HUD's constituency groups with pertinent information about the Department's program activities and services; develops and prepares newsworthy material for release and responds to news media inquiries; prepares and releases news items, announcements, statements, articles and other written material on the Department and its people; arranges for and monitors Washington news conferences, interviews, and other news media contacts for senior officials of the Department; monitors major daily newspapers and a selection of periodicals; arranges for and supervises the production of films, tapes and graphic material intended for public distribution; and responds to requests from and maintains liaison with the electronic news media.

b. Special Projects: Assigns communication specialists to projects of a limited duration, or, conversely, of a routine continuing nature, such as handling public inquiries; manages the Publications Review Board, which is responsible for coordinating the publications activity of the Department; and performs special writing assignments.

c. Research and Production Division: Formulates responses to broad-based inquiries, cutting across program lines, received from scholars, analysts, researchers, and the general public; develops standard replies for high-volume requests; locates material to fill specialized inquiries; prepares a clipsheet containing news items appearing in the nation's press, and oversees all printing production and distribution for the Office.

d. Scheduling and Liaison Services Division: Schedules the daily activities of the Secretary and prepares appropriate briefing and background material giving him data and information on his appointments and engagements; prepares briefing books for use by the Secretary and other senior officials in connection with their speaking engagements and participation in public events; maintains contacts in localities in which Department officials are scheduled to make appearances; and coordinates preparations for those appearances.

Maintains liaison with national organizations having an interest in HUD programs and activities; arranges for Department representation at conventions, conferences, and meetings sponsored by such organizations; prepares and distributes periodic schedules of public appearances by Department officials; and takes action on requests for HUD participation in events planned by civic, organizational, or commercial sponsors.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

Communication Support Services

The communication support services activity was established in 1978 under the Office of Public Affairs in order to consolidate HUD public information and related activities and services within a single organization for the purpose of targeting and managing such activities more effectively.

The functions of these services for 1981 are a continuation of the efforts begun in 1978 and continued during 1979 and 1980 for the development and production of public communication materials. The Office of Public Affairs exercises managerial oversight with the objective of improving the effectiveness and reach of these materials. This activity supports the operating offices of the Department and helps them to identify public communication needs associated with specific program activities and to coordinate the Department's efforts to meet those needs so that all public communication activities are consistent with the Department's goals and reflect the Department's priorities; that these public communication activities, and certain internal communication activities, and the communication vehicles produced conform to standards of effective presentation; and that the communication vehicles produced reach their intended audiences with relevant and useful information and are cost-effective. Additionally, funds are used to establish and maintain a set of procedures and mechanisms for integrating, coordinating and managing the Department's public communication activities, such as the Communications Review Board. Funds will also be used to contract for creative and communication planning services. All funds are in direct support of program offices.

Funding for communication support services is as follows:

	ACTUAL 1979	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)		
Special Contract funds (contractual assistance)	$306	$900	$900
Printing costs, including departmental publications	183	175	175
Publicity services	244	...	...
Other services	75	75	75
Total, Salaries and Expenses Funds	$808	$1,150	$1,150

No increase in funds is requested for 1981.

Special Contract Funds

These funds are for contract services that cover a variety of purposes, including for 1981:

--Home Help project - A major communications effort to acquaint citizens with the opportunities for which they may qualify under FHA programs;

--Energy-Efficient Home Show - Support for a prototype energy-efficient home show to demonstrate and encourage energy efficiency in home construction and operation;

--FOCUS - An internal communication effort using video-taped programs featuring departmental officials whose purpose is to inform and advise HUD staff, both in Washington and the field, on departmental policies and programs, such as rehabilitation and housing programs, regional activities, and urban initiatives.

--Constituency Outreach - Support of worthwhile initiatives by HUD constituent groups such as a conference of rehabilitation contractors held in conjunction with the U.S. Savings and Loan League, and a series of seminars on housing and community development held in conjunction with the National Association of Housing and Redevelopment Officials.

--International Year for the Handicapped - An outreach program to acquaint builders and the public with regulations covering construction with the needs of the handicapped in mind.

--Clearinghouse - A center for the evaluation and dissemination of the experiences of successful public housing projects.

Printing Costs Including Departmental Publications

This category includes the printing costs of communication support projects, as well as non-recurring departmental publications. Funding is principally for printing costs of communication support projects either underway or planned, such as the home buyer's assistance program, a mortgage co-insurance information program, and information programs supporting fair housing and neighborhood outreach efforts.

Publicity Services

This category provides for the production of audio visual materials, such as "FOCUS" internal communication videotape series and radio and television public service announcements during 1979. In subsequent years, consistent with the consolidation of contractual costs, funds for these purposes are included in the special contract category.

Other Services

This category is primarily for graphic arts services.

9. Office of the Assistant Secretary for Legislation and Intergovernmental Relations

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	42	43	43	43	...
Staff-years.....	45.1	46.1	46.3	46.3	...

No additional staff is requested for 1981.

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Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

Legislation and Intergovernmental Relations is responsible for providing services to the Congress and State and local officials for all programs and activities of the Department; coordinates the activities of the relevant program offices in developing the Department's legislative program in cooperation with the Office of General Counsel; oversees the progress of the Department's legislative program in the Congress and coordinates with the Office of General Counsel the expression of the Department's position on legislative proposals under consideration; coordinates the preparation of Departmental testimony by the relevant program offices; aids in resolving intra-departmental policy differences and differences between the Department and the Office of Management and Budget on legislative matters.

Maintains liaison with Congress and with National and Regional organizations of governmental officials having an interest in the Department's programs; serves as a focal point for inquiries, communications, general information and other contacts from State and local officials as they relate to the Department's policy and activities; reviews legislative proposals to insure that State and local government concerns receive adequate consideration; establishes liaison procedures with Assistant Secretaries to increase the Department's responsiveness to State and local governments.

10. Office of Administrative Law Judge

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	2	2	2	2	...
Staff-years.....	2.0	2.2	2.0	2.0	...

No additional staff is requested for 1981.

The Office of Administrative Law Judge provides the administrative adjudicative system where required by statute, Executive Order or by Department rules. The Administrative Law Judge presides over formal and informal hearings to determine issues under the Interstate Land Sales Full Disclosure Act; Title VI of the Civil Rights Act of 1964; Title VIII, Civil Rights Act of 1968; Executive Order 11063; Jobs in Housing, Section 3 of the Housing and Urban Development Act of 1968; Community Development Grants; Section 109 and 111 of the Housing and Community Development Act of 1974; Federal Mobile Home Construction and Safety Standards Act of 1974; Section 512, National Housing Act; Section 305, Energy Conservation and Production Act; Debarment and Suspension of Contractors; Mortgagee Review Board; Previous Participation Review and Clearance; and any other administrative procedures for which the expertise of an Administrative Law Judge would be appropriate. The Administrative Law Judge rules upon procedural issues, evaluates evidence, resolves credibility, and makes a decision in accordance with applicable statutes, Executive Orders, or Departmental rules.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

11. HUD Board of Contract Appeals

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employees in permanent positions.....	5	5	5	5	...
Staff-years.....	5.0	5.3	5.7	5.7	...

No additional staff is requested for 1981.

Pursuant to the Contract Disputes Act of 1978, P. L. 95-563, the HUD Board of Contract Appeals acts for the Secretary as an independent forum for hearing and issuing final decisions in all appeals by contractors with the Department of Housing and Urban Development. In addition, the Board hears and decides an ever increasing number of administrative appeals for the Secretary, such as in the fields of grants, debarment and suspension of contractors, Mortgagee Review Board, and Bid Protests under National Housing Act contracts. The decisions of the Board are binding on the Department and the contractor and can only be appealed to the Court of Claims.

The Board has the flexibility to provide either a full dress trial with discovery, subpoenas, and complete trial proceedings or an informal, expedited hearing for pro se appellants. 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 minority appellants.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Travel and Transportation of Persons.....	$397	$586	$400	$406	+$6
Transportation of Things.	5	3	8	9	+1
Rents, Communications and Utilities.....	242	210	354	420	+66
Printing and Reproduction	416	597	466	564	+98
Other Services	1,260	2,325	1,954	2,077	+123
(Special Contracts)....	(399)	(1,767)	(1,037)	(1,075)	(+38)
(ADP).....	(189)	(40)	(229)	(289)	(+60)
Supplies and Materials...	49	42	51	51	...
Equipment.....	56	78	46	32	-14
Total.....	2,425	3,841	3,279	3,559	+280

Costs for these objects of expense are based in large part on a pro-rata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD." However, it should be noted that the funding increases in 1980 and 1981 as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The obligations for travel in 1980 include the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

The travel under this heading includes that performed by the Secretary and Under Secretary for official representation of the Department and in execution of responsibilities in directing the Department's activities.

The net decrease of $562 thousand, from $3,841 thousand in the 1980 Budget estimate to the current estimate of $3,279 thousand, is primarily due to a Congressional reduction in the communication support services program as well as the revised estimate for travel requirements.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

The increase of $280 thousand from the 1980 level is due principally to increased requirements in rents, printing and ADP costs. The increase in rents, communications and utilities is due to increased usage of and anticipated rate increases for office equipment rentals. Increases in printing are due to increased costs and the requirement to publish several large informational reports designed to provide the status on existing international bilateral agreements with USSR, Mexico and Canada. ADP increases are the result of the development and implementation of several new systems, as follows:

-- an information retrieval system to provide a computerized data base on foreign housing and urban development publications and documents; and

-- an automated data base for the Office of Public Affairs to identify news media organizations, service organizations and other special interest groups.

Special contracts which are included in Other Services are unique requirements of this activity and are discussed in the following table:

SPECIAL CONTRACTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
1. Office of the Special Assistant to the Secretary for Indian and Alaska Native Programs					
Data Gathering for Indian and Alaska Native Housing	...	$25	$25	$25	...

This contract provides for the assistance of a consulting firm for the Office of the Special Assistant for Indian and Alaska Native Programs to prepare the Annual Report to the Congress (not later than December 1) on Indian and Alaska Native Programs, required by PL 95-128. The consulting firm will gather information and statistical data on the housing needs of Indians and Alaska Natives for use in the preparation of the Annual Report.

SPECIAL CONTRACTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
2. Office of International Affairs					
Translation Services.....	$48	$65	$65	$90	+$25

International Affairs is responsible for providing translation services for the Department as a necessary adjunct to the Department's international activities. These services must be contracted out since there is insufficient staff for this purpose. A major part of the translation services are for the Department to continue to fulfill its commitment to the US/USSR and US/Mexico Agreements. Due to the extremely limited staff and the variety of languages in which material is received, International Affairs cannot provide internally the translation services necessary for even a minimal support to Departmental needs, and all translation must be handled under contract. As a result of the heavy and increasing demands under the US/USSR and US/Mexican Agreements, almost no other translation has been possible. This level of funding in 1981 recognizes the most critical priorities imposed by the US/USSR Housing and Other Construction and US/Mexican Housing and Urban Development Agreements while providing a limited capacity for the assessment of technical material received under other bilateral programs.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
3. Office of Public Affairs					
News Delivery Services.....	$20	$27	$27	$40	+$13

This contract provides for the distribution of news materials, principally news releases, to media outlets within the Washington, D.C. area. The additional funds are required to improve both the delivery time and coverage of this service, which has been determined to be deficient in these regards.

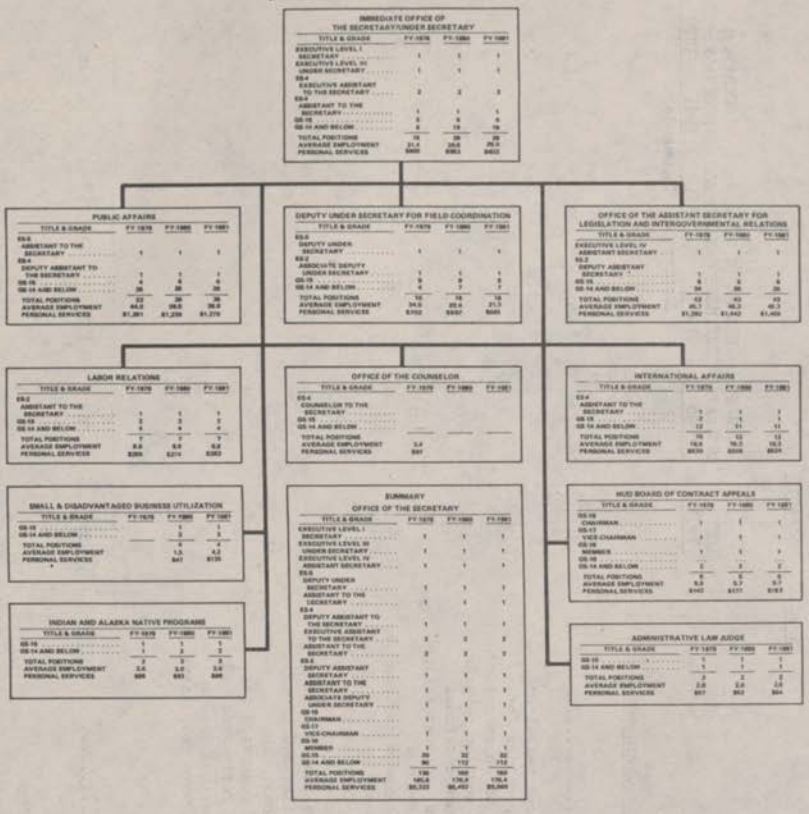
Communication Support Services.....	$306	$1,650	$900	$900	...

This contract provides for support activity for the public communication needs of the Department, administered by the Office of Public Affairs in consultation with program offices. Objective is to coordinate Departmental communication efforts for consistency with HUD goals and priorities, to insure that all communication efforts conform to high professional standards and that the vehicles produced reach their intended audience with relevant and useful information. Additionally, funds will be used for routine operation of the Office of Public Affairs and for contracts for creative and communication planning services. This activity is further described under the section of this Justification dealing with the Office of Public Affairs. The difference between the 1980 Budget estimate of $1,650 thousand and the 1980 Current estimate of $900 thousand reflects the reduction made by the Congress in its action on the 1980 Budget.

SPECIAL CONTRACTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
4. Office of Legislation and Intergovernmental Relations					
Communication Control System.....	$25	...	$20	$20	...
Controls all communications both verbal and written, stores information, provides for retrieval of information both on an as-needed basis and by the provision of regular reports, accelerates HUD responses to Congressional inquiries, tracks and monitors the preparation of draft responses. This system was established in 1978. The difference between the original 1980 Budget estimate and the $20 thousand reflected in the Current 1980 estimate results from a review of the system and potential reprogramming necessary during 1980 to increase the capabilities and cover a larger field of communications. The funding level of $20 thousand requested for 1981 would permit the further refinement and expansion of the system to continue the Department's efforts in being more responsive to Congressional inquiries.					
Total.....	399	1,767	1,037	1,075	+38

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE SECRETARY
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



IMMEDIATE OFFICE OF THE SECRETARY/UNDER SECRETARY

TITLE & GRADE	FY 1979	FY 1980	FY 1981
EXECUTIVE LEVEL I SECRETARY	1	1	1
EXECUTIVE LEVEL IV UNDER SECRETARY	1	1	1
ES-4 EXECUTIVE ASSISTANT TO THE SECRETARY	2	2	2
ES-4 ASSISTANT TO THE SECRETARY	1	1	1
GS-15	5	5	5
GS-14 AND BELOW	8	10	10
TOTAL POSITIONS	18	20	20
AVERAGE EMPLOYMENT	21.4	20.0	20.0
PERSONAL SERVICES	$400	$383	$402

PUBLIC AFFAIRS

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-5 ASSISTANT TO THE SECRETARY	1	1	1
ES-4 DEPUTY ASSISTANT TO THE SECRETARY	1	1	1
GS-15	6	6	6
GS-14 AND BELOW	26	26	26
TOTAL POSITIONS	33	34	34
AVERAGE EMPLOYMENT	44.0	36.0	36.0
PERSONAL SERVICES	$1,261	$1,230	$1,270

DEPUTY UNDER SECRETARY FOR FIELD COORDINATION

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-5 DEPUTY UNDER SECRETARY	1	1	1
ES-3 ASSOCIATE DEPUTY UNDER SECRETARY	1	1	1
GS-15	6	6	6
GS-14 AND BELOW	7	7	7
TOTAL POSITIONS	15	15	15
AVERAGE EMPLOYMENT	34.5	22.4	21.3
PERSONAL SERVICES	$702	$497	$505

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION AND INTERGOVERNMENTAL RELATIONS

TITLE & GRADE	FY 1979	FY 1980	FY 1981
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-2 DEPUTY ASSISTANT SECRETARY	1	1	1
GS-15	6	6	6
GS-14 AND BELOW	34	35	35
TOTAL POSITIONS	42	43	43
AVERAGE EMPLOYMENT	45.1	46.3	46.3
PERSONAL SERVICES	$1,362	$1,442	$1,469

LABOR RELATIONS

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-5 ASSISTANT TO THE SECRETARY	1	1	1
GS-15	2	2	2
GS-14 AND BELOW	4	4	4
TOTAL POSITIONS	7	7	7
AVERAGE EMPLOYMENT	8.8	6.8	6.8
PERSONAL SERVICES	$285	$214	$263

OFFICE OF THE COUNSELOR

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 COUNSELOR TO THE SECRETARY			
GS-15			
GS-14 AND BELOW			
TOTAL POSITIONS			
AVERAGE EMPLOYMENT	3.8		
PERSONAL SERVICES	$97		

INTERNATIONAL AFFAIRS

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 ASSISTANT TO THE SECRETARY	1	1	1
GS-15	2	3	3
GS-14 AND BELOW	12	11	11
TOTAL POSITIONS	15	15	15
AVERAGE EMPLOYMENT	16.6	16.3	16.3
PERSONAL SERVICES	$639	$606	$624

SMALL & DISADVANTAGED BUSINESS UTILIZATION

TITLE & GRADE	FY 1979	FY 1980	FY 1981
GS-15		1	1
GS-14 AND BELOW		3	3
TOTAL POSITIONS		4	4
AVERAGE EMPLOYMENT		1.3	4.2
PERSONAL SERVICES		$41	$135

SUMMARY OFFICE OF THE SECRETARY

TITLE & GRADE	FY 1979	FY 1980	FY 1981
EXECUTIVE LEVEL I SECRETARY	1	1	1
EXECUTIVE LEVEL III UNDER SECRETARY	1	1	1
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-5 DEPUTY UNDER SECRETARY	1	1	1
ASSISTANT TO THE SECRETARY	1	1	1
ES-4 DEPUTY ASSISTANT TO THE SECRETARY	1	1	1
EXECUTIVE ASSISTANT TO THE SECRETARY	2	2	2
ASSISTANT TO THE SECRETARY	2	2	2
ES-3 DEPUTY ASSISTANT SECRETARY	1	1	1
ASSISTANT TO THE SECRETARY	1	1	1
ASSOCIATE DEPUTY UNDER SECRETARY	1	1	1
GS-18 CHAIRMAN	1	1	1
GS-17 VICE-CHAIRMAN	1	1	1
GS-16 MEMBER	1	1	1
GS-15	29	32	32
GS-14 AND BELOW	90	112	112
TOTAL POSITIONS	136	160	160
AVERAGE EMPLOYMENT	165.6	176.4	176.4
PERSONAL SERVICES	$5,325	$5,492	$5,695

HUD BOARD OF CONTRACT APPEALS

TITLE & GRADE	FY 1979	FY 1980	FY 1981
GS-16 CHAIRMAN	1	1	1
GS-17 VICE-CHAIRMAN	1	1	1
GS-16 MEMBER	1	1	1
GS-14 AND BELOW	2	3	3
TOTAL POSITIONS	5	6	6
AVERAGE EMPLOYMENT	5.0	5.7	5.7
PERSONAL SERVICES	$142	$177	$183

INDIAN AND ALASKA NATIVE PROGRAMS

TITLE & GRADE	FY 1979	FY 1980	FY 1981
GS-15	1	1	1
GS-14 AND BELOW	1	2	2
TOTAL POSITIONS	2	3	3
AVERAGE EMPLOYMENT	3.4	3.0	3.0
PERSONAL SERVICES	$86	$93	$96

ADMINISTRATIVE LAW JUDGE

TITLE & GRADE	FY 1979	FY 1980	FY 1981
GS-15	1	1	1
GS-14 AND BELOW	1	1	1
TOTAL POSITIONS	2	2	2
AVERAGE EMPLOYMENT	2.0	2.0	2.0
PERSONAL SERVICES	$57	$62	$64

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this Part of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 9: GENERAL COUNSEL

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
			(Dollars in Thousands)			
TOTAL FUNDING BY OBJECT						
Personal Services....	$7,068	$7,876	$7,843	$8,001	$7,936	+$93
Other Services.....	153	39	39	45	45	+6
(Automated Data Processing Services).....	(9)	(11)	(11)	(14)	(14)	(+3)
Furniture and Equipment.....	33	27	27	19	17	-10
All Other.....	479	540	540	646	646	+106
Total.....	7,733	8,482	8,449	8,711	8,644	+195
Pay increase supplemental included above		(405)	(372)			
Permanent positions-End of Year.....	221	225	225	225	225	...
Staff-Years.....	236.7	240.5	239.5	240.5	238.5	-1.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $33 thousand to reflect a reduction of 1 staff-year which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-year reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

Salaries and Expenses, Housing and Urban Development
Revised Budget Request

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $65 thousand--from $8,001 thousand to $7,936 thousand--is included in this revised request. The reduction reflects the possible impact of limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 2 staff-years has been applied. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Equipment - The reduction of $2 thousand, from $19 thousand to $17 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is shown later in this Part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with each particular Budget Activity of "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980 and 1981.

BUDGET ACTIVITY 9: GENERAL COUNSEL

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity	$7,733	$8,232	$8,482	$8,711	+$229
Pay increase supplemental included above ..			(405)		
Permanent Positions - End of Year	221	225	225	225	...
Staff-Years	236.7	240.0	240.5	240.5	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request is for $8,711 thousand, an increase of $229 thousand as compared to the 1980 level. No additional positions are requested. The additional funds consist of an increase of $125 thousand for personal services costs primarily for within grade increases and $104 thousand in other costs, principally for travel and equipment rental.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 estimate varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate	$8,232
Less action by the Congress on the 1980 appropriation request for "Salaries and expenses"	-123
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-8

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

Add October 1979 Pay Raise	+510
Less revised estimate for personal services costs	-109
Less revised estimate for support costs	-20
Current 1980 estimate	8,482

The changes in funding requirements for FY 1980 are the result of the following:

-- Action by the Congress on the Department's 1980 Budget request for "Salaries and Expenses"--

* A share of the $396,000 departmentwide reduction from the Budget request for travel (-$3,000)

* A share of the general departmentwide reduction of $6.8 million for "Salaries and Expenses" (3.6 staff years and -$120,000)...

--A share of the additional departmentwide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by the Congress (P.L. 96-86)

--the additional funds required to implement the pay-increase which became effective during October 1979;

--a revision of personal services cost estimates based on more recent average salaries and benefits data; and

--a revision of other objects of expense on the basis of more recent cost and requirements data.

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$7,733	$8,482
Increased pay rates:		
October 1978 raise	+7	...
October 1979 raise	+510	+7
Additional cost of within grade increases	+98	+107
Cost of two extra days pay in 1980	+60	...
Cost of one less days pay in 1981	...	-31
Changes in personal services costs, principally due to changes in average employment	+135	+42
All other changes	-61	+104
Total obligations	8,482	8,711

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost an additional $517 thousand in 1980 and an additional $7 thousand in 1981.

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

Within-grade increases for employees are estimated to cost $98 thousand in 1980 and an additional $107 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared with 260 in 1979. The two extra days are estimated to require an additional $60 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $31 thousand less in 1981.

Changes in personal services costs, due principally to changes in average employment, result in an increase of $135 thousand in 1980. The increase of $42 thousand in 1981 is primarily the result of a reduction in the use of temporary staff, as compared to permanent staff, while maintaining level total staff-year usage.

Changes for all other items, such as travel, printing, supplies and equipment, result in a decrease of $61 thousand in 1980 and an increase of $104 thousand in 1981. The increase in 1981 consists of $51 thousand for travel and $53 thousand for all other items.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The General Counsel, as the Chief Legal Officer of the Department, is the legal advisor to the Secretary and other principal staff of the Department. It is the responsibility of the General Counsel and staff 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.

2. WORKLOAD

The principal workload of the Office of General Counsel consists of providing advice to program managers; preparing memoranda on legal problems arising under the programs; litigation; the drafting and review of regulations, and the drafting, review and clearance, as appropriate, of legislation and legislative materials. OGC attorneys now spend significantly increasing amounts of time preparing and representing HUD at administrative hearings. Moreover, demand for legal services in other areas has increased substantially.

EXPLANATION OF STAFFING REQUIREMENTS

All personnel for the Office of General Counsel are assigned to the Central Office. The summary requirements are as follows:

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	221	225	225	225	...
Staff-years.....	236.7	240.0	240.5	240.5	...

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

The staff-years consist of the following components:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Permanent full-time personnel	202.7	224.0	225.0
Special employment programs	14.6	10.6	10.0
Other temporary and part-time employees.	16.2	3.1	2.7
Terminal leave	.3	.3	.3
Overtime	2.9	2.5	2.5
Total staff-years	236.7	240.5	240.5

The following two tables indicate the distribution of the total staff by organization on the basis of permanent full-time staff and staff years, respectively.

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Immediate Office	26	28	27	27	...
Insured Housing Division	47	50	51	51	...
Urban Development Division	29	31	29	29	...
Finance and Administrative Law Division	47	46	47	47	...
Regulatory Programs Division	36	35	35	35	...
Litigation Division ..	19	20	19	19	...
Legislation Division .	17	15	17	17	...
Total	221	225	225	225	...

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Immediate Office	27.8	29.9	28.9	28.9	...
Insured Housing Division	50.3	53.3	54.5	54.5	...
Urban Development Division	31.1	33.1	31.0	31.0	...
Finance and Administrative Law Division	50.3	49.1	50.2	50.2	...
Regulatory Programs..	38.6	37.3	37.4	37.4	...

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Litigation Division ..	20.4	21.3	20.3	20.3	...
Legislation Division .	18.2	16.0	18.2	18.2	...
Total	236.7	240.0	240.5	240.5	...

The staff years indicated above, except for the 1980 Budget estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget Estimate would be 244.1 staff-years, and the 3.6 reduction, as compared to the Current Estimate, reflects the reduction resulting from Congressional Action on the 1980 Budget request.

1. Immediate Office of the General Counsel

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE+ DECREASE - 1981 vs 1980
Permanent full-time positions.....	26	28	27	27	...
Staff-years.....	27.8	29.9	28.9	28.9	...

The Office of General Counsel is responsible for providing all legal advice and service necessary at the Headquarters level for the formulation, implementation, and operation of Departmental programs and administration. The General Counsel also provides professional supervision of the staff and functions of the legal offices of the Department in the field. The Immediate Office is professionally staffed by the General Counsel, two Deputy General Counsels and two Special Assistants, and includes as well the Office of Regulations, Field operation personnel, and the Office of Administrative Services.

The 1981 Budget estimate of 27 positions for the Immediate Office of the General Counsel reflects a reduction of one position below the 1980 Budget estimate. Although we expect to keep staffing in this office at its present level, the work of at least three of the subdivisions of this office will be increasing over the course of 1981. We intend to accommodate this work expansion by increasing efficiency and productivity.

The workload of the Office of Regulations Staff continues to expand substantially to meet the requirements for implementation of Executive Order 12044 and Section 7(o) of the Department of Housing and Urban Development Act, including the Sunset Review of the Department's regulations. Existing rulemaking requirements, which may be supplemented this fiscal year or next, seriously tax staffing resources of the Office of Regulations.

In order to comply with the Secretary's mandate to assure prompt responses to all correspondence, the monitoring function of the General Counsel's correspondence unit has been enhanced to improve deadline control of all incoming correspondence. This workload increase was accommodated by adopting a more efficient approach to correspondence control.

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Additionally, attorney recruitment activities of the Immediate Office, including Administrative Services, have been significantly expanded. Day-to-day responsibility for those activities has been delegated, however, to a committee of staff attorneys under the supervision of the General Counsel, thereby enabling the staff to participate more fully in this aspect of management. The new procedures have also defined the role of Administrative Services in recruitment more precisely and improved the efficiency of the administrative side of recruitment.

One of the more pressing needs of the Office of General Counsel is increased coordination of and support for HUD field attorneys. The administrative responsibility of the Field Legal Services Coordinator has in the past inhibited OGC's ability to play a substantive role in relation to field attorneys. In order to meet these needs, an internal allocation has added an additional staff year to the field operations unit so that the lawyer-coordinator is now supported by an administrative assistant.

STAFF-YEAR UTILIZATION

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Immediate Office			
Supervision.....	9.9	9.2	9.2
Regulations Staff.....	8.9	9.4	9.4
Administration.....	5.0	5.0	5.0
Correspondence Unit...	2.0	2.1	2.1
Field Operations.....	2.0	3.2	3.2
Total.....	27.8	28.9	28.9

2. Insured Housing Division

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions.....	47	50	51	51	...
Staff-years.....	50.3	53.3	54.5	54.5	...

The Insured Housing Division is made up of two Branches: Multifamily Mortgage and Home Mortgage. Together these units perform legal functions required in connection with all HUD housing programs involving insured mortgages on both the production and management sides.

a. Multifamily Mortgage Branch

The Multifamily Mortgage Insurance Branch provides legal services with respect to all insurance programs under the National Housing Act involving multi-unit projects. These include multifamily rental housing, housing for the elderly, nursing homes, intermediate care facilities, hospitals, group practice facilities, condominiums, cooperatives and land development. The Branch provides necessary legal services during the eligibility and underwriting phase from application through final endorsement for mortgage insurance, as well as during the project management and mortgage servicing phase. The Branch also provides all legal services relating to defaulted mortgages, including insurance claims, foreclosures and other acquisition activities and the subsequent disposition of HUD-owned properties. Legal services relating to defaulted mortgages are requiring

more attorney time as the backlog of foreclosure actions, and action on deeds in lieu of foreclosure and on regulatory agreements involving diversions of funds and other violations, continue to affect the management of projects with HUD-insured or HUD-held mortgages.

Performance of these legal servicing functions includes assisting in the preparation and legal clearance of all regulations and other types of policy statements; resolution of questions of eligibility regarding individual project applications; advising and assisting in the resolution of mortgagor and manager violations of regulations subsequent to insurance endorsement; preparing foreclosure complaints and other pleadings in both affirmative and defensive litigation; drafting of necessary legal documents; and providing legal assistance to the Assistant Secretary for Housing and other offices within the Central Office and to the field offices.

Workload can be expected to increase in the coming fiscal year due to several factors: increasing use of the Section 223(f) program, expansion and changes in the coinsurance program involving state housing finance agencies as well as private lenders; increased use of Section 8 assistance in connection with insured multifamily programs; greater utilization and familiarity on the part of the private sector with various bond financing mechanisms; increased emphasis upon legal actions against mortgagors and managers arising from violations of the regulatory agreement, including monetary frauds and other diversions of project income; and greater Central Office involvement in monitoring foreclosure actions throughout the country.

b. Home Mortgage Branch

The Home Mortgage Branch provides legal services with respect to one-to four-family mortgage insurance programs, including resolution of questions of eligibility of the property, the mortgagor and the mortgage covered by particular applications; mortgage servicing matters; insurance claim settlements; mortgagee approval activities; matters pertaining to criminal and civil fraud arising out of indictments obtained by the Department of Justice; matters relating to servicing of Secretary-held one-to four-family mortgages and foreclosures of mortgages owned by the Secretary; property disposition activities; most of the litigation concerning one-to four-family mortgages (currently over 200 cases); drafting regulations concerning one-to four-family programs and legal clearances of handbooks, mortgagee letters and contract matters concerning property acquisition, management and disposition activities; and matters pertaining to Title I Property Improvement and Mobile Home Loan activity. The backlog (currently about 400 cases) in foreclosures of Secretary-held mortgages in the Home Mortgage Branch is increasing due to the large number of cases being taken under the assignment procedures and the subsequent decisions to foreclose these cases when forbearance has been unsuccessful. Additionally, the varied property disposition procedures have become more complex because of the requirements resulting from the Ferrell stipulation. Decisions permitting the taking by HUD of properties occupied by former mortgagors and tenants have caused increasing problems concerning such things as code enforcement, lease provisions, and property repair requirements, which problems were generally not encountered in the past because previously most properties were taken in a vacant condition. Programs such as Section 245 graduated payment mortgages, insurance of cooperatives and condominium units on a single-family basis, and purchase of fee simple title in Hawaii are adding considerable workload to the Home Mortgage Branch.

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

STAFF-YEAR UTILIZATION

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Insured Housing Division			
Insurance claims (assignments & mortgagee conveyance) (MF) ...	7.6	8.4	8.4
Property acquisition (mortgagor deeds-in-lieu and non-judicial and judicial foreclosures) (MF).....	6.6	9.1	9.1
Foreclosures (HM).....	3.7	3.6	3.6
Litigation (MF).....	3.1	3.0	3.0
Litigation (HM).....	3.0	2.9	2.9
Property disposition (MF).....	2.8	2.6	2.6
HUD-Held and Insured Project Mortgage Servicing (MF)	2.6	3.5	3.5
Review claims (HM).....	2.5	2.4	2.4
Title approval (HM).....	2.5	2.4	2.4
Mortgage Insurance Eligibility (MF).....	2.5	2.3	2.3
Production (HM).....	2.0	1.9	1.9
Property disposition.....	2.0	2.9	2.9
Title I (HM).....	2.0	1.8	1.8
Housing Assistance Payment Matters (MF).....	1.9	1.8	1.8
Servicing (HM).....	1.7	1.7	1.7
Uninsured mortgage (MF)	1.1	1.1	1.1
Loan closing transactions (MF).....	1.3	1.7	1.7
Management of HUD-owned properties (MF).....	.8	.8	.8
Civil Frauds (HM).....	.6	.6	.6
Total	50.3	54.5	54.5

3. Urban Development Division

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions.....	29	31	29	29	...
Staff-years.....	31.1	33.1	31.0	31.0	...

The Urban Development Division is made up of two Branches, the Block Grants Branch and the Low-Rent Housing Branch. The 1981 Budget request proposes staffing at the 1979-80 levels in order to continue existing legal services and implement new statutory directives.

a. Block Grants Branch

The principal function of the Block Grants Branch is the provision of legal counsel in connection with the community development block grant program. The Branch furnishes legal advice to headquarters program staff, field counsel and program staff, and grant recipients concerning eligibility of activities,

application and program requirements, and other legal aspects of this program. There is an increased demand for legal services from the Branch as a result of HUD monitoring of communities' performance under the program for five funding years. This increased demand relates to (1) the application of statutory and regulatory performance standards to future funding decisions presenting questions regarding disapprovals, grant reductions, or conditioning of block grant agreements; (2) compliance with the block grant legislation and other applicable law dealing with environmental, relocation, and civil rights responsibilities; and (3) post-funding sanctions such as termination of grants. One consequence of HUD's monitoring and increasingly comprehensive overview of communities' performance is more litigation challenging HUD's actions, or inaction, in this regard. Legal workload has increased considerably from the expanded "small cities" discretionary grant program, the Urban Development Action Grant program and other new Departmental initiatives promoting the financing of economic development activities with participation by both public and private sectors, and the now fully-operational loan guarantee program. In addition, the Branch must provide increased legal services in the section 312 rehabilitation loan program to reflect recent statutory amendments dramatically expanding the program to include flexible interest rate mechanisms and to emphasize rehabilitation of multifamily properties, and will also be called upon to provide necessary legal advice with respect to servicing of section 312 loans. At the same time, over 200 urban renewal projects are yet to be closed out, and this final array of remaining projects poses some particularly difficult and intricate legal questions. The Department's legislative proposal for consolidation of comprehensive planning assistance will require intensive legal support in the drafting of regulations and implementation of new policy to encourage the development of State strategies for growth. Other novel legal questions will arise from new ventures funded under the Secretary's Fund of discretionary block grant assistance, particularly with respect to energy-related proposals for innovative projects and to technical assistance to address problems identified through experience in the block grant program.

b. Low-Rent Housing Branch

The Low-Rent Housing Branch provides legal advice and assistance in connection with the Department's programs assisted under the United States Housing Act of 1937, including conventional and turnkey public housing, the section 8 housing assistance program, section 23 leased housing, and Indian housing and homeownership programs; the direct loan program for housing and handicapped pursuant to section 202 of the Housing Act of 1959; and congregate services pursuant to the Congregate Housing Services Act of 1978. The Branch is concerned with all legal aspects of both production and management of these programs and works closely with headquarters staff, field personnel at regional and area levels, program recipients (both housing authorities and developers) and the ultimate beneficiaries, the tenant families. This Branch also continues to experience high demand for legal advice in existing programs as well as for legal assistance in connection with new statutory and administrative approaches. Among the workload emanating from recent statutory authorization are legal services for implementation and administration of the moderate rehabilitation component under the section 8 housing assistance program and of the congregate housing services program. The high demand for, and complexities of, proposals for tax-exempt financing under section 11(b) of the United States Housing Act of 1937 and its implementing regulations mandate substantial reliance on important, staff-intensive legal advice, both with respect to headquarters policy determinations and to advice to field counsel handling project approvals. There is a constant call for legal services in conventional and turnkey public housing and the section 8 housing assistance program, involving such general areas as review of regulations for legal adequacy, execution of contracts, and revision of contract forms. Advice on the

special procedures for allocation of section 8 substantial rehabilitation funding assistance in areas of community improvement under the Neighborhood Strategy Areas program is representative of the specific types of legal advice sought in connection with new administrative approaches. The Branch workload will also include legal services in connection with matters of such diverse policy ramifications as tenant participation in assisted projects; neighborhood and community stabilization in connection with the section 202 loan program; appropriate safeguards for promoting nondiscrimination of the handicapped pursuant to section 504 of the Rehabilitation Act of 1973, as amended; and the provision of Indian housing on Indian reservations.

STAFF-YEAR UTILIZATION

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Urban Development Division			
Community Development (Block Grants).....	7.5	7.5	7.5
Section 8 Leased Housing - New Construction (Low-Rent Housing).....	3.2	3.1	3.1
Section 8 Leased Housing - Substantial Rehabilitation (Low-Rent Housing).....	3.1	3.1	3.1
Section 8 Leased Housing - Existing Housing (Low-Rent Housing).....	2.3	2.2	2.2
Traditional Public Housing - Production (Low-Rent Housing).....	2.1	1.7	1.7
Relocation (Block Grants)	1.7	1.7	1.7
Section 312 Rehabilitation Loans (Block Grants)	1.2	1.5	1.5
Turnkey Public Housing - Production (Low-Rent Housing).....	1.8	1.5	1.5
Traditional Public Housing - Management (Low-Rent Housing).....	1.2	1.0	1.0
701 (Block Grants).....	.8	1.0	1.0
Tax-exempt Financing (Low-Rent Housing).....	1.0	1.0	1.0
Urban Development Action Grants.....	.4	.9	.9
Section 8 Leased Housing - Moderate Rehabilitation (Low-Rent Housing).....	.5	.9	.9
Elderly Housing (Section 202) (Low-Rent Housing	.6	.6	.6
Indian Housing (Low-Rent Housing).....	.6	.6	.6
Urban Renewal (Block Grants).....	1.1	.5	.5
Congregate Services (Low-Rent Housing).....	...	.4	.4

employment restrictions and the prosecution of cases arising under those procedures; and (3) the periodic compilation and distribution of a list of situations, discovered during review of financial disclosure statements, which are found to violate HUD's Standards of Conduct. The creation of the Office of Government Ethics has elevated concern about conduct matters within the Executive Branch and has correspondingly increased our conduct workload.

Civil Service Reform. Enactment of the Civil Service Reform Act in 1978 has continued to cause an increase in Branch workload as the Office of Personnel Management issues new regulations and the Merit Systems Protection Board issues decisions concerning agency procedures which must be implemented within HUD.

The new Merit Systems Protection Board has determined to grant petitions for review of its hearing officers' decisions and to remand cases to its hearing officers for further proceedings on a more frequent basis. These remands have caused and will continue to cause an increase in the Branch's workload.

Considerable staff time is necessary for our continuing work with the Office of Personnel in developing a Department-wide performance appraisal system which identifies critical elements of each position in the Department. Approval of such a system by the Office of Personnel Management is a prerequisite to demoting or removing an employee for unsatisfactory performance under the less stringent standard of proof prescribed by the Civil Service Reform Act.

Procurement, Grants and Cooperative Agreements. In the area of procurement, grants and cooperative agreements Branch attorneys review Requests for Proposals, and other solicitation and contract documents, for major undertakings of the Department, including studies of Department programs and purchases of major ADP systems and computer hardware. Since the enactment of the Federal Grant and Cooperative Agreement Act of 1977 the Department has increasingly utilized Cooperative Agreements for major research and other activities, producing a corresponding expansion in workload for Branch attorneys in assisting in the development and award of these instruments. This branch also provides reports and documentation and represents the Department in protests before the Comptroller General of the United States. This workload has increased very substantially and will continue to increase since GAO has determined to hear protests involving contracts under grants, including block grants. Protests under grants require research into state and local procurement law as well as Federal procurement law, and thus require more staff time. The Branch is also responsible for work involving patents and copyrights under government grants, contracts and cooperative agreements. This past year there has been considerable debate over Federal patent policy; when the new policy is issued, Branch attorneys will be involved in assisting in its implementation. Also, Branch attorneys will be required this year to assist in revising HUD procurement regulations and Property disposition program issuances in light of the promulgation of the new comprehensive Federal Acquisition Regulations.

Administrative Hearings. Branch attorneys handle administrative and court litigation in a variety of regulatory areas, comprising hundreds of cases a year. The major part of this workload arises from debarments and related sanctions under 24 C.F.R. Part 24. In addition to handling administrative hearings and other litigation in this area, attorneys review all of the Department's proposed actions nationwide and render opinions on the legal authority and sufficiency of these actions. The Branch also acts as legal advisor to the Multifamily Participation Review Committee and handles appeals from its determinations. The number of these appeals has continued to increase.

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

STAFF-YEAR UTILIZATION

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Section 8 Leased Housing - State FHA	.4	.4	.4
Historic Preservation (Block Grants)	.3	.3	.3
Section 8 Leased Housing - FHA (Low-Rent Housing)	.3	.3	.3
Urban Homesteading (Block Grants)	.2	.2	.2
Leased Housing (Section 23) (Low-Rent Housing)	.2	.2	.2
Categorical Community Development projects (except Urban Renewal) (Block Grants)	.3	.1	.1
Land acquisition (Block Grants)	.1	.1	.1
Liquidation functions (Low-Rent Housing)	.1	.1	.1
College Housing (Low-Rent Housing)	.1	.1	.1
Total	31.1	31.0	31.0

4. Finance and Administrative Law Division

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions	47	46	47	47	...
Staff-years	50.3	49.1	50.2	50.2	...

The work of this Division is conducted through three Branches--Administrative Law, New Communities, and Finance, -- as well as a Research and Opinions Staff and a FNMA oversight staff.

a. Administrative Law Branch

The Branch performs the Division's work with respect to the ethical conduct program of the Department, adverse personnel actions, procurement and contract activities, debarment and suspension of contractors, the Freedom of Information Act and the Privacy Act of 1974, and other matters involving Department organization and management.

Standards of Conduct. The Branch has the continuing responsibility for legal advice concerning the HUD Standards of Conduct regulations and for reviewing annually over 3,000 Statements of Outside Employment and Financial Interests submitted by employees and several hundred detailed financial disclosure statements required of SES and Schedule C employees under the Ethics in Government Act of 1978. That Act has also increased Branch workload by requiring: (1) an annual report to the Office of Government Ethics covering all SES positions to enable it to determine which positions may be exempted from the "senior employee" post employment restrictions of new 18 U.S.C. §207; (2) development of procedures for taking disciplinary action against former HUD employees who violate the post

In the personnel/labor relations area, Branch attorneys handle all adverse actions, unfair labor practice complaints, and arbitrations under the new national collective bargaining agreement with AFGE, which was signed last year.

The Branch handles contract appeals and bid protests under the jurisdiction of the HUD Board of Contract Appeals. Bid protests (under the National Housing Act) are a new area for the Board. The number of protests received in this area has been larger than expected, and as more bidders become aware of these procedures the number of protests will be even greater for this year. In addition, because of new regulations involving compliance and administrative litigation that are being prepared for publication in the Federal Register, the Branch's workload is expected to increase further during the next fiscal year.

Other Administrative Law Matters. The Branch continues to handle requests for legal advice concerning requests for records under the Freedom of Information Act and appeals from denials of such requests. It also gives legal advice and services under the Privacy Act. Legal questions arising under the Right to Financial Privacy Act are more frequent as a result of the landmark Supreme Court decision in the Chrysler case.

b. New Communities Branch

The New Communities Branch provides legal advice in connection with the New Communities program.

Under a Secretarial directive, processing of applications for new projects was suspended so that the problems of the projects to which the Department was committed could be resolved. Management of the New Communities program has divided existing projects into two categories: (1) projects requiring complete restructuring, normally involving acquisition and disposition of the real property security by the Government through some form of legal action or negotiated agreement ("acquisition projects"), and (2) projects which might be salvaged under their present management by prudent, well-coordinated administration ("Business Plan projects").

Acquisition Projects. If a developer's financial problems cannot be solved, the Branch assists with planning and execution of an acquisition and/or disposition of the developer's assets. Acquisition may be accomplished by judicial or non-judicial foreclosure or by a negotiated deed-in-lieu of foreclosure. NC also attempts, if feasible, to assure a settlement of the developer's creditors' claims upon acquisition. Negotiations may involve the creditors and their attorneys, State and local governments, and residents. In the case of judicial foreclosure, the Branch prepares a litigation report and complaint and works with Justice Department lawyers throughout the foreclosure proceedings. Branch attorneys represent the Department's position in litigation and participate in all continuing efforts to achieve negotiated acquisitions.

A disposition typically involves elements such as environmental review, relationships with local government, rights of creditors and residents of the project, covenants, appraisals and method of disposition, all of which can present novel legal questions and demand significant legal participation. Lengthy intervals may ensue between acquisition and disposition during which period a project will be under the management of a trustee or NC directly. The Branch participates in establishing the management arrangement and in supervising the management. Management and disposition of new communities often involves delicate negotiations and sophisticated legal drafting with very few precedents as guidance.

There will be as many as seven acquisition activities ongoing in 1981.

Business Plan Projects. The Branch drafts all legal documents regarding the ongoing relationships with the Business Plan projects, which are those projects to be continued under restructured arrangements. The Branch reviews and provides written comments on Title I grant documentation for new communities discretionary grants and provides grant document language for grants which are being made to these ongoing new community projects. It also is responsible for the legal review of environmental impact statements and supplements required for these projects.

In the case of ongoing projects which are determined to require some sort of workout, this Branch is responsible for attempting to provide solutions to the developer's financial problems. This may involve a major refinancing, and at a minimum, will require the imposition of strict budget performance and reporting standards and an adjustment of the security provisions benefitting the United States. Highly contested multi-party negotiations and difficult drafting problems are normal.

Four workouts are projected in 1981.

Surplus Land Program. The Branch is also responsible for legal advice and interpretations and drafting assistance for the Surplus Land Disposition program established by Section 414 of the HUD Act of 1969, as substantially amended in 1978.

c. Finance Branch

The Finance Branch handles all legal questions relating to the financing of Departmental programs and the impact of the tax laws on such programs. This work specifically involves problems connected with the Government National Mortgage Association (GNMA), the Federal Financing Bank, tax exempt bond financing, real estate syndication, bankruptcy and workout arrangements, and miscellaneous tax questions.

GNMA. The Finance Branch provides all the legal support for the programs administered by GNMA. GNMA's tandem (mortgage purchase and sale) activity had a total secondary market volume in excess of $3 billion in 1979. In GNMA's mortgage-backed securities program, there were $84.5 billion in outstanding securities as of the end of 1979. In addition to routine legal advice, the Branch is involved in a substantial amount of litigation in connection with both the GNMA tandem and the GNMA mortgage-backed securities programs. Several of these cases challenge GNMA's basic method of administering the programs. Both in connection with this litigation and as a result of issuer default situations, GNMA has become aware of abusive practices in the trading of GNMA mortgage-backed securities. The Finance Branch has participated and will continue to participate in a complex intergovernmental effort (involving Treasury, FHLMC, Justice, SEC and Congress, inter alia) to develop a system of controls appropriate to the government guaranteed, mortgage-backed securities market. Because of expected economic conditions in the credit markets, litigation and other problems leading to issuer defaults and market transactions are increasing.

Federal Financing Bank. The Finance Branch provides legal advice to all sections of the Department utilizing the Federal Financing Bank. During 1980 HUD plans to restructure its financing of public housing by beginning to eliminate the outstanding $7 billion in short term, tax-exempt notes which were sold in the private securities market and converting to the use of long term, taxable bonds

which will be sold to the Federal Financing Bank. This new financing mechanism will substantially increase the workload of the Branch during the next year as the Branch develops the necessary standard form documents to be used by HUD and the Department of Treasury and provides the day-to-day legal advice attending the implementation of this program.

Tax Exempt Bond Financing. The Finance Branch provides on-going legal advice relating to the tax-exempt bond financing of public housing as well as state agency and 11(b) bond issues. The Branch has principal responsibility for interpreting Section 11(b) of the United States Housing Act and for approving the tax-exempt status of financing for Section 8 low income housing projects. In addition the Branch is responsible for coordinating HUD/Treasury liaison activities to the extent that Treasury and IRS policies have an impact on HUD housing programs. A significantly increased workload will result from the initiation of a new HUD program called Combination Financing. Combination Financing utilizes Section 8 rent subsidy, FHA mortgage insurance, GNMA mortgage-backed securities and 11(b) tax exempt bonds in order to obtain the most favorable interest rate for subsidized housing financing. The Branch will have principal responsibility for the development of basic program documents and early interpretations of the program's complex regulations during the next year.

Syndication, Bankruptcy and Workouts. The Finance Branch provides advice as requested on real estate syndications, bankruptcy problems and financial workouts of troubled projects. The bankruptcy and troubled project workouts are expected to increase as economic conditions change in 1980.

FNMA Oversight. Branch and Division personnel continue to coordinate FNMA oversight work, analyze data received from FNMA pursuant to regulations promulgated in 1978 and staff out the Secretary's decisions on matters as to which FNMA is required under the regulations to obtain the approval of the Secretary, such as FNMA's level of borrowing and the institution of new conventional programs.

d. Opinions Unit

The Opinions Unit is responsible for providing the centralized legal advice to the Assistant to the Secretary for Labor Relations as well as other Departmental offices and interested parties concerning federal labor standards laws and regulations. It also prepares legal opinions for offices within the Department on a broad range of novel and precedent issues that cut across program lines or arise in connection with new policy proposals. On a semiannual basis, the Opinions Unit prepares a compilation and index of the opinions of the General Counsel. These volumes provide central office and field legal counsel and others with a unified reference source for opinions of the General Counsel, indexed by subject area and by citations to United States statutes, United States code and Constitution sections, state statutes, and federal regulations. The index is now being expanded and the process of culling and combining OGC opinions of the past 15 years will be underway in 1981.

The Unit reviews HUD policy actions for compliance with the National Environmental Policy Act of 1969, and advises and renders opinions concerning compliance with that statute, and regulations and executive orders issued thereunder; and advises all offices of the Department regarding related statutes, such as the special provisions for environmental review under the Community Development Block Grant Program in Section 104(h) of the Housing and Community Development Act of 1974, the Clean Air Act, and the Federal Water Pollution Control Act.

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

STAFF-YEAR UTILIZATION

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Finance and Administrative Law Division			
GNMA (Finance Branch)	4.2	4.2	4.2
Procurement (Admin. Law Br.)	4.0	4.0	4.0
Debarment (Admin. Law Br.)	3.9	3.9	3.9
Personnel (Admin. Law Br.)	3.8	3.8	3.8
Standards of Conduct (Admin. Law Br.)	3.5	3.5	3.5
General Administrative Law (Admin. Law Branch)	3.2	3.2	3.2
Board of Contract Appeals (Admin. Law Br.)	2.5	2.5	2.5
Freedom of Information Act (Admin. Law Br.)	2.4	2.4	2.4
Project recapitalization and restructuring (NC)	2.5	2.5	2.5
FNMA (Finance Branch)	2.5	2.5	2.5
Miscellaneous Tax and Finance	3.2	3.1	3.1
Federal Financing Bank and Bond Finance	3.3	3.3	3.3
Review of Title I grants supporting projects; preparation of grant documents (NC)	1.8	1.8	1.8
Ongoing project operation (NC)	1.6	1.6	1.6
Labor (Admin. Law Br.)	1.5	1.5	1.5
Privacy Act (Admin. Law Br.)	1.5	1.5	1.5
Claims (Admin. Law Branch)	1.5	1.5	1.5
Project Liquidations (NC)	1.3	1.3	1.3
Environmental Law (Admin. Law Br.)	1.1	1.1	1.1
New project review and agreement negotiations (NC).	1.0	1.0	1.0
Total	50.3	50.2	50.2

5. Regulatory Programs Division

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs. 1980
Permanent full-time positions	36	35	35	35	...
Staff-years	38.6	37.3	37.4	37.4	...

The Regulatory Programs Division performs legal work required in connection with the conduct of programs and functions of the Office of Fair Housing and Equal Opportunity, the Office of Inspector General, and the Office of Neighborhoods, Voluntary Associations, and Consumer Protection which

encompasses Mobile Home Safety Standards and Interstate Land Sales Registration activities.

The Regulatory Programs Division is made up of Division staff plus two Branches: Consumer Protection Branch and the Equal Opportunity Branch.

a. Division Staff

The Division staff provides legal services for the operations of the Mortgagee Review Board. The Division staff provides legal services for the Inspector General of HUD. In addition, the Division staff is responsible for special projects assigned directly from the General Counsel. With respect to the Mortgagee Review Board cases, the Board docketed 88 cases in 1979. This activity of the Board is generating complex and lengthy hearings. These activities are expected to increase. The provision of legal services to the Inspector General is an increasingly significant responsibility because of the Inspector General Act of 1978 which establishes a statutory Inspector General's office in HUD with an independent mission for which strong legal support is required.

b. Consumer Protection Branch

HUD's administration of the National Mobile Home Construction and Safety Standards Act of 1974 is expected to involve an increasing workload through 1980. Enforcement of mobile home standards will require substantial involvement in subpoena hearings, administrative hearings, and enforcement litigation. Further, as many issues concerning the preemptive nature of the federal standards arise across the country, there will be extensive legal involvement in negotiating and litigating to uphold the mandated preemption.

The number of enforcement actions arising out of the Interstate Land Sales Full Disclosure Act is expected to increase. In addition, in December of 1979, Congress passed a comprehensive revision of the Land Sales Act which may significantly increase the workload of the Branch. Other areas in which increased activity may be expected are in Federal condominium regulation, for which this Branch assisted in drafting the legislation, energy conservation under the Energy Conservation in New Building Act, the Real Estate Settlement Procedures Act, and Lead Based Paint programs.

c. Equal Opportunity Branch

The Equal Opportunity Branch provides legal services in connection with the development and implementation of the Department's fair housing and equal opportunity efforts. These include activity under a panoply of nondiscrimination authorities. Under the fair housing statute (Title VIII of the Civil Rights Act of 1968), the Branch provides ruling on legal issues relating to investigations and conciliations of complaints, determines whether State and local fair housing laws provide rights and remedies substantially equivalent to those of Title VIII and reviews HUD Affirmative Fair Housing Marketing implementation. The preparation of numerous substantive regulations, implementations and interpretations of Title VIII is currently underway and will continue into 1981. Under Title VI of the Civil Rights Act of 1964 (nondiscrimination in programs of Federal financial assistance) and Section 109 of the Housing and Community Development Act of 1974 (nondiscrimination in assistance under the Community Development Block Grant Program), the Branch represents the Department in the preparation and presentation of HUD's position in proceedings for the termination of assistance to receipients of HUD assistance charged with discrimination. A substantial increase in administrative compliance proceedings against recipients of assistance including

public housing authorities and Block Grant recipients is anticipated in 1981. Under Executive Order 11063 the Branch performs activities complementary to those under Title VI and VIII respecting insured housing programs. The Branch advises on the relation of the Equal Credit Opportunity Act to Department programs and to Title VIII considerations. The Branch also assists in defining and carrying out the Department's activities dealing with rights of minorities and low income persons in the field of employment under equal employment opportunity clauses in HUD contracts and Section 3 of the HUD Act of 1968 (employment opportunities for project area residents) and in the field of business enterprise under Section 3 (business opportunities for project area businesses), Executive Order 11625 (minority business enterprise) and Executive Order 12138 (women's business enterprise). Major workload increases will result from the anticipated development by HUD of an institutionalized system designed to increase minority business participation in all HUD programs in every region and area office.

The Branch provides legal services regarding the effects of fair housing policies and the other equal opportunity authorities on the administration of all of HUD's programs and activities. Such authorities include, among others, the Age Discrimination Act and Section 504 of the Rehabilitation Act of 1973 (nondiscrimination on the basis of handicap). Increased use of administrative actions based on reviews of Community Development Block Grant program recipients' efforts to provide for equal opportunity under HUD's block grant performance standard regulations will require increasing staff work. A substantial increase is also expected in the number of requests for determinations as to the applicability of Title VI, Title VIII, and the Indian Civil Rights Act, to Indian Housing Authorities.

The Branch is responsible for representing the Department in administrative equal employment opportunity cases under Title VII of the Civil Rights Act of 1964, representing the Department in appeals before the EEOC and assisting the Department of Justice in litigation matters in the trial of Title VII cases in Federal District Courts. Growth in the number of Title VII cases filed is expected to continue in 1981.

STAFF-YEAR UTILIZATION

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Regulatory Programs Division			
OILSR (Consumer Protection Br.)	8.0	7.6	7.6
Mortgagee Review Board (Reg. Programs Div.)	6.6	6.4	6.4
Inspector General (Reg. Programs Div.)	5.0	5.0	5.0
Title VIII and EO 11063 (Equal Opportunity Branch)	4.3	4.0	4.0
Title VI Mobile Homes (Con. Protection Br.)	2.6	2.6	2.6
Title VI (Eq. Opp. Branch)	2.6	2.3	2.3
Consumer & Neighborhood Programs (Con. Protection Branch)	2.0	2.0	2.0
Title VII and Executive Order 11478 (Eq. Op. Br.)	2.0	2.0	2.0

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
CDBG/Housing (Equal Opportunity Aspects) (Eq. Op. Br.)	2.0	2.0	2.0
Administrative Procedure Act (Con. Protection Br.)	1.0	1.0	1.0
Section 3 (Employment & Businesses) (Eq. Op. Br.)	.5	.5	.5
Indians, Age, ECOA (Equal Opportunity Br.)	.5	.5	.5
Minority Business Participation (Eq. Opp. Br.)	.5	.5	.5
Office of Independent Living (Eq. Opportunity Br.)	.5	.5	.5
Lead Based Paint (Con. Protection Br.)	.5	.5	.5
Total	38.6	37.4	37.4

6. Litigation Division

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions	19	20	19	19	...
Staff-years	20.4	21.3	20.3	20.3	...

The Litigation Division performs legal services in connection with litigation brought by or against the Department.

This Division has overall responsibility for the handling of litigation affecting the Department's programs both in the Central Office and through our field organization. Suits brought against the Department have shown a moderate but uninterrupted increase in number over the past several years. With the Community Development Block Grant Program in its fifth year, litigants seek to compel the Secretary to terminate or reduce funding where they believe a grant recipient has failed to measure up to its commitments or to comply with its certifications. Conversely, HUD is also being sued by other grant recipients in the program who challenge the termination or reduction of their grants. Cases reflecting dissatisfaction over the action taken upon relocation payment claims, and contractors' claims seeking to compel the Department to assume the risk of inflationary cost increases sustained after the execution of a contract at a firm figure continue to proliferate. Under the Section 8 Existing Housing Program, a number of cases have arisen across the country seeking to enforce procedural due

process right of assisted tenants threatened with eviction. Production in the Section 8 New Construction Program has triggered more suits by neighborhood residents who seek to block HUD approval of sites in their neighborhood selected by developers for low income housing. Increased activity in multifamily foreclosures is expected to result in a significant increase in litigation stemming from such foreclosures.

The number of significant cases pending against the Department continues to grow and now exceeds 1,200, demanding more and more staff time. The growth in caseload and the increasing complexity of the defenses presented have required more involvement of staff attorneys in drafting of pleadings, discovery and courtroom work. The Department of Justice has welcomed the assistance which this provides them in handling their caseload and in some cases our staff has been the exclusive representative of the Secretary in court. While additional staff would be desirable to lighten caseloads, it is our judgment that competent representation can be provided in 1981 with our present staff.

STAFF-YEAR UTILIZATION

	ACTUAL 1979	ESTIMATE 1981	ESTIMATE 1981
Litigation Division			
Preparation of litigation reports	5.0	5.0	5.0
Drafting and pleadings and briefs	4.5	4.5	4.5
Legal research	2.9	3.0	3.0
Participation in discovery proceedings	4.2	3.9	3.9
Recommendations on appeals and settlements	2.0	2.0	2.0
Trial appearances and appellate arguments	1.8	1.9	1.9
Total	20.4	20.3	20.3

7. Legislation Division

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions	17	15	17	17	...
Staff-years	18.2	16.0	18.2	18.2	...

The Legislation Division drafts and otherwise prepares and arranges necessary clearances for the Department's legislative proposals and supporting documentation; prepares and arranges necessary clearances for Departmental reports to the Congress on pending legislation; prepares and reviews and negotiates necessary clearances for proposed testimony by Department witnesses; processes transcripts of hearings including questions for the record; edits HUD's basic laws and authorities; performs drafting and other technical legal services on request

of Members of Congress or Congressional committees; provides guidance to Department officials on the implementation and meaning of statutory provisions relating to the Department; and provides extensive legislative reference services to the Department.

The growth in the Division's workload continued over a number of years. Congress remains in session longer and introduces more legislation. Moreover, a number of HUD program areas are likely to be the subject of intensive Congressional attention throughout the coming year thus resulting in additional work for the Division.

STAFF-YEAR UTILIZATION

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Legislation Division			
Legislative comments	6.2	6.2	6.2
Legislative drafting and interpretations	5.4	5.4	5.4
Legislative reference	3.3	3.3	3.3
Preparation/clearance of Legislative programs	1.5	1.5	1.5
Review/clearance of Congressional testimony	1.0	1.0	1.0
Editing Basic Laws	.8	.8	.8
Total	18.2	18.2	18.2

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Travel and Transportation of Persons	$191	$151	$161	$212	+$51
Transportation of Things	4	7	11	13	+ 2
Rent, Communications, and Utilities	147	164	215	255	+ 40
Printing and Reproduction	119	131	132	144	+ 12
Other Services	153	114	39	45	+ 6
(Special Contracts)	(116)	(100)	(...)	(...)	(...)
Supplies and Materials	18	18	20	21	+ 1
Equipment	33	50	27	19	- 8
Indemnities for Property Damage	...	...	1	1	...
Total, Other Objects	665	635	606	710	+104

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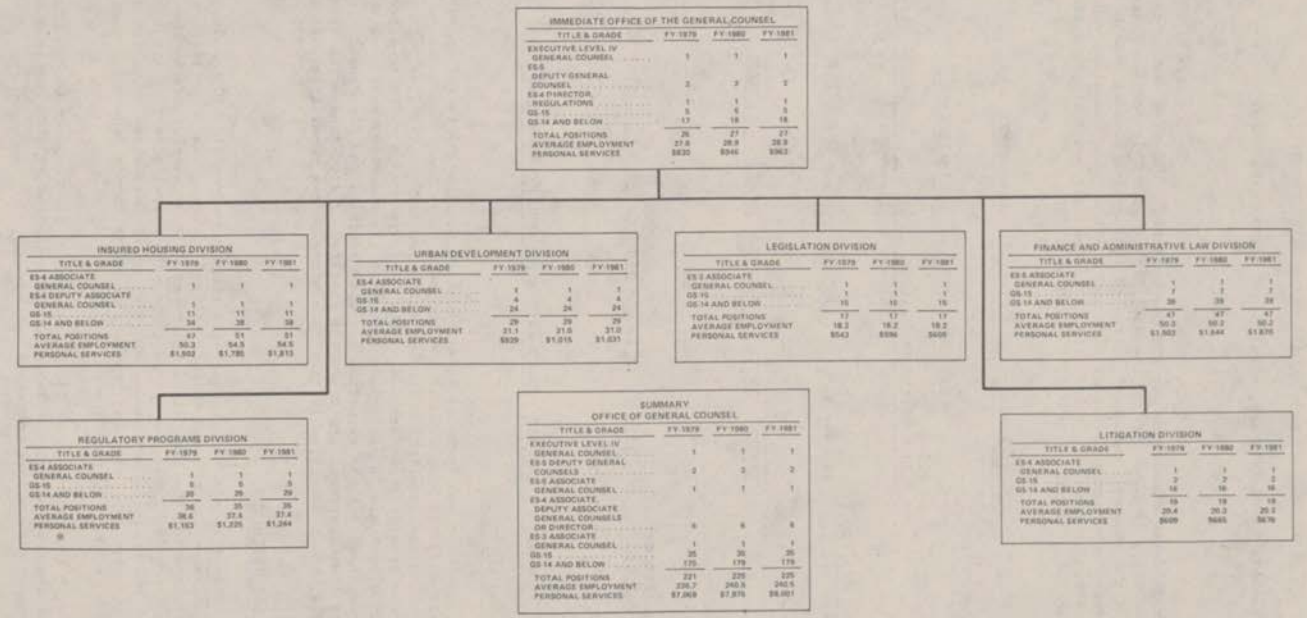
Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

Costs for the above objects of expense are generally based on a pro rata share of total Departmental requirements, which are discussed in greater detail in the section on "Salaries and Expenses, HUD". However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The obligations for travel in 1980 include the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

The major portion of travel funds is used in connection with litigation and administrative hearings. In addition, headquarters staff are involved in training and management meetings with field counsel staff relating to various Departmental programs -- e.g. Section 8, Section 11(b), action grants, etc. A certain amount of travel also is associated with multifamily project closings, local problems requiring Headquarters staff assistance and work associated with "centralized" programs, such as New Community Development programs. A more complete discussion of the basis for the Department's travel estimates is found in the section "Salaries and Expenses, HUD" contained in Volume III.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF GENERAL COUNSEL
DETAIL OF FULL-TIME PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



IMMEDIATE OFFICE OF THE GENERAL COUNSEL

TITLE & GRADE	FY 1979	FY 1980	FY 1981
EXECUTIVE LEVEL IV GENERAL COUNSEL	1	1	1
ES-5 DEPUTY GENERAL COUNSEL	2	2	2
ES-4 DIRECTOR, REGULATIONS	1	1	1
GS-15	5	6	5
GS-14 AND BELOW	17	18	18
TOTAL POSITIONS	26	27	27
AVERAGE EMPLOYMENT	27.8	28.8	28.8
PERSONAL SERVICES	$830	$946	$963

INSURED HOUSING DIVISION

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
ES-4 DEPUTY ASSOCIATE GENERAL COUNSEL	1	1	1
GS-15	11	11	11
GS-14 AND BELOW	34	38	38
TOTAL POSITIONS	47	51	51
AVERAGE EMPLOYMENT	50.3	54.5	54.5
PERSONAL SERVICES	$1,502	$1,785	$1,813

URBAN DEVELOPMENT DIVISION

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS-15	4	4	4
GS-14 AND BELOW	24	24	24
TOTAL POSITIONS	29	29	29
AVERAGE EMPLOYMENT	31.1	31.0	31.0
PERSONAL SERVICES	$939	$1,015	$1,031

LEGISLATION DIVISION

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-3 ASSOCIATE GENERAL COUNSEL	1	1	1
GS-15	1	1	1
GS-14 AND BELOW	15	15	15
TOTAL POSITIONS	17	17	17
AVERAGE EMPLOYMENT	18.2	18.2	18.2
PERSONAL SERVICES	$543	$596	$608

FINANCE AND ADMINISTRATIVE LAW DIVISION

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-5 ASSOCIATE GENERAL COUNSEL	1	1	1
GS-15	7	7	7
GS-14 AND BELOW	39	39	39
TOTAL POSITIONS	47	47	47
AVERAGE EMPLOYMENT	50.3	50.2	50.2
PERSONAL SERVICES	$1,563	$1,644	$1,676

REGULATORY PROGRAMS DIVISION

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS-15	5	5	5
GS-14 AND BELOW	29	29	29
TOTAL POSITIONS	35	35	35
AVERAGE EMPLOYMENT	36.6	37.4	37.4
PERSONAL SERVICES	$1,153	$1,225	$1,244

SUMMARY OFFICE OF GENERAL COUNSEL

TITLE & GRADE	FY 1979	FY 1980	FY 1981
EXECUTIVE LEVEL IV GENERAL COUNSEL	1	1	1
ES-5 DEPUTY GENERAL COUNSELS	2	3	2
ES-5 ASSOCIATE GENERAL COUNSEL	1	1	1
ES-4 ASSOCIATE DEPUTY ASSOCIATE GENERAL COUNSELS OR DIRECTOR	6	6	6
ES-3 ASSOCIATE GENERAL COUNSEL	1	1	1
GS-15	35	30	35
GS-14 AND BELOW	175	179	179
TOTAL POSITIONS	221	225	225
AVERAGE EMPLOYMENT	236.7	240.5	240.5
PERSONAL SERVICES	$7,069	$7,976	$8,061

LITIGATION DIVISION

TITLE & GRADE	FY 1979	FY 1980	FY 1981
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS-15	2	2	2
GS-14 AND BELOW	16	16	16
TOTAL POSITIONS	19	19	19
AVERAGE EMPLOYMENT	20.4	20.2	20.2
PERSONAL SERVICES	$609	$665	$678

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this Part of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 10: FIELD LEGAL SERVICES

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
			(Dollars in Thousands)			
TOTAL FUNDING BY OBJECT						
Personal Services....	$9,459	$10,486	$10,442	$10,490	$10,404	-$38
Furniture and Equipment.....	125	102	102	72	66	-36
All Other.....	642	677	677	774	774	+97
Total.....	10,226	11,265	11,221	11,336	11,244	+23
Pay increase supplemental included above		(545)	(501)			
Permanent positions-End of Year.....	331	315	315	315	315	...
Staff-Years.....	337.9	339.4	337.4	339.4	336.4	-1.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $44 thousand to reflect a reduction of 2 staff-years which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-year reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $86 thousand--from $10,490 thousand to $10,404 thousand--is included in this revised request. The reduction reflects the possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 3 staff-years has been applied. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Equipment - The reduction of $6 thousand, from $72 thousand to $66 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is shown later in this Part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with each particular Budget Activity of "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980 and 1981.

BUDGET ACTIVITY 10: FIELD LEGAL SERVICES

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity ..	$10,226	$10,771	$11,265	$11,336	+$71
Pay increase supplemental included above.....			(545)		
Permanent Positions - End of Year	331	315	315	315	...
Staff-Years	337.9	343.0	339.4	339.4	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request is for $11,336 thousand, an increase of $71 thousand as compared to the 1980 level. No additional positions are requested. The additional funds are primarily for costs related to travel, equipment rentals, supplies, and other services.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 estimate varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate	$10,771
Less action by the congress on the 1980 appropriation request for "Salaries and Expenses"	-159
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-13

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Field Legal Services

Add October 1979 Pay Raise	+677
Less revised estimate for personal services costs	-114
Add revised estimate for support costs.	+103
Current 1980 estimate	11,265

The changes in funding requirements for FY 1980 are the result of the following:

--Action by the Congress on the Department's 1980 Budget request for "Salaries and Expenses"--

* A share of the $396,000 departmentwide reduction from the Budget request for travel (-$5,000)

* A share of the general departmentwide reduction of $6.8 million for "Salaries and Expenses" (5.0 staff years and -$154,000)....

--A share of the additional departmentwide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by the Congress (P.L. 96-86)

--the additional funds required to implement the pay increase which became effective during October 1979;

--a revision of personal services cost estimates based on more recent average salaries and benefits data; and

--a revision of other objects of expense on the basis of more recent cost and requirements data; principally for travel, equipment rental and supplies.

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$10,226	$11,265
Increased pay rates:		
October 1978 raise	+9	...
October 1979 raise	+677	+10
Additional cost of within grade increases	+130	+139
Cost of two extra days pay in 1980	+80	...
Cost of one less days pay in 1981	...	-40
Changes in personal services costs, principally due to changes in average salary costs	+131	-105
All other changes	+12	+67
Total obligations	11,265	11,336

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Field Legal Services

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost an additional $686 thousand in 1980 and an additional $10 thousand in 1981.

Within-grade increases for employees are estimated to cost $130 thousand in 1980 and an additional $139 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared with 260 in 1979. The two extra days are estimated to require an additional $80 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $40 thousand less in 1981.

Despite a reduction in staff-years during 1980, as compared to 1979, additional personal services funds of $131 thousand are required due to an increase in average personal services costs. The increase results from 96 percent of the total staff-year requirements being met with permanent full-time staff as compared to 91 percent during 1979. Since the benefits for permanent staff are greater than those for temporary staff and temporary staff are utilized for functions in the lower salary ranges, an increase in the average personal services cost occurs. This trend is slightly reversed in 1981 which results in a reduction of $105 thousand.

Changes for all other items, such as travel, rents, communications, and utilities, other services, supplies, and equipment, result in a net increase of $12 thousand in 1980 and a net increase of $67 thousand in 1981. The increase in 1981 consists of $42 thousand for office equipment rentals, and $25 thousand for all other costs.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Regional and Area Counsels are the chief legal officers of their respective offices. They receive operational direction and administrative support from their Regional Administrators and Area Managers, but on legal matters they receive professional advice and direction from the General Counsel, the chief legal officer of the Department.

The Regional Counsel acts as staff legal adviser to the Regional Administrator. Associate Regional Counsels serve as specialists and lead attorneys for areas such as fair housing and equal opportunity enforcement, litigation, private market financing and administrative law. Attorney Advisers assist the Associate in handling the volume of work involved in each of the areas above. The remainder of the staff is involved in support functions to the professional staff.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Field Legal Services

Each Regional Office has a legal and legal support staff, headed by a Regional Counsel. A typical staffing pattern for the Regional Counsel's office would include:

Position	Number
Regional Counsel	1
Associate Regional Counsel	4
Attorney Advisors	3
Document Examiner or Program Assistant/Financing	1
Law Clerk	1
Secretary	1
Clerk Stenographer	1
Clerk Typist	1
Total	13

The Area Counsel functions as the staff legal adviser to the Area Manager and has authority and responsibility for all legal activities delegated to the Area Office. The Area Counsel, together with Area Office Attorney Advisers, performs program legal services in areas such as multifamily mortgage insurance, home mortgage insurance, Community Development Block Grant programs, Low-Rent Public Housing and Section 8 programs. The remainder of the staff is involved in support functions to the professional staff.

Most Area Offices have a small legal and legal support staff, headed by an Area Counsel. A typical staffing pattern for the Area Counsel's office would include:

Position	Number
Area Counsel	1
Attorney Advisers	2
Legal Assistant/Program Aide	1
Secretary	1
Total	5

2. WORKLOAD

Regional Counsel

1. Litigation -- This is a major responsibility exercised by the Regional Counsel. It involves participation with 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-funded local governmental activities. The caseload covers the full range of the Department's program responsibilities, such as subsidized and unsubsidized housing, mortgage insurance, property management and disposition, Community Development Block Grants, Urban Development Action Grants, and Urban Renewal, as well as cases involving environmental issues, civil rights, landlord-tenant rights, architectural and construction contract disputes, and eligibility for relocation payments.

2. Fair Housing and Equal Opportunity Enforcement -- This function involves the provision of legal services with respect to the enforcement of applicable civil rights laws and equal opportunity requirements applicable to HUD programs. These include nondiscrimination in HUD-assisted programs, fair housing, equal employment opportunity, and increased employment opportunities for lower

income persons in connection with HUD-assisted projects. Another function is that of making initial determination of the substantial equivalency status of State and local ordinances on fair housing.

3. Administrative Legal Services -- This function includes the rendering of advisory opinions on standards of conduct questions; the approval of claims under the Federal Tort Claims Act and the Military Personnel and Civilian Employees' Claims Act of 1964; rendering decisions and providing advice with respect to the Freedom of Information Act and the Privacy Act of 1974; the provision of services in connection with HUD personnel actions, including the provision of agency representation at grievance and adverse action hearings; and matters related to HUD procurement and disbursement activities. Regional Offices are also involved in reviewing proposed State legislation that may be relevant to HUD.

4. Private Market Financing -- The Office of Regional Counsel administers procedures under which Local Agencies finance their urban renewal and public housing activities by the sale in the private market of short-term project notes. The Office is responsible for securing the basic documents required for the sale, and the timely scheduling of such sales to provide the funds as needed by the Agencies.

Regional Counsels are also responsible for monitoring of Area Counsel's offices.

Area Counsel

Area Counsel provides legal services required in connection with the full range of field office program and project activities.

1. Housing Programs -- Area Counsel provides all legal services required in connection with HUD's insurance of mortgages on multifamily properties. This includes the representation of the Department at initial and final closings of projects. The closing attorney is responsible for assuring the legal sufficiency of all closing documents, e.g., regulatory agreement, corporate charter, partnership agreement, title policy, surveyor plat and certificate, mortgage or deed of trust and notes, building loan agreement, etc. With respect to the Section 8 Lower Income Housing Assistance program, Area Counsel is responsible for making determinations as to the legal capacity of participants in the program, review of the methods of financing, including tax-exempt financing and for the preparation of all contractual documents required with respect to the provision of subsidy assistance and the development of housing projects. In the conventional Public Housing program, Area Counsel is responsible for review of organizational transcripts, review of applications and the preparation of preliminary loan contracts, annual contributions contracts, contracts of sale and all supporting documentation for these instruments.

Area Counsel provides a legal review of applicable documents where there is a change in the mortgage entity, providing legal assistance in connection with the foreclosure of projects (in nonjudicial foreclosure jurisdictions), and providing legal assistance required in connection with the management and disposition of acquired properties. The Area Counsel also provides a wide range of legal services in connection with the low rent public housing projects in occupancy, such as the preparation of contracts for modernization of projects,

other contract amendments, and landlord-tenant matters. Area Counsel also performs the legal reviews which precede the HUD approval of tax exemption for obligations to be issued pursuant to Section 11(b) of the Housing Act of 1937 to finance Section 8 projects.

2. Community Planning and Development — This function includes the provision of legal services required in connection with the Community Development Block Grant program, including such matters related to the legal capacity of the applicant entity, the eligibility of proposed community development activities, the acceptability of the applications and the Housing Assistance Plan. This function also involves the provision of services, including the preparation of contracts, amendments, special contract conditions and sanctions imposed for noncompliance with program requirements. The Area Counsel is also responsible for making determinations as to the legal sufficiency of environmental clearance actions and rendering decisions in connection with Area Office consideration of relocation appeals by displaced persons.

The Area Counsel also provides legal assistance to the Urban Development Action Grants (UDAG) program, with emphasis on the review of legally binding commitments made by developers, lenders, public bodies and other participants in UDAG projects.

SELECTED WORKLOAD CHART

The following staff utilization table reflects the utilization of field counsel and their supporting staff. The table indicates the number of staff-years on the basis of program subject matters.

	1979 ACTUAL STAFF-YEARS	1980 ESTIMATE STAFF-YEARS	1981 ESTIMATE STAFF-YEARS
Housing			
Insured (Production)	46.7	43.0	43.0
Assisted (Production)	70.0	72.0	72.0
Insured (Management)	33.2	31.4	31.4
Assisted (Management)	47.8	47.0	47.0
Sub-total	197.7	193.4	193.4
Community Planning and Development			
Block Grant Program Support	18.3	23.0	23.0
Categorical Support, Litigation, Environmental, etc.	27.3	29.0	29.0
Sub-total	45.6	52.0	52.0

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Field Legal Services

	1979 ACTUAL STAFF-YEARS	1980 ESTIMATE STAFF-YEARS	1981 ESTIMATE STAFF-YEARS
Fair Housing and Equal Opportunity	6.6	9.0	9.0
Administrative Law FOIA, Tort Claims, IG, etc.	23.5	23.0	23.0
Support General Direction, monitoring	34.8	34.0	34.0
Program General Direction	23.3	21.0	21.0
Sub-total	58.1	55.0	55.0
Training	6.4	7.0	7.0
Total	337.9	339.4	339.4

EXPLANATION OF STAFFING REQUIREMENTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year.	331	315	315	315	...
Staff-years	337.9	343.0	339.4	339.4	...

The staff years consist of the following components:

	1979	1980	1981
Permanent full-time personnel	308.4	326.0	315.0
Special employment programs	14.5	8.5	10.0
Other temporary and part-time employees	11.7	1.9	10.9
Terminal leave	1.8	1.5	2.0
Overtime	1.5	1.5	1.5
Total staff-years	337.9	339.4	339.4

A description of the last four categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD", in another section of the Justification. The changes in these programs reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary and intermittent employment and special employment programs, which include such programs as employment for the handicapped, Vietnam veterans, summer college, etc.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Field Legal Services

The following tables reflect the distribution of field legal staff among the Regional and Area Offices in terms of both permanent full-time positions and staff-years.

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Regional Counsels	123	107	107	107	...
Area Counsels	208	208	208	208	...
Total	331	315	315	315	...

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Regional Counsels ...	116.9	116.5	116.0	116.0	...
Area Counsels	221.0	226.5	223.4	223.4	...
Total	337.9	343.0	339.4	339.4	...

The staff-years indicated above, except for the 1980 Budget Estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget Estimate would be 344.4 staff-years, and the 5.0 reduction, as compared to the Current Estimate, reflects the reduction resulting from Congressional action on the 1980 Budget.

Although no increase in staff is requested for the Regional and Area Office Counsel in 1981, a number of significant changes in housing and community development programs in the last several years have generated an increasing volume of legal work for field office counsel. Community Development Block Grant applications require increasingly close legal scrutiny to determine statutory and regulatory compliance. Of paramount importance to the Urban Development Action Grants (UDAG) program is legal review and assistance concerning the legally binding commitments of private and public resources for the financing and development of the project. Not only do the changes in the CDBG and UDAG programs increase the volume of legal workload, but the field legal involvement in this program will continue to increase because of the Department's shift in policy emphasis to program purposes benefiting low and moderate income families. Field counsel are frequently called upon to review grant applications to ensure compliance with the intent of the legislation and adherence to the regulations. Moreover, the monitoring of performance evaluations and the applications of sanctions against grantees will continue to create an increasingly heavy workload for field counsel.

Section 8 is generating a greater volume of legal work in processing the required qualification documents for PHAs and the construction and financing documents for the various types of Section 8 projects. Section 8 new construction projects are coupled with mortgage insurance which require legal reviews and legal

closings. Where PHAs are issuing tax-exempt securities for financing Section 8 projects, field counsel reviews the bond resolutions, trust indentures, lease documents, and ancillary documents to ascertain the legal basis for HUD's certification authorizing tax-exempt securities to be issued by the PHA. Negotiations with national bond counsel concern methods and types of tax-exempt financing, and innovative methods being proposed require field counsel to undertake research in various financial and legal publications.

Changes in the requirements of housing assistance plans (HAPs) and greater emphasis on HAP performance, will require field legal counsel to be more involved in the complex legal issues of relocation and equal opportunity aspects of site selection. Many inner city revitalization efforts in the past have generated lawsuits and citizen complaints. Field counsel's reviews and legal advice will be of critical importance in the melding of block grant and housing activities.

The litigation workload continues to grow and with the emphasis on citizen participation, more legal questions will be generated. Substantial rehabilitation and new construction housing projects generate extensive litigation in the areas of relocation, equal opportunity, and environment.

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Travel and Transportation of Persons	$288	$240	$290	$316	+$26
Transportation of Things	17	11	12	14	+2
Rent, Communications and Utilities	191	212	226	268	+42
Printing and Reproduction	34	26	37	40	+3
Other Services	44	39	35	53	+18
Supplies and Materials	68	56	76	82	+6
Equipment	125	110	102	72	-30
Indemnities for Property Damage	...	...	1	1	...
Total, Other Objects..	767	694	779	846	+67

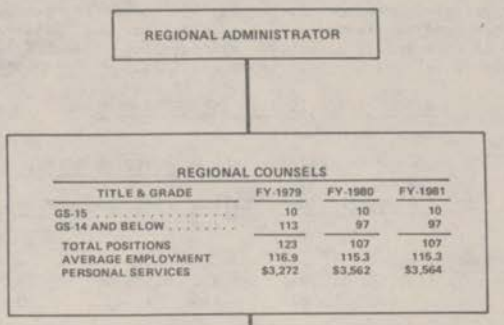
Costs for these objects of expense are based in large part on a pro rata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD". However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The obligations for travel in 1980 includes the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Field Legal Services

Travel funds are used principally for litigation responsibilities, including taking depositions, attendance at court hearings, trials, and conferences with judges and counsel. In addition, some travel may be required in connection with HUD's insurance of mortgages on multifamily properties, the Community Development Block Grant program, and Fair Housing and Equal Opportunity enforcement. Notwithstanding the overall travel reduction, travel related to litigation is expected to increase in 1980 over budgeted levels and show further increases into 1981. A more complete discussion of the basis for the Department's travel estimates is found in the section "Salaries and Expenses, HUD" contained in Volume III.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FIELD LEGAL SERVICES
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



REGIONAL COUNSELS

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-15	10	10	10
GS-14 AND BELOW	113	97	97
TOTAL POSITIONS	123	107	107
AVERAGE EMPLOYMENT	116.9	115.3	115.3
PERSONAL SERVICES	$3,272	$3,562	$3,564

AREA COUNSELS

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-15	6	6	6
GS-14 AND BELOW	202	202	202
TOTAL POSITIONS	208	208	208
AVERAGE EMPLOYMENT	221.0	224.1	224.1
PERSONAL SERVICES	$6,187	$6,924	$6,926

SUMMARY
FIELD LEGAL SERVICES

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-15	16	16	16
GS-14 AND BELOW	315	299	299
TOTAL POSITIONS	331	315	315
AVERAGE EMPLOYMENT	337.9	339.4	339.4
PERSONAL SERVICES	$9,459	$10,486	$10,490

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this Part of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 11: INSPECTOR GENERAL

ACTIVITY HIGHLIGHTS

		ESTIMATE 1980		ESTIMATE 1981		REVISED ESTIMATES
	ACTUAL 1979	PREVIOUS	REVISED	PREVIOUS	REVISED	1981 vs 1980
		(Dollars in Thousands)				
TOTAL FUNDING BY OBJECT						
Personal Services....	$12,169	$13,932	$13,878	$15,515	$15,390	+$1,512
Other Services.....	642	886	886	1,611	1,605	+719
(Automated Data Processing Services).....	(155)	(187)	(187)	(236)	(230)	(+43)
Furniture and Equipment.....	53	43	43	31	28	-15
All Other.....	1,483	1,431	1,431	1,963	1,963	+532
Total.....	14,347	16,292	16,238	19,120	18,986	+2,748
Pay increase supplemental included above		(668)	(614)			
Permanent positions-End of Year.....	460	488	488	553	553	+65
Staff-Years.....	475.5	491.0	489.0	535.0	531.0	+42.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $54 thousand to reflect a reduction of 2 staff-years which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-year reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

Salaries and Expenses, Housing and Urban Development
Revised Budget Request

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $125 thousand--from $15,515 thousand to $15,390 thousand--is included in this revised request. The reduction reflects the possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 4 staff-years has been applied. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Automated Data Processing (ADP) - A reestimate of automated data processing costs, which reflects more recent cost and requirements data, results in a reduction of $6 thousand, from $236 thousand to $230 thousand. This subject is addressed in greater detail in the section for the Working Capital Fund (WCF), included in Part 3 of the Justification, which addresses overall Departmental ADP requirements.

Equipment - The reduction of $3 thousand, from $31 thousand to $28 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is shown later in this Part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with the particular Budget Activity of "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980 and 1981.

BUDGET ACTIVITY 11: INSPECTOR GENERAL

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity.....	$14,347	$15,831	$16,292	$19,120	+$2,828
Pay increase supplemental included above.....			(668)		
Permanent Positions - End of Year.....	460	488	488	553	+ 65
Staff-years.....	475.5	491.0	491.0	535.0	+ 44.0

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request is for $19,120 thousand and 553 positions. This represents increases of $2,828 thousand and 65 positions respectively, as compared to 1980.

The additional funds consist of $1,583 thousand for personal services costs to support the proposed staffing level and $1,245 thousand for other costs. The 65 additional positions are required to carry out the Inspector General Act of 1978. This includes: (1) increasing the monitoring of independent public accountant audits; (2) performing in-depth reviews of HUD programs to identify areas susceptible to fraud, waste, and mismanagement; (3) increasing the number of revolving fund and ADP-related audits; (4) reducing the backlog and time required to complete investigations; and (5) placing greater emphasis on the review of existing and proposed regulations.

Salaries and Expenses, Housing and Urban Development
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2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 funding level varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate	$15,831
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses"	-267
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	- 80
Add October 1979 pay raise	+905
Add cost of staffing changes due to revised workload requirements data	+189
Less revised estimate for personal services costs	-233
Less revised estimates for support costs	- 53
Current 1980 estimates	$16,292

The changes in funding requirements for FY 1980 are the result of the following:

-- Action by the Congress on the Department's 1980 budget request for "Salaries and Expenses"--

* A share of the $396,000 departmentwide reduction from the budget request for travel (-$28,000);

* A share of the $2 million departmentwide reduction from the budget request for automated data processing (-$34,000);

* A share of the general departmentwide reduction of $6.8 million for "Salaries and Expenses" (7.2 staff-years and -$205,000);

-- A share of the additional departmentwide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by the Congress (P.L. 96-86);

-- the additional funds required to implement the pay increase which became effective during October 1979;

-- the addition of 7 staff-years consistent with current workload requirements;

-- a decrease in personal services cost estimates based on more recent average salaries and benefits data; and

-- a decrease in other objects of expense reflecting more recent cost and requirements data.

Salaries and Expenses, Housing and Urban Development
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ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$14,347	$16,292
Increased pay rates:		
October 1978 raise	+ 12	...
October 1979 raise	+905	+ 13
Additional cost of within-grade increases	+174	+ 208
Cost of two extra days' pay in 1980	+106	...
Cost of one less day's pay in 1981	...	- 59
Changes in personal services costs, principally due to increased average employment	+566	+1,421
Changes in audit services	+ 63	+ 622
All other changes	+119	+ 623
Total obligations	$16,292	$19,120

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost an additional $917 thousand in 1980 and $13 thousand in 1981.

Within-grade increases for employees are estimated to cost $174 thousand in 1980 and $208 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries are to be paid, as compared with 260 in 1979. The 2 extra days are estimated to require an additional $106 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid as compared with 262 days in 1980. The one less day is estimated to require $59 thousand less in 1981.

Changes in personal services costs which result from changes in average employment levels and the reduced use of temporary staff, as compared to permanent staff, result in increases of $566 thousand in 1980 and $1,421 thousand in 1981.

The increased cost of audit services provided by other Federal agencies requires an additional $63 thousand in 1980. Additional cost increases and the provision of specialized technical audit support in the areas of automated data processing, engineering and architectural audits requires an additional $622 thousand in 1981.

Changes for all other items, such as travel, supplies, printing and equipment result in increases of $119 thousand in 1980 and $623 thousand in 1981. The 1981 increase consists of $501 thousand for travel and $122 thousand for all other items.

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The 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, investigation and security services of the Department. In directing these review activities, the Inspector General emphasizes both the protective and constructive aspects of these services as a tool of management 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 in the circumstances.

The Office of Inspector General was reorganized during May of 1979 to meet more effectively the immediate impact of responsibilities placed upon it by the Inspector General Act of 1978 and to place the Department in the forefront in fraud control. In essence, OIG streamlined its organization in line with its basic audit, investigation and fraud control functions, and established a Departmental focal point for seeking out and controlling fraud.

2. WORKLOAD

The principal workload of the Office of Inspector General (OIG) consists of audits and investigations.

The Inspector General Act of 1978 requires the Inspector General to provide policy direction for and to conduct, supervise and coordinate audits and investigations relating to Departmental programs and operations; and to promote economy and efficiency in the administration of, or prevent and detect fraud and abuse in, HUD programs and operations.

The Budget and Accounting Procedures Act of 1950 requires agency heads to establish and maintain appropriate internal audit capability to provide effective control over funds, property, and other assets. The purpose of internal audit capability is to enhance internal control, to provide management with needed information, and to identify areas for reducing expenditures.

OIG also has the authority to conduct investigations as necessary to establish prima facie criminal cases and to refer such cases to the Department of Justice or make related inquiries to enable the Department to impose administrative remedies in connection with violations of the Department's regulations.

Selected examples of the types of work conducted and planned follow:

TYPE OF WORK	1979	1980	1981
Internal Audits and Surveys	141	189	174
External Audits	1,010	1,109	1,144
Monitoring IPAs a/	26.1	25.0	31.9
Assistance to U.S. Attorneys a/	10.8	10.9	6.5
Operational Surveys	10	11	11
Investigations - Case Openings	2,008	2,050	2,140
Special Projects	272	272	272
Personnel Security Investigations	3,476	3,180	3,180

a/ Figures shown are staff-years.

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

3. WORK MEASUREMENT

a. Audits. The OIG audit work measurement standards, using the pilot audit technique, are based on a combination of technical estimating and work sampling methods. Pilot audits provide for the direct input of professional staff as in technical estimating, as well as for a measurement of an actual on-the-job situation as in work sampling.

The universe of entities subject to audit depends on the trends in, and types of, program activities and are selected for audit under the criteria specified in OMB Circular A-73, "Audit of Federal Operations and Programs."

In 1978, at the request of the Secretary, OIG established an Audits Management System (AMS) to eliminate the backlog of unresolved audit findings and to assure that all future audit findings would be acted upon within specified time frames. The AMS provides that external and internal audit findings be closed within 180 days and 105 days respectively from the date of the audit report.

A total of 8,317 audit findings was reported in FY 1979. The number of audit findings wherein the AMS time frames had expired in FY 1979 totaled 7,758. Of these audit findings 7,679 or 99 percent were closed as of September 30, 1979.

OIG also conducts Operational Surveys in selected HUD field offices for the purpose of seeking out indications of fraud and program abuse and determining the need for full-scale audits and investigations.

b. Investigations. Workload and case backlogs are the primary factors in determining staffing requirements. The Office of Inspector General is developing work measurement standards for various investigation case categories.

EXPLANATION OF STAFFING REQUIREMENTS

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Headquarters.....	97	102	104	120	+16
Field Staff.....	363	386	384	433	+49
TOTAL.....	460	488	488	553	+65

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Headquarters.....	93.9	106.5	106.0	117.0	+11.0
Field Staff.....	381.6	384.5	385.0	418.0	+33.0
TOTAL.....	475.5	491.0	491.0	535.0	+44.0

Staffing changes and workload are shown in detail in the sections of the Justifications which follow.

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The staff-years indicated above, except for the 1980 Budget Estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget Estimate would be 491.2 staff-years. The .2 reduction, as compared to the Current Estimate, reflects the 7.2 reduction resulting from Congressional action on the 1980 Budget, offset by a 7.0 increase resulting for Departmental adjustments made on the basis of current workload data.

The staff-years consist of the following components:

	1979	1980	1981
Staff-years of permanent full-time personnel	450.2	479.0	530.0
Special employment programs	20.6	8.5	2.0
Other temporary and part-time employees	1.4	.7	.2
Terminal leave	3.0	2.5	2.5
Overtime	.3	.3	.3
Total staff-years	475.5	491.0	535.0

The changes in staff-years for permanent full-time personnel reflect the increase in employment to reach authorized strength of 488 positions in 1980 and 553 positions in 1981.

A description of the last four categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD," in another section of this part of the Justification. The changes in these programs reflect fluctuations occurring from year-to-year in utilization of part-time, temporary and intermittent employment, and programs which include such specialized programs as employment of the handicapped, Vietnam veterans, and summer college students.

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Immediate Office of Inspector General....	4	2	4	6	+ 2
Audit.....	329	350	350	405	+55
Headquarters.....	(46)	(48)	(50)	(59)	(+ 9)
Field.....	(283)	(302)	(300)	(346)	(+46)
Investigation.....	98	104	104	108	+ 4
Headquarters.....	(18)	(20)	(20)	(21)	(+ 1)
Field.....	(80)	(84)	(84)	(87)	(+ 3)
Fraud Control and Management Operations	18	18	19	23	+ 4
Administrative Support.	11	14	11	11	...
Total, Permanent full-time positions, end of year.....	460	488	488	553	+65
Headquarters.....	(97)	(102)	(104)	(120)	(+16)
Field.....	(363)	(386)	(384)	(433)	(+49)

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Immediate Office of Inspector General....	2.4	2.0	4.0	6.0	+ 2.0
Audit.....	346.5	352.5	351.0	388.0	+37.0
Headquarters.....	(47.8)	(51.5)	(51.0)	(57.0)	(+ 6.0)
Field.....	(298.7)	(301.0)	(300.0)	(331.0)	(+31.0)
Investigation.....	100.5	104.6	105.0	108.0	+ 3.0
Headquarters.....	(17.6)	(21.1)	(20.0)	(21.0)	(+ 1.0)
Field.....	(82.9)	(83.5)	(85.0)	(87.0)	(+ 2.0)
Fraud Control and Management Operations	15.2	17.5	20.0	22.0	+ 2.0
Administrative Support.	10.9	14.4	11.0	11.0	...
Total, Staff-Years...	475.5	491.0	491.0	535.0	+44.0
Headquarters.....	(93.9)	(106.5)	(106.0)	(117.0)	(+11.0)
Field.....	(381.6)	(384.5)	(385.0)	(418.0)	(+33.0)

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

Specific responsibilities of each function within the Office of Inspector General are described in the Sections of the Justifications which follow.

1. IMMEDIATE OFFICE OF THE INSPECTOR GENERAL

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employment in permanent positions.....	4	2	4	6	+ 2
Staff-Years.....	2.4	2.0	4.0	6.0	+2.0

Two additional positions are requested for 1981. One position is requested for a special assistant to carry out special projects on behalf of the Inspector General and the Deputy Inspector General and to handle priority projects having a short time-frame or which are of a sensitive nature. The other position is requested for a confidential staff assistant to handle the increased workload resulting from the Inspector General's participation in the President's Executive Group to Combat Fraud and Waste in Government and to handle a variety of assignments which do not require the direct involvement of the Inspector General.

The Immediate Office of the Inspector General consists of the Inspector General, Deputy Inspector General, one staff assistant and one secretary.

The Inspector General reports directly to the Secretary and has authority to inquire into all program and administrative activities of the Department. The inquiries which are accomplished through a comprehensive plan of selected audits, investigations, surveys, reviews, and security services are designed to provide reasonable protection and constructive advice for Department management and to promote economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, HUD programs and operations.

2. OFFICE OF AUDIT

a. Employment and Responsibilities

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employment in permanent positions.....	329	350	350	405	+ 55
Headquarters.....	(46)	(48)	(50)	(59)	(+ 9)
Field Offices....	(283)	(302)	(300)	(346)	(+ 46)
Staff-Years.....	346.5	352.5	351.0	388.0	+37.0
Headquarters.....	(47.8)	(51.5)	(51.0)	(57.0)	(+ 6.0)
Field Offices....	(298.7)	(301.0)	(300.0)	(331.0)	(+31.0)

The 55 additional positions requested for 1981 are necessary to carry out the provisions of the Inspector General Act. This includes increasing the: (1) monitoring of independent public accountant audits; (2) number of revolving fund and ADP-related audits; and (3) number of audits of problem projects.

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The Office of Audit, headed by an Assistant Inspector General, is responsible for the development and implementation of the Department's audit activities. It is responsible for planning and conducting audits, through a Headquarters and Field staff, of (1) Headquarters, Regional, Area or Service Office activities, (2) programs and projects, and (3) contractors and other external activities. It is also responsible for developing criteria for the use and acceptance of audit work done by State and local audit agencies and by independent public accounting firms (IPAs) hired by recipients of HUD financial assistance and for the appropriate monitoring of such work.

The responsibilities of the Office of Audit are discharged by:

(1) Surveys. Surveys, which are conducted in a relatively short period of time, are fact-finding studies of an entity or activity to ascertain the nature of the activity and the control which management exercises in carrying out its mission. The survey data are evaluated to determine if further audit work is necessary, and what its priority would be.

(2) Internal Audits. Internal audits (also known as program audits, operational audits, performance audits, or management reviews) are made of selected HUD administrative and program operations to evaluate the effectiveness and efficiency with which managerial responsibilities are being carried out. They are directed toward determining whether management controls, practices, and procedures at the levels reviewed are adequate and effective. The audits are a managerial control which functions by measuring and evaluating the effectiveness of other controls.

(3) External Audits. External audits (also known as entity audits, project audits, or cost or financial audits) are made of the records and performance of grantees, borrowers, mortgagors, mortgagees and other contractors in accordance with generally accepted auditing standards and the GAO standards for audit of governmental organizations, programs, activities and functions. These audits are made as a means of ascertaining the degree of compliance with the statutes, regulations, and terms and conditions of the agreements under which Federal funds are made available. Determination is also made as to the appropriateness of the disposition of funds granted, loaned or contributed.

(4) Monitoring. The monitoring activities are related to the review of the adequacy of the scopes of audits performed by independent public accountants or by State or local audit agencies; the acceptability of the resultant reports on audit, and on-site reviews of the audit working papers; and a limited verification of audit work performed.

(5) General Accounting Office (GAO) Liaison. The GAO Liaison Officer reports directly to the Assistant Inspector General for Audit. Section 236 of the Legislative Reorganization Act of 1970 requires that the Department report its actions on GAO recommendations to the House Committee on Government Operations, the Senate Committee on Governmental Affairs and the House and Senate Committees on Appropriations. OMB Circular A-50, revised, requires that the Department furnish similar information to the Office of Management and Budget and the GAO. The GAO Liaison functions include (1) receiving, reviewing and distributing GAO reports, (2) summarizing GAO reports for the Secretary, Under Secretary, and other senior HUD officials, (3) monitoring, reviewing and evaluating for responsiveness, and assisting in the coordination and clearance of Departmental correspondence concerning GAO reports or other GAO letters to Congressional Committees, OMB, and GAO, (4) keeping abreast of and informing appropriate senior HUD officials of all GAO audit and investigative work being performed in the Department, (5) assisting in the coordination of OIG and GAO audits to help avoid duplication of effort whenever possible, and (6) assisting GAO and HUD staffs as necessary to assure needed coordination and expeditious handling of GAO matters.

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The GAO has a staff of about 32 people from its Community and Economic Department Division (CED) in residence at HUD. GAO reviews in HUD are performed not only by the CED resident staff, but by the staffs of nine other GAO operating divisions in Washington, D.C., and in GAO field offices around the country. Their ongoing work includes self-initiated and congressionally requested reviews of a variety of HUD program and administrative activities.

b. Workload and Staffing Needs. Fifty-five additional positions are being requested for the increased number of revolving fund and ADP audits as recommended by the U.S. General Accounting Office, the increased audits of problem projects, and the increased monitoring of IPA audits.

Due to the continued oversight applied to the various Community Development Block Grant Programs, there will be an increase in external audits of 13.5 staff-years in Community Planning and Development activities. In the Housing area, we expect an increase of 3.7 staff-years in external audits due to an increase in audits of projects with potential problems. The net changes in external audits result in a total increase of 16.4 staff-years in external audits.

Internal audits will be increased by approximately 20.6 staff-years. The largest increase being 18.3 staff years in the housing and administrative areas including revolving fund and ADP audits.

During 1979, the GAO Liaison Officer monitored 75 new assignments started in HUD and received for review, processing, and monitoring 74 GAO draft, published or letter reports on HUD activities; prepared 59 abstracts to the Secretary and Under Secretary summarizing GAO reports; and cleared 40 replies to GAO reports or letters.

The 1981 workload includes coverage of the following external and internal audit activities:

(1) Request Work.

(a) Pricing Proposal Evaluations. These evaluations are made for the purpose of determining the reasonableness of estimates, of costs and profit supporting all types of proposals submitted by contractors in connection with award, administration modification or improving of government contracts. The evaluations are required to be completed generally within two weeks of the request.

(b) Request Audits by Program Officials. Requests made by program officials are carefully evaluated. Where an audit appears justified, it is scheduled to start within 30 days of the request. Grants under $50,000 are not audited when there are no unusual circumstances.

(c) Final Project Audits. These audits are generally performed at the request of program officials and should be completed in time to meet program officials' current fiscal requirements.

(2) Cycle Audits. There is a continuing responsibility for conducting periodic audits of selected active contracts in the program areas described below. In addition, HUD is the cognizant agency for auditing selected State and municipality cost allocation plans and selected integrated grant administration projects on an annual basis.

(a) Low-Rent Housing Program. All Public Housing Authorities (PHAs) with 5,000 or more units in management have been audited by HUD on a two-year cycle. Independent Public Accountants (IPAs) now perform the fiscal audits of these PHAs; however, HUD will continue to perform operational audits of those authorities who continue to have management problems. All other PHAs are audited by IPAs.

(b) Comprehensive Planning Program. Many State Planning Agencies that administer comprehensive programs are audited by IPAs or State auditors. Those not audited by IPAs or State auditors are audited by HUD on a two-year cycle.

(3) Other Scheduled Audits. Plans include an allocation of resources for the following types of audits:

(a) Multifamily Mortgagor Cost Audits. One or more audits in each area/service office having multifamily activities on a biennial cycle. This results in about 40 audits.

(b) Multifamily Mortgagor Operations Audits. Due to increased problem projects, an estimated 110 audits will be performed.

(c) Mortgagee Audits. It is estimated that 60 audits will be performed.

(d) Community Development Block Grant Recipients. Although grant recipients are required to obtain their own audits, the Department plans to audit approximately 115 recipients to gain knowledge of the operating problems they encounter and to improve the techniques for monitoring IPAs which audit the Community Development Block Grant Program.

In addition, allocations of time have been provided to cover the audit requests of program officials, in line with previous audit experience in these areas. The requests are usually for audits of problem Public Housing Authorities which have not been retained for audit by OIG, and audits of insured mortgagors, management agents and mortgagees.

(4) Monitoring Work of IPAs. There will be approximately 7,000 entities in the universe of participants in the Community Development Block Grant and Low-Rent Housing Programs subject to IPA audits. Many of the Community Development Block Grant audits may be made annually or, if not, must be made on a biennial basis. The Low-Rent Housing audits are made biennially. On this basis, it is estimated that there will be about 4,500 such audits to monitor each year.

(5) Follow-up on Audit Findings.

(6) Cyclical coverage. Audits of on-going HUD administrative and program operations and front-end internal audits of new programs are conducted on a three to five year basis.

(7) Assistance to U.S. Attorneys.

(8) Operational Surveys.

The allocation of resources to external and internal audits is shown in the following tables:

OFFICE OF INSPECTOR GENERAL
ASSISTANT INSPECTOR GENERAL - AUDIT
SCHEDULE OF AUDITS COMPLETED IN FY 1979
AND TO BE PERFORMED IN
FY 1980 AND FY 1981

	FY 1979	FY 1980	FY 1981
External Audits and Evaluations	1,010	1,109	1,144
Internal Audits and Surveys	141	189	174

A detailed comparison of the three years is as follows:

	ACTUAL 1979		ESTIMATED 1980		ESTIMATED 1981		INCREASE + DECREASE - 1981 vs 1980	
	NO.	STAFF-YEARS	NO.	STAFF-YEARS	NO.	STAFF-YEARS	NO.	STAFF-YEARS
External Audits and Evaluations								
Community Planning and Development								
Entitlement Block Grants	53	27.5	45	19.6	90	33.7	+ 45	+14.1
Discretionary Grants	17	3.6	54	11.8	25	6.3	- 29	- 5.5
Model Cities	8	4.8	3	1.5	...	...	- 3	- 1.5
Urban Renewal - Interim, NDP and Other, Including Finals	31	5.6	28	4.2	5	2.5	- 23	- 1.7
Accounting System Evaluations	465	8.4	400	6.0	500	7.5	+100	+ 1.5
Other	23	5.5	53	2.2	65	8.8	+ 12	+ 6.6
Total Community Planning and Development	597	55.4	583	45.3	685	58.8	+102	+13.5
Housing								
Mortgagee	49	13.2	50	13.7	60	16.5	+ 10	+ 2.8
Multifamily Mortgagor Cost	11	4.5	27	6.7	40	10.0	+ 13	+ 3.3
Multifamily Mortgagor Operations	95	25.7	104	23.8	110	24.7	+ 6	+ .9
Large LHAs	3	2.0	10	13.2	10	10.0	...	- 3.2
Combined UR and LIH and Problem LHAs	26	9.8	25	6.5	46	12.7	+ 21	+ 6.2
Other	43	7.7	75	10.3	20	4.0	- 55	- 6.3
Total Housing	227	62.9	291	74.2	286	77.9	- 5	+ 3.7

Schedule of Audits Completed for 1979 and to be Performed in FY 1980 and 1981 (Continued)

	ACTUAL 1979		ESTIMATE 1980		ESTIMATE 1981		INCREASE + DECREASE - 1981 vs 1980	
	NO.	STAFF-YEARS	NO.	STAFF-YEARS	NO.	STAFF-YEARS	NO.	STAFF-YEARS
Centralized Programs a/.....	186	18.7	235	12.5	173	11.7	- 62	- .8
Grand Total External Audits and Evaluations.....	1,010	137.0	1,109	132.0	1,144	148.4	+ 35	+16.4

a/ Includes pricing proposals, evaluations and audits of cost type contracts for Technical Assistance, Research and Technology and New Communities.

Schedule of Audits Completed for 1979 and to be Performed in FY 1980 and 1981 (Continued)

	ACTUAL 1979 NO.a/	STAFF-YEARS	ESTIMATE 1980 NO.a/	STAFF-YEARS	ESTIMATE 1981 NO.a/	STAFF-YEARS	INCREASE + DECREASE - 1981 vs 1980 NO.a/	STAFF-YEARS
Internal Audits Surveys and Operational Reviews								
Housing	64	44.1	88	33.5	69	45.4	- 19	+11.9
New Community Development Corp.	4	3.0	...	...	...	...	...	...
Community Planning and Development	13	9.4	21	14.2	21	15.2	...	+ 1.0
Fair Housing and Equal Opportunity	4	.4	4	1.4	3	1.6	- 1	+ .2
Administration	31	17.1	44	18.6	51	25.0	+ 7	+ 6.4
Policy Development and Research	...	...	5	1.7	2	.6	- 3	- 1.1
Neighborhoods, Voluntary Associations and Consumer Protection	...	.4	5	2.2	2	.8	- 3	- 1.4
GNMA	1	.2	1	.5	1	.5	...	...
Department-Wide Assistance Activities:								
Monitoring IPA Work	12	26.1	10	25.0	10	31.9	...	+ 6.9
IG Operational Surveys	10	5.8	11	5.0	11	6.6	...	+ 1.6
Assistance to U.S. Attorneys and Special Assignments	2	10.8	...	10.9	...	6.5	...	- 4.4
Follow-up on Audit Findings	...	10.3	...	8.5	4	8.0	+ 4	- .5
Grand Total Internal Audits and Surveys	141	127.6	189	121.5	174	142.1	- 15	+20.6
GRAND TOTAL (Excluding Supervisory and Clerical Support)		264.6		253.5		290.5		+37.0

a/ Each type of audit may consist of separate surveys and operational reviews and will be conducted in most instances at several locations as applicable (Headquarters, Regional Office, Area Office, Service Office). Consequently, the number of audit reports issued shown above will exceed the number of types of audits. The number of types of audits for 1979 is 45, 1980 is 59, and 1981 is 60.

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

3. OFFICE OF INVESTIGATION

a. Employment and Responsibilities

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Full-time employment in permanent positions.....	98	104	104	108	+ 4
Headquarters.....	(18)	(20)	(20)	(21)	(+ 1)
Field Offices....	(80)	(84)	(84)	(87)	(+ 3)
Staff-Years.....	100.5	104.6	105.0	108.0	+3.0
Headquarters.....	(17.6)	(21.1)	(20.0)	(21.0)	(+1.0)
Field Offices....	(82.9)	(83.5)	(85.0)	(87.0)	(+2.0)

The additional four positions requested for 1981 are required to reduce the backlog and the time required to complete investigations.

The Office of Investigation, headed by an Assistant Inspector General, is responsible for the development and implementation of the Department's investigation and security activities. These activities are centrally directed from Washington, D.C., with investigation and security operations, including protective services for the Secretary/Under Secretary, being performed by personnel physically located at HUD Headquarters and in field offices.

The specific functions of the Office include:

(1) Initiating investigations of possible violations of law or regulation and other irregularities in the administration of Department programs and activities. These include investigations of possible criminal violation as may be necessary for prompt administrative action or referral to the Department of Justice and other Government agencies.

(2) Keeping appropriate HUD officials informed of the results of its activities and providing top management officials with technical advice in the area of investigations and related matters.

(3) Planning, directing, and supervising investigations and serving as a focal point of reference for all allegations or complaints in the area of investigations activity. This is accomplished by (a) the formulation and development of procedures, by Headquarters staff, and (b) through use of centralized case control supervisors in Washington, maintaining central supervision and direction over the conduct of each investigation.

(4) Pursuing, documenting and finalizing investigations in accordance with professional standards. Written reports of findings are made to senior management officials for such management action as the Department deems necessary. Pursuant to generally accepted investigative policy, the office does not make recommendations for legal or administrative action against individuals or firms which have been investigated by its staff.

(5) Acting as the sole liaison office with the Department of Justice concerning all audit and investigative matters referred to that Department.

(6) Implementing and maintaining protective security measures for the Secretary. The program provides for routine as well as contingency operations and is designed to provide office, travel and residence security for the Secretary when required. The program was expanded in June 1977 to include occasional travel protection for the Under Secretary on HUD official trips when advance information determines a need for contingency operations.

(7) Processing, reviewing, analyzing, releasing, or denying requests for release of investigative information in the Office of Inspector General under the provisions of the Freedom of Information and Privacy Acts.

(8) Initiating security investigations to determine the suitability, integrity, and loyalty of applicants applying for HUD positions, particularly those which are considered to be "critical-sensitive", such as policy-making positions. The full field investigations are virtually all made by the Office of Personnel and Management at the request of HUD.

(9) Evaluating the adequacy of these investigations to determine whether such applicants meet the requirements established under Executive Order 10450, titled: "Security Requirements for Government Employment" (the program requires that all Goyernment employees be reliable, trustworthy, of good conduct and character, and of complete and unswerving loyalty to the United States). The evaluation determines whether other investigation is necessary.

(10) Initiating reinvestigations every five years to incumbents of critical-sensitive positions, when deemed necessary. There are now 635 such positions.

(11) Planning and directing a departmentwide administrative program designed to provide some constraints on dissemination of information or material which is classified as top secret, secret or confidential. This includes the development and publication of minimum standards, procedures, specifications, and the implementing instructions for the administration in HUD of Executive Order 12065, dated June 28, 1978, and titled: "National Security Information".

(12) Performing other functions which require a substantial number of staff-hours including: participating in OIG Operational Surveys in HUD Field Offices throughout the country; giving lectures on Standards of Conduct in all HUD Field Offices; and providing the Department of Justice with technical and investigative assistance in preparation of Federal Court cases involving HUD matters.

b. Workload and Staffing Needs. Four additional positions are being requested to address regularly scheduled investigations more promptly and to reduce the age of pending investigations. The level of staff effort needed is determined by the length of time required to complete the investigations, which depend on the complexity of issues involved, volume of records examined, number of witnesses interviewed and their availability, length of reports and travel requirements. In some cases, the complexities and extensive inquiry required necessitate a team of two or more investigators for completion.

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Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

The following table indicates, by category, the actual number of investigative cases opened during 1979 and provides estimates for 1980 and 1981:

	CASES OPENED - INCLUDES FBI INVESTIGATIONS			
	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Administrative	103	95	90	- 5
False Statements	1,258	1,235	1,240	+ 5
Wage Violations	24	25	25	...
HUD Personnel	111	95	105	+ 10
False Advertising	1	...	...	...
Theft	41	45	45	...
Charter and Contractual Violations	3	5	5	...
FHA Title I	195	215	225	+ 10
Housing for the Elderly	...	5	5	...
Hatch Act	3	...	...	...
Impersonation	4	5	5	...
Conflict of Interest	17	25	30	+ 5
Bribery	13	15	15	...
Embezzlement	40	45	45	...
Kickbacks	49	50	50	...
HUD Employees, Complaints of Discrimination	45	45	45	...
Applicants for Office of Audit Positions	71	110	160	+ 50
Applicants for Office of Investigation Positions	29	35	50	+ 15
Obstruction of Justice	1	...	...	...
Total	2,008	2,050	2,140	+ 90

The total investigation workload (e.g., cases being worked by the OIG and cases worked in cooperation with other Federal agencies--FBI, etc.) has been leveling off over the past few years, with an average of 2,300 cases being processed annually since 1976. We expect the annual workload will level off at an average of 2,100 cases per year through 1981.

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

The following table provides historical data on the number of active cases, by month, for the period of 1977 through 1979:

	FY 1977	FY 1978	FY 1979	FY 1980
October	865	1,147	1,166	858
November	836	1,136	1,185	843
December	853	1,145	1,158	821
January	856	1,176	1,140	810
February	858	1,189	1,130	
March	906	1,199	1,052	
April	921	1,208	1,002	
May	943	1,216	954 a/	
June	974	1,192	874	
July	963	1,260	832	
August	1,006	1,235	832	
September	1,135	1,236	813	
Average Active Caseload	926.3	1,194.9	1,011.5	

a/ The decrease, since May 1979, to under 1,000 active OIG investigations is attributed in part to: (a) a higher degree of selectivity with regard to case openings in order to give added emphasis to program fraud, waste and mismanagement, and (b) a staff intensive effort to complete and remove from the workload those cases which are of lesser significance.

As of September 30, 1979, there were 130 Full Field Investigations and 297 National Agency Checks and Inquiries in a pending status. From October 1, 1978 to September 30, 1979, investigations were completed in 3,476 cases.

There were 575 classified documents in HUD on September 30, 1979. These consisted of 140 secret and 435 confidential documents.

The following table reflects the personnel security investigation workload for 1979, 1980 and 1981:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Full Field Investigation	343	350	300
National Agency Check and Inquiry	3,133	2,500	2,500
Update Full Field Investigation	72	80	80
National Agency Checks	225	300	300

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

4. OFFICE OF FRAUD CONTROL AND MANAGEMENT OPERATIONS

a. Employment and Responsibilities

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Office of Assistant Inspector General.	2	2	2	2	...
Fraud Control Division.....	6	8	8	10	+ 2
Management Operations Division....	10	8	9	11	+ 2
Total Permanent Full-Time Positions....	18	18	19	23	+ 4
Staff-Years.....	15.2	17.5	20.0	22.0	+2.0

The increase of four positions in 1981 is required for more in-depth review of HUD programs in order to identify and isolate areas which may be susceptible to fraud, waste and mismanagement and to allow increased emphasis on the review of existing and proposed legislation and regulations as required by the Inspector General Act of 1978.

(1) Office of Assistant Inspector General. The Office of Fraud Control and Management Operations, headed by an Assistant Inspector General, is responsible for serving as the focal point for the Department's efforts to minimize the opportunities for and occurrences of fraud, waste, and mismanagement in Departmental programs, activities, and functions. The office also serves as a base for OIG policy, management and training operations. The Assistant Inspector General directs the work of the Fraud Control Division and the Management Operations Division.

(2) Fraud Control Division. The Division, headed by a Director, provides leadership and coordination and recommends policies for activities designed to prevent and detect fraud in Departmental programs and operations. This office is responsible for reviewing and analyzing Departmental programs, activities, and functions to identify and isolate those areas considered sensitive to fraud and for developing and implementing strategies to minimize the opportunities for the occurrence of fraud, waste, and mismanagement.

In December 1978, the Secretary established a departmentwide Committee on Fraud, Waste and Mismanagement. The Committee, chaired by the Inspector General, includes representatives from each principal office of HUD, including Regional and Area Offices. The Committee takes an active role in setting up a comprehensive long-range program to ascertain areas vulnerable to fraud, waste and mismanagement in HUD-financed operations. It also determines actions needed to restrict their activities and recommends corrective steps to the Secretary. The Fraud Control Division is responsible for coordinating, guiding and participating in committee activities dealing with fraud control measures including planning, monitoring, and resource requirements.

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

The Division is responsible for researching, testing, and developing innovative techniques and systems for the detection of fraud, for maintaining an inventory of the management or internal controls for all HUD programs, activities, and functions considered sensitive to fraud, waste, and mismanagement. It is also responsible for identifying the management and internal controls best suited for detecting and preventing fraud and waste in Departmental programs and functions, and for disseminating information and developing methods to educate, instruct, and train appropriate HUD personnel in fraud detection and prevention activities. Staff members operate as principal liaison with HUD, other governmental agencies, and private firms on fraud control matters and review proposed legislation and regulations for their impact on the control of fraud, waste, and mismanagement. The Division maintains a 24-hour employees' hotline which was implemented so that employees could report any indications of fraud, waste and mismanagement with the assurance that such information would be kept confidential and without fear of reprisal. This Division is the focal point for all GAO hotline referrals.

(3) Management Operations Division. The Management Operations Division, headed by a Director, serves as the principal base for OIG policy and internal management operations. As such, the Division is a key advisor to the Inspector General and other top staff regarding the progress of the OIG in accomplishing its goals and objectives, and the development of plans and strategies to improve the operational effectiveness of the OIG.

The Division is further responsible for developing OIG policies, standards, and operating procedures; identifying and evaluating significant trends in audit, investigation and HUD evaluation reports; and performing internal evaluations of OIG activities. In addition, it carries out the OIG's budget, reports management, issuances management and employee training and development responsibilities.

Other principal functions of the Division include serving as a focal point for: reviewing legislation and regulations; tracking OIG plans, goals and objectives; and preparing key management reports, including weekly reports to the Secretary and legislatively required semiannual reports to Congress.

The Division's Staff Development and Training Officer is concerned with the constructive and efficient utilization of the Office of Inspector General's human resources. This includes (1) devising a recruiting program which focuses on existing as well as potential vacancies, (2) developing training programs and otherwise satisfying technical training needs, and (3) administering an overall career development plan intended to sustain a high level of professional and managerial skills in OIG.

The Division has an important role with respect to the OIG's management information system. In this connection, it has responsibility for maintaining and evaluating key management information used in the OIG's day-to-day operations and short and long-range goals planning.

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

b. Workload and Staffing Needs.

(1) Fraud Control Division. Two additional positions are requested for the purpose of intensifying efforts relating to the assessment of HUD program controls and to the identification of areas susceptible to fraud, waste, and mismanagement. The nature and scope of the Division's functions and responsibilities are not easily expressed in terms of specific workload indicators. During 1979 this new unit was only partially staffed and the majority of staff time was consumed by activities associated with HUD's Committee on Fraud, Waste, and Mismanagement, and "Hotline" complaints originating from HUD's Employee Hotline or GAO's public toll free hotline. More specifically, the Division:

(a) Coordinated, prepared for, and participated in 8 full Committee meetings at which strategies and plans were adopted or final policy recommendations to top management were approved.

(b) Participated in 9 Committee work group projects that consisted of 35 working group meetings. The groups researched, analyzed, and reported on specific areas concerning the formulation of fraud and program abuse control policy.

(c) Assisted in the preparation and review of 3 Committee reports that went forward to top management for consideration as HUD policy or procedure.

(d) Received, screened, referred, monitored follow-up and reported on 267 hotline complaints.

(e) Assisted in the review of approximately 98 draft HUD and regulatory issuances or legislative bills by furnishing comments concerning their impact on fraud, waste, and mismanagement in administering Departmental programs.

(f) Prepared for and conducted 8 training and briefing sessions with outside public agencies or public firms for the purpose of exchanging information and ideas on the prevention and detection of fraud and program abuse.

(2) Management Operations Division. Two additional positions are requested for the purpose of reviewing additional high priority issuances on a continuing basis, developing policies and procedures pertaining to the Inspector General Act, administering our increased training requirements and conducting additional evaluations on trends in audit and investigation activity. During 1979, the major part of the time of the staff was devoted to reviewing proposed legislation and regulations, preparing the semiannual report to the Congress, developing material for and maintaining the Office of Inspector General Issuance System and evaluation activities. The Division issued two chapters of the OIG Manual, which contains permanent, overall audit, investigative, security and general administrative policies, standards, and procedures. Also, 19 Inspector General Bulletins were issued containing temporary instructions, pending manualization, or special or one-time operating instructions.

Functions requiring staff time are illustrated by the following accomplishments during 1979:

(a) Reviewed and commented on more than 101 draft HUD and regulatory issuances and 96 draft legislative bills.

(b) Reviewed and commented on 15 new audit and investigation guides.

(c) Issued two evaluation reports on trends in audit and investigation activity.

(d) Coordinated the preparation and issuance of the first semiannual report to the Secretary and Congress in accordance with the Inspector General Act of 1978.

7. ADMINISTRATIVE SUPPORT STAFF

Employment and Responsibilities

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Director, Administrative Services.....	...	2	...	...	...
Staff Development and Training.....	...	1	...	...	...
Administrative Services Unit.....	3	3	3	3	...
Central Records and Previous Participation Unit.....	8	8	8	8	...
Total, Permanent Full-time Positions	11	14	11	11	...
Staff-years	10.9	14.4	11.0	11.0	...

The Administrative Support Staff reports directly to the Deputy Inspector General. Under the reorganization of the OIG, the Staff Development and Training Officer was transferred to the Office of Fraud Control and Management Operations.

No additional positions are requested for 1981.

a. Director, Administrative Services. The position of Director, Administrative Services Support Staff was abolished.

b. Staff Development and Training Officer. The Staff Development and Training Officer has been transferred to the Office of Fraud Control and Management Operations, Management Operations Division.

c. Administrative Services Unit. The Administrative Services Unit, headed by an Administrative Officer, and staffed by an Administrative Assistant and Clerical Assistant, provides day-to-day administrative guidance and support in the areas of personnel administration, travel arrangements, space, property management, communications, records and related activities. This unit is responsible for all administrative activities and personnel activities covering all OIG personnel, both Headquarters and field. This unit also maintains budgetary and funding records and controls, and prepares financial reports for the entire Inspector General operation.

d. Central Records and Previous Participation Unit. The Central Records and Previous Participation Unit, headed by a Director, is responsible for the processing and systematic handling in Headquarters of all Inspector General files, correspondence and records pertaining to audit and investigations. In 1979, the Division handled over 105,000 pieces of correspondence, serviced over 4,900 audit and over 1,700 investigative files and maintained alphabetical indices of over 350,000 names of any person or firm involved in either an investigation or audit during the past 20 years. In addition, the unit processed and serviced over 1,100 FBI Investigative Reports.

This unit is the Headquarters point of information and reference with respect to the previous experience of individuals and firms applying to participate in HUD programs. Almost 44,000 reference checks were made in 1979.

This unit is also responsible for maintaining and arranging for the reproduction and distribution of the Consolidated HUD Debarment and Suspension List covering contractors and grantees.

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

Workload indicators for the Central Records and Previous Particiation Unit are detailed below:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Previous Participation Requests	43,784	43,000	43,500	+ 500
Correspondence	105,280	108,000	110,000	+2,000
Index Cards	19,011	22,000	23,000	+1,000
Reports	7,902	8,225	8,475	+ 250
FBI	(1,177)	(1,300)	(1,400)	(+ 100)
Audit	(4,934)	(5,100)	(5,200)	(+ 100)
OIG-Investigation	(1,791)	(1,825)	(1,875)	(+ 50)

OTHER OBJECTS OF EXPENSE

OBJECT CLASS	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Travel and Transportation of Persons	$1,329	$1,400	$1,269	$1,770	+ $501
Transportation of Things	50	26	19	22	+ 3
Rent, Communications, and Utilities	22	46	50	65	+ 15
Printing and Reproduction	65	78	72	80	+ 8
Other Services	642	956	886	1,611	+ 725
Supplies and Materials	17	30	20	25	+ 5
Equipment	53	14	43	31	- 12
Indemnities for Property Damage	...	...	1	1	...
Total other objects	2,178	2,550	2,360	3,605	+1,245

Salaries and Expenses, Department of Housing and Urban Development
Budget Activity 11: Inspector General

Costs for these objects of expense are based in large part on a pro rata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD". However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The obligations for travel in 1980 include the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimate for travel and transportation of things shown above must be regarded as preliminary.

The additional travel funds for 1981 are needed to primarily support the additional 55 positions requested in the Office of Audit to carry out the provisions of the Inspector General Act of 1978. The travel funds are used primarily by auditors and ivestigators in the field in conjunction with their regular duties, which require them to audit HUD offices, project sites, and recipients of HUD assistance. A more complete discussion of the basis for the Department's travel estimates is found in the section "Salaries and Expenses, HUD" contained in Volume III.

The increase of $725 thousand for "Other Services" includes a service unique to this activity, specifically, $600 thousand for technical audit services.

Technical audit services are required to provide specialized expertise in the field of engineering, appraisals, statistics, personnel, economics and the environment. All of these services will be used in audits to measure the overall effectiveness of individual and/or combined programs, as well as selected elements of programs.

The Inspector General Act of 1978 requires, among other things, that OIG conduct independent audits. Currently, the Office of Housing is supplying engineering and appraisal expertise, but this practice does not allow the the complete independence and objectivity required in auditing, because, in this case, the party audited is also the technical expert. This creates an inherent conflict of interest, and the complete independence of OIG audits is open to question and criticism. In addition, past experience has shown that using Office of Housing personnel has caused problems because of conflicting work schedules and priorities.

Enactment of the Inspector General Act has resulted in closer scrutiny of HUD operations by members of the Congress, OMB and others. Therefore, it is imperative that there be no doubt that the results of audits represent an independent and objective analysis. Accordingly, outside technical audit services must be used if this objective is to be achieved.

Salaries and Expenses, Department of Housing and Urban Development
Budget Activity 11: Inspector General

Engineering and appraisal expertise will be used in the conduct of audits in which OIG examines the work of HUD technical staff as well as program participants. Audit services include such areas as the adequacy of structural designs and specifications; the quality of construction and the quality of rehabilitation and improvement work; the accuracy and reliability of reported land values and computed fair market rents; and the suitability of HUD-subsidized units in terms of meeting building codes and construction standards of being decent, safe and sanitary. Similarly, audits will include analyses of appraised values of properties and improvements in Housing and Community Development programs and related rental values. The audits will also include detailed inspections of multifamily projects, single family homes and rehabilitation and improvement work to evaluate engineering and structural components. In total there are about 80 audits planned for these program areas.

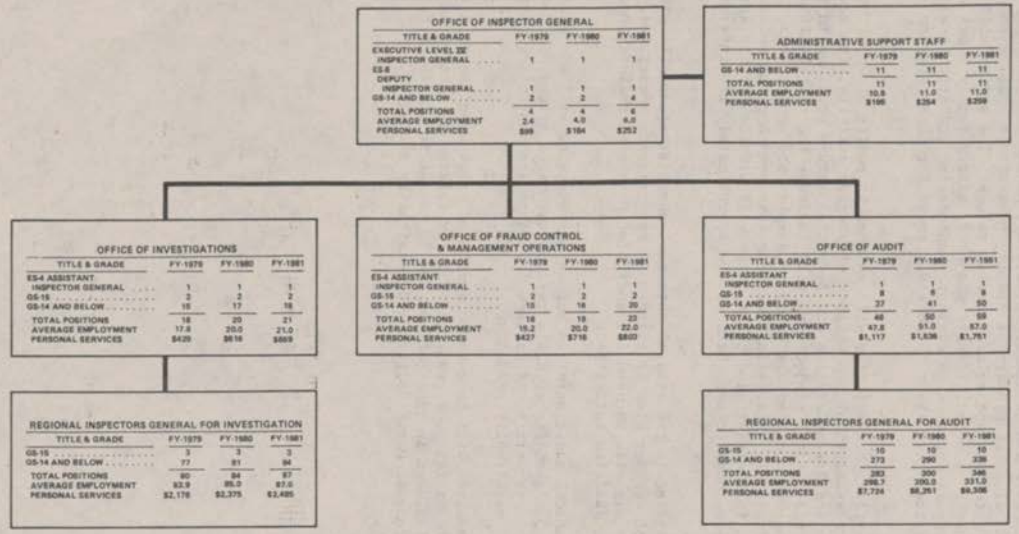
Expertise in statistics will be used in audits of Departmental programs to facilitate statistical projections of program activity, the occurrence of deficiencies and irregularities and potential future problems in program implementation. The statistical projections will increase the reliability, credibility, and acceptance of findings based on samples and projections, which have nationwide implications. Statistical methods have been applied successfully on a few audits in the past, and these funds will provide for the application of statistical methods to over half of the approximately 170 internal audits planned.

Expertise in the area of personnel administration will aid the OIG staff in audits of whether time is being used for priority activities. These expert services may also be used for audits of personnel evaluations, grievances, and merit staffing activities.

Technical audit services for data processing will add expertise and credence to OIG's audits of HUD's various automated sytems, including payroll, computerized underwriting of mortage insurance and monitoring programs for the operations of multifamily projects.

Economists will be used in audits of Urban Development Action Grants to evaluate the validity of grantees' figures related to leveraging of private investments included in applications and to assist in audits of fair market rentals and economic marketability and feasibility analyses.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



OFFICE OF INSPECTOR GENERAL

TITLE & GRADE	FY-1979	FY-1980	FY-1981
EXECUTIVE LEVEL IV			
INSPECTOR GENERAL	1	1	1
ES-6			
DEPUTY INSPECTOR GENERAL	1	1	1
GS-14 AND BELOW	2	2	4
TOTAL POSITIONS	4	4	6
AVERAGE EMPLOYMENT	2.4	4.0	6.0
PERSONAL SERVICES	$99	$164	$252

ADMINISTRATIVE SUPPORT STAFF

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-14 AND BELOW	11	11	11
TOTAL POSITIONS	11	11	11
AVERAGE EMPLOYMENT	10.8	11.0	11.0
PERSONAL SERVICES	$186	$254	$259

OFFICE OF INVESTIGATIONS

TITLE & GRADE	FY-1979	FY-1980	FY-1981
ES-4 ASSISTANT INSPECTOR GENERAL	1	1	1
GS-15	2	2	2
GS-14 AND BELOW	15	17	18
TOTAL POSITIONS	18	20	21
AVERAGE EMPLOYMENT	17.8	20.0	21.0
PERSONAL SERVICES	$429	$616	$669

OFFICE OF FRAUD CONTROL & MANAGEMENT OPERATIONS

TITLE & GRADE	FY-1979	FY-1980	FY-1981
ES-4 ASSISTANT INSPECTOR GENERAL	1	1	1
GS-15	2	2	2
GS-14 AND BELOW	15	16	20
TOTAL POSITIONS	18	19	23
AVERAGE EMPLOYMENT	15.2	20.0	22.0
PERSONAL SERVICES	$427	$716	$800

OFFICE OF AUDIT

TITLE & GRADE	FY-1979	FY-1980	FY-1981
ES-4 ASSISTANT INSPECTOR GENERAL	1	1	1
GS-15	8	8	8
GS-14 AND BELOW	37	41	50
TOTAL POSITIONS	46	50	59
AVERAGE EMPLOYMENT	47.8	51.0	57.0
PERSONAL SERVICES	$1,117	$1,636	$1,751

REGIONAL INSPECTORS GENERAL FOR INVESTIGATION

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-15	3	3	3
GS-14 AND BELOW	77	81	94
TOTAL POSITIONS	80	84	97
AVERAGE EMPLOYMENT	83.9	85.0	87.0
PERSONAL SERVICES	$2,176	$2,375	$2,485

REGIONAL INSPECTORS GENERAL FOR AUDIT

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-15	10	10	10
GS-14 AND BELOW	273	290	336
TOTAL POSITIONS	283	300	346
AVERAGE EMPLOYMENT	286.7	295.0	331.0
PERSONAL SERVICES	$7,724	$8,251	$9,306

SUMMARY
OFFICE OF INSPECTOR GENERAL

TITLE & GRADE	FISCAL YEAR 1979			FISCAL YEAR 1980			FISCAL YEAR 1981		
	CENTRAL OFFICE	FIELD	TOTAL	CENTRAL OFFICE	FIELD	TOTAL	CENTRAL OFFICE	FIELD	TOTAL
EXECUTIVE LEVEL IV	1	–	1	1	–	1	1	–	1
ES-6	1	–	1	1	–	1	1	–	1
ES-4	3	–	3	3	–	3	3	–	3
GS-15	12	13	25	12	13	25	12	13	25
GS-14 AND BELOW	80	350	430	87	371	458	103	420	523
TOTAL POSITIONS	97	363	460	104	384	488	120	433	553
AVERAGE EMPLOYMENT	93.0	381.6	475.0	106.0	385.0	491.0	117.0	418.0	535.0
PERSONAL SERVICES	$2,267	$9,902	$12,169	$3,306	$10,626	$13,932	$3,724	$11,791	$15,515

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this Part of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 12: ADMINISTRATION AND STAFF SERVICES

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
			(Dollars in Thousands)			
TOTAL FUNDING BY OBJECT						
Personal Services....	$36,022	$37,226	$37,032	$40,369	$40,076	+$3,044
Other Services.....	18,707	21,797	21,797	27,195	26,254	+4,457
(Automated Data Processing Services).....	(11,517)	(13,930)	(13,930)	(17,565)	(17,124)	(+3,194)
(Space Alterations).	(2,227)	(2,000)	(2,000)	(2,200)	(1,700)	(-300)
Furniture and Equipment.....	660	538	538	381	347	-191
All Other.....	19,981	21,875	21,875	22,899	22,899	+1,024
Total.....	75,370	81,436	81,242	90,844	89,576	+8,334
Pay increase supplemental included above		(2,404)	(2,210)			
Permanent positions-End of Year.....	1,231	1,257	1,257	1,257	1,257	...
Staff-Years.....	1,707.8	1,566.7	1,557.7	1,659.7	1,643.7	+86.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $194 thousand to reflect a reduction of 9 staff-years which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-year reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

Salaries and Expenses, Housing and Urban Development
Revised Budget Request

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $293 thousand--from $40,369 thousand to $40,076 thousand--is included in this revised request. The reduction reflects the possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 16 staff-years has been applied. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Automated Data Processing (ADP) - A reestimate of automated data processing costs, which reflects more recent cost and requirements data, results in a reduction of $441 thousand, from $17,565 thousand to $17,124 thousand. This subject is addressed in greater detail in the section for the Working Capital Fund (WCF), included later in this section of the Justification, which addresses overall Departmental ADP requirements data.

Alteration to Space - Funding for this purpose is centralized in this activity. A reduction of $500 thousand from $2,200 thousand to $1,700 thousand is based upon more current cost and requirements data.

Equipment - The reduction of $34 thousand, from $381 thousand to $347 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is included later in this Part of the Justification. However, in order to present in sequence the specific staffing and administrative expenses requirements for each of the major program areas of the Department, a separate section dealing with the particular Budget Activity has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980 and 1981.

BUDGET ACTIVITY 12: ADMINISTRATION AND STAFF SERVICES

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity...	$75,370	$76,238	$81,436	$90,844	+$9,408
Pay increase supplemental included above.....			(2,404)		
Permanent Positions-End of Year.....	1,231	1,257	1,257	1,257	...
Staff-years.....	1,707.8	1,570.0	1,566.7	1,659.7	+93.0

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request for Administration and Staff Services is 1,257 positions and $90,844 thousand. The request reflects increases of $9,408 thousand and 93 staff-years as compared to 1980. No additional positions are requested. The additional staff-years are principally for temporary staff requirements related to installing the newly developed HUD Mortgage Accounting Program (HUDMAP).

The additional funds include $3,143 thousand for personal services costs, primarily to support the increased staff-years and within grade increases. The balance of the increase, $6,265 thousand is for support costs and consists principally of increased funding for automated data processing services ($3,635 thousand), Special Contracts ($1,162 thousand)--almost exclusively for HUDMAP--and Department-wide costs, such as space rental, postal services and telephone costs, which are centrally funded in the activity ($594 thousand). The remaining $874 thousand increase in support costs is the net impact of changes in requirements and the impact of costs for other support items, such as travel, equipment rentals, printing supplies and equipment.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 estimate varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate	$76,238
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses"	-1,835
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-144
Add October 1979 pay raise	+2,644
Less cost of staffing changes due to revised workload requirements	-440
Add revised estimate for personal services costs	+1,205
Add revised estimate for support costs	+3,768
Current 1980 estimate	81,436

The changes in funding requirements for 1980 are the result of the following:

— Action by the Congress on the Department's 1980 Budget request for "Salaries and Expenses"--

* a share of the $396 thousand department-wide reduction from the budget request for travel (-$51 thousand);

* a share of the $2.0 million department-wide reduction from the budget request for automated data processing (-$782 thousand);

* a share of the general department-wide reduction of $6.8 million for "Salaries and Expenses" (-23.4 staff-years and -$543 thousand); and

* a share of the $1.0 million reduction to space rental funds (-$459 thousand).

— a share of the additional department-wide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by Congress (P.L. 96-86);

— the additional funds ($2,644 thousand) required to implement the pay increase which became effective during October 1979;

— a realignment of staffing based on more recent workload data which resulted in a decrease of 19.9 staff years;

— a revision of personal services cost estimates based on more recent average salaries and benefits data; and

-- a revision of other objects of expense on the basis of more recent cost and requirements data. The increase consists of increases for postal services ($448 thousand), communications and equipment rentals ($1,272 thousand), data processing services ($1,668 thousand) and a net increase of $380 thousand for all other support items, such as travel, printing, supplies and equipment.

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$75,370	$81,436
Increased pay rates:		
October 1978 raise	+33	...
October 1979 raise	+2,644	+33
Cost of within-grade increases	+429	+492
Cost of two extra days pay in 1980	+284	...
Cost of one less days pay in 1981	...	-155
Changes in personal services costs principally due to changes in average employment	-1,128	+2,494
Changes related to the reorganization of field offices	-1,413	...
Increase in payment to the Employees' Compensation Fund, Department of Labor	+178	+279
Changes in:		
Office space rental cost paid to GSA	+879	+170
Federal Telecommunications System payment to GSA	+125	+125
Penalty mail payment to the Postal Service	+317	+299
Other communications and equipment rental	+444	-21
Data processing services	+2,093	+3,635
Special contracts	+564	+1,162
All other changes	+617	+895
Total obligations	81,436	90,844

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Salaries and Expense, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost an additional $2,677 thousand in 1980 and $33 thousand in 1981.

Within-grade increases for employees are estimated to cost $429 thousand in 1980 and $492 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared with 260 days in 1979. The two extra days are estimated to require an additional $284 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $155 thousand less in 1981.

Changes in other personal services costs, due principally to changes in average employment, result in a decrease of $1,128 thousand in 1980 and an increase of $2,494 thousand in 1981.

Costs associated with the field reorganization completed during 1979, principally for the movement of staff being transferred to new locations, are centralized in this activity. The transfers have been completed, and no funds for this purpose are included in this estimate.

The mandatory annual payment made to the Department of Labor for the Employees' Compensation Fund increases $178 thousand in 1980 and an additional $279 thousand in 1981.

Payments for mandatory items to the General Services Administration (GSA) and the Postal Service are estimated to increase as follows:

	SPACE RENTAL	FEDERAL TELECOM-MUNICATIONS SYSTEM	PENALTY MAIL
		(Dollars in Thousands)	
1979	$8,331	$1,290	$1,308
Increase	879	125	317
1980	9,210	1,415	1,625
Increase	170	125	299
1981	9,380	1,540	1,924

Space rental funding is based upon estimates provided by the General Services Administration, which is reimbursed for such costs. Headquarters space rental costs are estimated to increase by $879 thousand in 1980 and an additional $170 thousand in 1981.

Estimates provided by the GSA indicate that the cost of utilizing the Federal Telecommunications System will increase $125 thousand in 1980 and an additional $125 thousand in 1981.

Penalty mail reimbursements to the Postal Service are estimated to increase $317 thousand in 1980 and an additional $299 thousand in 1981.

Other communications and equipment rental costs, include local and long-distance telephone, other than FTS, telephone installations, messenger services, teletype and other miscellaneous communications costs and the rental of quick copy and word processing equipment. Such costs are estimated to increase $444 thousand in 1980 and decrease $21 thousand in 1981. The changes reflect both the usage level and rate changes for equipment rentals and rate increases for communications services.

The cost of Automated Data Processing (ADP) is estimated to increase by $2,093 thousand in 1980 and an additional $3,635 thousand in 1981. The increase in 1980 is a proportionate share of the cost for computer replacement, and the HUD Teleprocessing Network replacement and resultant system conversion cost. The increase in 1981 reflects the cost of additional computer time, the continuing development of the HUD Mortgage Accounting Program (HUDMAP) and the mandated changes required by Office of Personnel Management to the Terminally Operated Personnel/Payroll System (TOPPS).

Obligations for special contracts are estimated to increase $564 thousand in 1980 and $1,162 thousand in 1981. The changes are principally for on-going development and implementation of the HUD Mortgage Accounting System and contractor support associated with the evaluation of operational automated data systems and general management and organizational services.

The net changes in all other support cost, such as travel, transportation, equipment rental and supplies and equipment, result in increases of $617 thousand in 1980 and $895 thousand in 1981.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Administration and Staff Services Activity funds the Office of Administration at Headquarters. This Office is responsible for general Departmental support, such as accounting, management analysis, budgeting, personnel management, training, contracting manpower and performance analysis, building and office general services. It includes all Office of Administration functions except ADP Systems and Operations, and Printing and Graphics, which are contained under the Working Capital Fund and are described in a later section of this Part of the Justifications.

2. WORKLOAD

The principal workloads of Administration and Staff Services consist of accounting for financial transactions, procurement and contract actions, equipment repairs, space alterations, communication services, personnel actions, library and publication services and space management, in addition to workload in connection with the budget, personnel, and organization and management information functions.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

EXPLANATION OF STAFFING REQUIREMENTS

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	1,231	1,257	1,257	1,257	...
Staff-years	1,707.8	1,570.0	1,566.7	1,659.7	+93.0

— The increase of 26 positions from 1,231 to 1,257 for 1980 and 1981, as compared to 1979, is primarily for improved communication system and space management services and to implement the Department's agreement with the Office Personnel Management (OPM) to assume recruiting and examining authority for certain positions. The 1,257 position level is the level approved by the Congress for 1980 and no change is proposed.

Staff-years for Administration and Staff Services consist of the following components:

	1979	1980	1981
Staff-years of permanent full-time personnel	1,227.4	1,248.0	1,257.0
Special employment programs	132.3	120.0	130.0
Other temporary and part-time employees	296.4	147.7	221.7
Terminal leave	9.2	9.0	9.0
Overtime	42.5	42.0	42.0
Total	1,707.8	1,566.7	1,659.7

The changes in staff-years for permanent full-time personnel reflect changes in end of year employment.

Other than permanent employees are utilized primarily to deal with fluctuating workloads. The bulk of the other than permanent full-time staff-years included above are required to augment the permanent staff of the Office of Finance and Accounting, whose workload is directly affected by variations in program activities. The other than permanent staff-years for that office are 290.2 in 1979, 189.7 in 1980 and 282.7 in 1981.

A further description and discussion of the staff-years for other than permanent full-time personnel is included in the discussion for the appropriation "Salaries and Expenses, HUD" in another section of the Justifications. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment, and Special Employment Programs, which include programs for the handicapped, Vietnam veterans, summer college, etc.

The following two tables list the permanent full-time positions and staff-years for the organizations within the Office of Administration, followed by a discussion of the functions and staffing requirements for each of those organizations:

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Immediate Office of the Assistant Secretary for Administration	15	16	16	16	...
Finance and Accounting	640	640	640	640	...
Administrative Services	160	168	168	168	...
Personnel	213	226	226	226	...
Organization and Management Information	95	101	101	101	...
Procurement and Contracts	44	40	40	40	...
Budget	42	42	42	42	...
Executive Secretariat	22	24	24	24	...
Total, Permanent full-time positions, end of year	1,231	1,257	1,257	1,257	...

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Immediate Office of the Assistant Secretary for Administration	26.3	17.0	20.4	20.4	...
Finance and Accounting	930.6	829.0	829.7	922.7	+93.0
Administrative Services	219.2	206.0	216.0	216.0	...
Personnel	308.2	306.0	284.3	284.3	...
Organization and Management Information	108.7	103.0	105.8	105.8	...
Procurement and Contracts	47.1	42.0	44.1	44.1	...
Budget	42.1	42.0	42.4	42.4	...
Executive Secretariat	25.6	25.0	24.0	24.0	...
Total, Staff-years	1,707.8	1,570.0	1,566.7	1,659.7	+93.0

The staff-years indicated above, except for the 1980 Budget estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget estimate would be 1,610.0 staff-years. The reduction 43.3 staff-years, as compared to the current estimate, reflects a 23.4 staff-year reduction associated with the general funding reduction imposed by the Congress and a 19.9 staff-year reduction for an overall redistribution of Departmental staff based on current workload requirements.

The increase of 93.0 staff-years is for the Office of Finance and Accounting for activities related to installing the HUD Mortgage Accounting System.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

1. IMMEDIATE OFFICE OF THE ASSISTANT SECRETARY

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	15	16	16	16	...
Staff-years	26.3	17.0	20.4	20.4	...

The Assistant Secretary for Administration is responsible for the development and promulgation of policies, standards, procedures, systems, and materials related to the administrative management program of the Department and for the execution of such policies and directives at Headquarters and in the field.

The increase of one position from 15 in 1979 to 16 in the 1980 current estimate is the result of filling a vacancy which occurred before the end of 1979. No change in the normal staff level occurred, and no additional positions are requested for 1981.

2. OFFICE OF FINANCE AND ACCOUNTING

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	640	640	640	640	...
Temporary positions	241	170	170	170	...
Total	881	810	810	810	...
Staff-years	930.6	829.0	829.7	922.7	+93.0

The Office of Finance and Accounting provides policy direction, review, and coordination of the fiscal and accounting responsibilities of the Department and, with the assistance of the ten Regional Accounting Divisions, provides accounting services for all administrative activities of the Department and for all operating programs except for those administered by the Government National Mortgage Association.

The staffing request for the Office of Finance and Accounting is derived by applying production ratios to projected workload levels. The production ratios are determined and supported by the work measurement system maintained by the Office. (The reduction of 71 positions, from 881 in 1979 as compared to the 810 in the current estimate, is the result of changes in workload, and productivity increases.) No change in staffing is requested for 1981.

The Office is composed organizationally of one staff division and two operating groups with ten operating divisions. The following tables display the distribution of the staff and are followed by a brief discription of the duties and responsibilities of each office and a discussion of any proposed staffing changes:

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

	STAFFING REQUIREMENTS			
	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Director's Office	5	5	5	...
Accounting Systems and Procedures	57	50	50	...
Mortgage Insurance Accounting Group	(531)	(484)	(484)	(...)
Director's Office	8	7	7	...
Insurance	204	228	228	...
Insurance Benefits	65	72	72	...
Billing and Receivable	137	108	108	...
HUD-Held Home Properties and Mortgages	82	69	69	...
Data Purification Staff	35	...	...	...
General and Program Accounting Group	(288)	(271)	(271)	(...)
Director's Office	9	9	9	...
Diversified Payments	47	41	41	...
General & Subsidiary Ledger	80	78	78	...
Administrative Accounting	22	22	22	...
Financial Analysis and Investment	43	34	34	...
Low Rent Program Accounting	80	81	81	...
Program Accounting	7	6	6	...
Total Staffing Requirements	881	810	810	...

	STAFF-YEAR REQUIREMENTS			
	ACTUAL 1979	ESTIMATE 1980	ESTIAMTE 1981	INCREASE + DECREASE - 1981 vs 1980
Director's Office	5.0	5.0	5.0	...
HUDMAP Task Force	...	...	85.0	+85.0
Accounting Systems and Procedures	60.0	50.0	56.7	+6.7
Mortgage Insurance Accounting Group	(573.8)	(505.1)	(483.6)	(-21.5)
Director's Office	8.2	8.0	8.0	...
Insurance	226.6	205.0	215.0	+10.0
Insurance Benefits	67.6	65.6	65.6	...
Billing and Receivable	143.5	112.0	126.0	+14.0
HUD-Held Home Properties and Mortgages	82.4	69.0	69.0	...
Data Purification Staff	45.5	45.5	...	-45.5

Salaries and Expenses, Housing Urban Development
Budget Activity 12: Administration and Staff Services

General and Program Accounting Group	(289.4)	(266.9)	(289.7)	(+22.8)
Director's Office.....	10.5	10.8	11.0	+.2
Diversified Payments.....	47.3	41.0	41.0	...
General & Subsidiary Ledger	87.4	76.9	85.4	+8.5
Administrative Accounting..	22.1	21.0	23.0	+2.0
Financial Analysis and Investment.....	36.2	33.2	39.2	+6.0
Low Rent Program Accounting	78.6	77.5	83.6	+6.1
Program Accounting.....	7.3	6.5	6.5	...
Total Computed Staff-year Requirements.....	928.2	827.0	920.0	+93.0
Plus Terminal Leave not in the above staff-year requirements	2.4	2.7	2.7	...
Budgeted staff-years.....	930.6	829.7	922.7	+93.0

In order to train OFA personnel and to run parallel systems during the implementation of the HUD Mortgage Accounting Program (HUDMAP) it will be necessary to hire temporary personnel. This will allow for the shifting of personnel among the different areas of OFA to support ongoing work requirements and to begin the installation of HUDMAP concurrently. The staff-years for this activity are consolidated in the above table for separate identification. Additionally, as indicated above, data purification related to the preparation of input for HUDMAP is expected to be completed during 1980.

a. Director's Office. The Director is responsible for coordinating the efforts of the office, establishing operational priorities and procedures and providing general direction.

b. Accounting Systems and Procedures Division. This staff is responsible for the policy direction, review and coordination of all systems and procedures activities within the Office of Finance and Accounting. This staff is also responsible for all administrative functions within the Office of Finance and Accounting (i.e., mail and messenger services, budget preparation and execution, funds control, purchase of supplies and equipment, personnel, training, management development, etc.). In addition, this division provides much of the resources of the Mortgage Insurance Accounting Project (HUDMAP).

c. Mortgage Insurance Accounting Group. This group performs the accounting and financial functions relating to mortgage insurance programs and activities, including those activities associated with the mortgage insurance programs and data purification project. The line functions are performed by four operating divisions as follows:

(1) Insurance Division. This division processes all changes to insurance-in-force with the exception of terminations resulting from the payment of insurance benefits, performs fiscal servicing for Secretary-held multifamily properties and mortgages, and determines the eligibility of mortgages to receive distributive share payments.

Workloads are projected to increase during 1980 with corresponding productivity increases for all functions. The following table relates staffing requirements with workload indicators:

ESTIMATE OF DEPARTMENTAL PERSONNEL REQUIREMENTS
OFFICE OF FINANCE AND ACCOUNTING
INSURANCE DIVISION

WORKLOAD INDICATOR	ACTUAL - 1979					ESTIMATE - 1980					ESTIMATE - 1981				
	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED
New Insured Multi-family Cases (Wash-ington Dockets)....	915	908	7	70	12.9	1,500	903	597	75	11.9	1,965	1,360	605	106	12.8
Broker's Reports Pro-cessed (Form 2700).	10,731	10,685	46	553	19.3	11,500	9,709	1,791	596	16.3	12,891	10,677	2,214	632	16.9
Multifamily Mortgage Billings Processed.	23,857	23,803	54	608	39.1	26,888	25,174	1,714	642	39.2	28,402	26,499	1,903	676	39.2
Title I Claims Paid..	14,679	13,960	719	423	33.0	16,834	14,145	2,689	456	31.0	18,938	17,238	1,701	507	34.0
Title I Reconcilement Statements Processed	16,874	16,523	351	830	19.9	20,036	15,262	4,774	872	17.5	23,764	16,799	6,965	917	18.3
Home Mortgage Terminations Pro-cessed (FHA Form 2344).....	402,671	397,374	5,297	8,638	46.0	500,000	407,649	92,351	10,065	40.5	577,351	440,361	136,990	10,662	41.3
Servicemen's Mort-gage Record Changes Processed.....	9,161	8,518	643	377	22.6	10,955	8,289	2,666	434	19.1	12,846	9,751	3,095	490	19.9
Distributive Share Payments Processed	211,363	144,051	67,312	4,262	33.8	260,965	146,136	114,829	4,954	29.5	292,729	172,258	120,471	5,284	32.6
Total Insurance Division					226.6					205.0					215.0

(2) Insurance Benefits Division. This division is the central point in the Department for the receipt, examination and payment of insurance benefits claims, nationwide, filed by FHA approved mortgagees for all one to four family and multifamily dwellings.

Workloads are based on estimated property acquisitions and mortgage assignments for single and multifamily dwellings. The major impact on productivity is the fiscal and legal complexities encountered in the examination process.

The following table correlates staffing requirements with actual and estimated workload:

	WORKLOAD AVAILABLE	WORKLOAD PROCESSED	ON HAND AT END OF YEAR	PRODUCTION RATIO	STAFF-YEARS APPLIED
Actual 1979					
Home Claims Processed..	31,732	25,783	5,949	448	57.5
Multifamily Claims Processed.....	169	111	58	11	10.1
Total.....					67.6
Estimate 1980					
Home Claims Processed..	33,637	27,530	6,107	469	58.7
Multifamily Claims Processed.....	108	86	22	12	6.9
Total.....					65.6
Estimate 1981					
Home Claims Processed..	32,522	29,497	3,025	502	58.7
Multifamily Claims Processed.....	104	98	6	14	6.9
Total.....					65.6

(3) Billing and Receivable Division. This division bills for home mortgage application fees and annual mortgage insurance premiums for single and multifamily homes. The division also receives, deposits, liquidates and reconciles receipts from Secretary-owned properties and mortgages and from miscellaneous sources.

Workloads are projected to decrease during 1980 and 1981. The following table relates staffing requirements with workload indicators:

ESTIMATE OF DEPARTMENTAL PERSONNEL REQUIREMENTS
OFFICE OF FINANCE AND ACCOUNTING
BILLING AND RECEIVABLE DIVISION

	ACTUAL - 1979					ESTIMATE - 1980					ESTIMATE - 1981				
WORKLOAD INDICATOR	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED
Title I Liquidations (Items Cleared)	3,178,096	2,920,277	257,819	103,190	28.3	2,997,500	2,252,600	744,900	112,630	20.0	3,477,800	3,173,752	304,048	120,675	26.3
Premium Liquidations (Items Cleared)	6,901,885	6,131,127	770,758	83,758	73.2	6,465,000	5,435,870	1,030,130	92,290	58.9	7,080,130	7,008,813	71,317	105,714	66.3
Miscellaneous Liquidations and Prepayment Reports(Mtge. Notes, Properties, Misc. Forms with Remittances)	1,290,422	1,282,120	8,322	71,626	17.9	1,300,000	1,067,144	232,856	75,684	14.1	1,564,056	1,224,459	339,597	81,090	15.1
ADP Exceptions (Exceptions Cleared)	1,152,527	1,124,645	27,882	61,456	18.3	940,000	884,940	55,060	63,210	14.0	888,460	887,348	1,112	66,303	13.4
Mortgage Record Changes (Form 92080)	1,896,633	1,891,931	4,702	326,195	5.8	1,988,000	1,899,450	88,550	379,890	5.0	2,011,150	1,950,102	61,048	397,980	4.9
Total Billing and Receivable Division					143.5					112.0					126.0

(4) HUD-Held Home Properties and Mortgages Division. This division performs fiscal servicing of all Secretary-held home properties and mortgages.

The workload for assigned mortgages increased substantially during 1979 and is projected to increase further during 1980 and 1981. This workload increase is based on the projected increase in the acceptance of assigned mortgages by the Department. The workload for the payment of tax bills will decline during 1980 and 1981 due to decentralization of this function to the field. The remaining workload represents Department of Defense properties, Community Disposition Program properties, Section 312 Rehabilitation properties and amounts due on properties sold prior to decentralization.

The following table correlates the staffing requirements with the actual and projected workloads:

ESTIMATE OF DEPARTMENTAL PERSONNEL REQUIREMENTS
OFFICE OF FINANCE AND ACCOUNTING
HUD-HELD HOME PROPERTIES AND MORTGAGES DIVISION

WORKLOAD INDICATOR	ACTUAL - 1979					ESTIMATE - 1980					ESTIMATE - 1981				
	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF YEARS APPLIED
Purchase Money and Assigned Home Mortgage Transactions (Billings Rendered)	133,993	132,111	1,882	2,653	49.8	149,771	143,247	6,524	3,148	45.5	304,386	154,432	149,954	3,314	46.6
Tax Bills Paid.....	22,916	22,634	282	2,662	8.5	3,254	3,254	-0-	1,302	2.5	1,746	1,746	-0-	872	2.0
Property Sales Transactions Processed (Sales Closing Papers Reviewed)..	26,103	25,897	206	1,463	17.7	25,000	25,000	-0-	1,515	16.5	25,350	25,301	49	1,533	16.5
Home Property Transactions Processed (Accounting Statements Required)...	741	740	1	115	6.4	960	895	65	198	4.5	820	776	44	199	3.9
Total HUD-Held Home Properties and Mortgages Division					82.4					69.0					69.0

(5) Data Purification Project. The purpose of the data purification project is to process the backlog of correspondence, purify the data base of single family insurance in force files, related deliquent premimum inventory, premimum liquidation and Title I defaulted notes systems. This project is in support of the new HUD Mortgage Accounting Program. The purification effort is scheduled for completion during 1980.

d. General and Program Accounting Group. This group performs the accounting, reporting, and financial functions relating to all Departmental programs and activities except those assigned to the Mortgage Insurance Accounting Group and the Government National Mortgage Association. The line functions are performed by six operating divisions as follows:

(1) Diversified Payments Division. This division pays expenses incurred in the maintenance, operation and disposition of properties (single-family and multifamily) acquired by and assigned to the Department as well as other expenses related to mortgage insurance. It also makes subsidy payments under rent supplement, rental assistance, Section 235 assistance and Section 236 interest reduction programs.

The workloads projected for 1980 and 1981 are based primarily on mortgage insurance activity and subsidy payments. The payments involving these programs will remain constant since the projected workloads will not change significantly.

The following table illustrates the relationship of staffing requirements to workload indicators:

ESTIMATE OF DEPARTMENTAL PERSONNEL REQUIREMENTS
OFFICE OF FINANCE AND ACCOUNTING
DIVERSIFIED PAYMENTS DIVISION

WORKLOAD INDICATOR	ACTUAL -1979					ESTIMATE -1980					ESTIMATE -1981				
	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED	WORK LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED
Property Expense and Subsidy Vouchers Processed.....	276,469	268,057	8,412	7,404	36.2	262,300	237,432	24,868	7,443	31.9	285,168	253,262	31,906	7,939	31.9
Section 236 Interest Reduction Payment Transactions Processed.....	10,289	10,096	193	2,294	4.4	10,792	10,657	135	2,422	4.4	10,775	10,736	39	2,440	4.4
Voucher Transactions Processed (ERDA, PD&R, CPD).	7,907	7,771	136	1,160	6.7	7,175	6,875	300	1,462	4.7	7,175	7,100	75	1,510	4.7
Total Diversified Payments Division					47.3					41.0					41.0

(2) General and Subsidiary Ledger Division. This division performs the accounting functions for all activity under the FHA Insurance Funds, as well as several related programs. This includes the acquisition, maintenance and liquidation of home and project properties and notes as well as fees, premiums and other miscellaneous fiscal activity pertaining to the Insurance Funds. This includes the recording and control of cash transactions and the preparation and distribution of financial statements and reports.

Anticipated home property and multifamily project activity for 1980 and 1981 shows an overall increase due to increased claims, assignments of notes and foreclosure action on notes.

The following table correlates staff requirements with workload indicators:

ESTIMATE OF DEPARTMENTAL PERSONNEL REQUIREMENTS
OFFICE OF FINANCE AND ACCOUNTING
GENERAL AND SUBSIDIARY LEDGER DIVISION

WORKLOAD INDICATOR	ACTUAL -1979					ESTIMATE -1980					ESTIMATE-1981				
	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED	WORK-LOAD AVAIL-ABLE	WORK-LOAD PRO-CESSED	ON HAND AT END OF YEAR	PRODUC-TION RATIO	STAFF-YEARS APPLIED
Home Property and Notes Activity.	207,154	131,687	75,467	4,719	27.9	210,338	118,564	91,774	5,089	23.3	227,112	163,529	63,583	5,397	30.3
Multifamily Property and Notes Activity	3,895	3,365	530	260	12.9	4,792	3,538	1,254	283	12.5	8,180	3,477	4,703	299	11.6
Cash Transactions Processed.....	1,366,555	1,350,266	16,289	51,933	26.0	1,424,000	1,169,100	254,900	51,960	22.5	1,648,900	1,579,584	69,316	69,280	22.8
Journal Vouchers Posted.....	130,871	89,060	41,811	4,323	20.6	136,100	95,200	40,900	5,118	18.6	136,244	105,911	30,333	5,118	20.7
Total General and Subsidiary Ledger Division					87.4					76.9					85.4

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(3) Administrative Accounting Division. This division, with the assistance of the ten Regional Accounting Divisions, performs administrative accounting functions for the Department, which includes both regular administrative expenses and the Working Capital Fund. This includes Headquarters administrative expenses such as travel and transportation vouchers, travel advances and miscellaneous vendor invoices and expenses. The division is also responsible for coordinating all collection activities in all Department offices to assure compliance with the Federal Claims Collection Act of 1966.

The following table illustrates the relationship between staffing requirements and workload:

	WORKLOAD AVAILABLE	WORKLOAD PROCESSED	ON HAND AT END OF YEAR	PRODUCTION RATIO	STAFF-YEARS APPLIED
			ACTUAL 1979		
Disbursements.....	48,036	46,420	1,616	2,100	22.1
			ESTIMATE 1980		
Disbursements.....	67,000	47,250	19,750	2,250	21.0
			ESTIMATE 1981		
Disbursements.....	89,750	53,820	35,930	2,340	23.0

(4) Financial Analysis and Investment Division. This division is responsible for the preparation of financial reports and analyses for the funds and financial activities of the Department.

Workload is projected to increase during 1980 with a corresponding increase in productivity.

The following table illustrates the relationship between staffing requirements and workload:

	WORKLOAD AVAILABLE	WORKLOAD PROCESSED	ON HAND AT END OF YEAR	PRODUCTION RATIO	STAFF-YEARS APPLIED
			ACTUAL 1979		
Recording Transactions.	195,907	180,890	15,017	10,960	16.5
Report Preparation.....	74,100	68,400	5,700	3,472	19.7
Total.....					36.2
			ESTIMATE 1980		
Recording Transactions.	205,000	190,000	15,000	12,000	15.8
Report Preparation.....	75,000	70,000	5,000	4,022	17.4
Total.....					33.2
			ESTIMATE 1981		
Recording Transactions.	225,000	210,000	15,000	12,000	17.5
Report Preparation.....	95,000	90,000	9,000	4,147	21.7
Total.....					39.2

(5) Low Rent Program Accounting Division. This division is responsible for accounting for Low Rent Housing Program funds and for performing certain financial work in connection with note and bond sales and for making various types of payments on behalf of local housing authorities.

The workload in 1980 is projected to increase with a corresponding increase in productivity. Financial reviews, while they do not increase in number as rapidly, increase in size and complexity as newly financed projects are completed and ready for occupancy. For this reason, the projected increase in commitment documents for 1980 and 1981 is greater than the projected increase in financial reviews.

The following table correlates the staffing requirements with anticipated workload:

	WORKLOAD AVAILABLE	WORKLOAD PROCESSED	ON HAND AT END OF YEAR	PRODUCTION RATIO	STAFF YEARS APPLIED
			ACTUAL 1979		
Financial Reviews....	3,849	3,512	337	78	44.7
Commitment Documents.	39,236	36,308	2,927	1,071	33.9
Total.....					78.6
			ESTIMATE 1980		
Financial Reviews....	4,000	3,280	720	75	43.6
Commitment Documents.	41,197	37,731	3,466	1,113	33.9
Total.....					77.5
			ESTIMATE 1981		
Financial Reviews....	4,520	4,420	100	94	47.0
Commitment Documents.	44,223	44,223	-0-	1,208	36.6
Total.....					83.6

(6) Program Accounting Division. This division, with the assistance of the ten Regional Accounting Divisions, is responsible for the grant and loan program accounting, other than Mortgage Insurance and Low Rent Housing Programs.

The workload in 1980 is projected to increase slightly with a corresponding increase in productivity.

The following table illustrates the relationship between staff requirements and workload:

Salaries and Expenses, Housing and Urban Development
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	WORKLOAD AVAILABLE	WORKLOAD PROCESSED	ON HAND AT END OF YEAR	PRODUCTION RATIO	STAFF YEARS APPLIED
			ACTUAL 1979		
Line Entries.....	359,633	358,004	1,629	49,041	7.3
			ESTIMATED 1980		
Lines Entries.....	361,500	360,000	1,500	55,385	6.5
			ESTIMATED 1981		
Lines Entries.....	361,500	360,000	1,500	55,385	6.5

3. OFFICE OF ADMINISTRATIVE SERVICES

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year:					
Office of the Director..	4	13	4	4	...
Administration & Travel Support.....	6	...	8	8	...
Emergency Preparedness Staff.....	5	...	5	5	...
Policy, Evaluation and Project Management Division	18	19	18	18	...
Library Division.....	20	19	19	19	...
Publications and Information Division.....	18	18	18	18	...
Communications and Space Management Division...	16	21	19	19	...
Facilities Operations Division.....	73	78	77	77	...
Total, Permanent full-time positions, end of year	160	168	168	168	...
Staff-years.....	219.2	206.0	216.0	216.0	...

The Office of Administrative Services is responsible for the development, administration and evaluation of all administrative services functions for the Department. These services include, but are not limited to, Headquarters building operations, Departmental space management, library services, occupational health and safety services, teleticketing (travel) services for Headquarters personnel, and overall management of printing and visual arts activities conducted under the Working Capital Fund.

It should be noted that, in order to more clearly identify all the functions and related staff of this Office, the Administration and Travel Support and Emergency Preparedness Divisions, previously included under the Office of the Director are separately identified in the above table.

No change to the staffing level included in the 1980 request is proposed and no additional staff is requested for 1981.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

a. Office of the Director. The Director is responsible for establishing the internal policy and procedures required for the administration and operation of the Office of Administrative Services, as well as assigning priorities and for advising the Assistant Secretary for Administration on matters relative to these functions.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Administration, Supervision and Miscellaneous Staff-year Requirements.....	4.0	4.0	4.0

b. Administration & Travel Support Staff. This staff is responsible to the Director for administrative management of the Office; coordinating budget planning, tracking Administrative Operating and Working Capital (Printing and Visual Arts) Funds; and administering the Headquarters Travel Office and Headquarters Employee Parking Program.

	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED
		ACTUAL 1979	
Travel:			
Number of transactions (making reservations, obtaining tickets, telephone calls, etc.).....	86,300	28,767	3.0
Administration, Supervision and Miscellaneous Workload.....			7.0
Total.....			10.0
		ESTIMATE 1980	
Travel:			
Number of transactions (making reservations, obtaining tickets, telephone calls, etc.).....	86,000	28,667	3.0
Administration, Supervision and Miscellaneous Workload.....			7.0
Total.....			10.0
		ESTIMATE 1981	
Travel:			
Number of transactions (making reservations, obtaining tickets, telephone calls, etc.).....	88,000	29,333	3.0
Administration, Supervision and Miscellaneous Workload.....			7.0
Total.....			10.0

c. Emergency Preparedness Staff. This staff is responsible for national emergency plans and preparedness programs and the overall coordination and direction of HUD defense planning.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Administration Supervision and Miscellaneous Staff-year Requirements.....	13.4	12.4	12.4

d. Policy, Evaluation and Project Management Division. The Policy, Evaluation and Project Management Division is responsible for developing policies and procedures relating to employee safety and health, energy conservation, parking, official travel and building security. It is also responsible for conducting and coordinating projects, policy studies and special projects relating to both the Office of Administrative Services and Department-wide functions, maintaining single-family home mortgage files, and liaison with the Federal Records Center and HUD field offices. In addition, it is responsible for coordinating and scheduling retirement of records to the Federal Records Center and control of case binders furnished for internal operations or to other agencies, such as the Department of Justice or U.S. Courts.

A table indicating the workload and associated staff follows:

	WORKLOAD	PRODUCTION RATIO ACTUAL 1979	STAFF-YEARS REQUIRED
Home Mortgage Actions a/.....	430,000	30,714	14.0
Administration, Supervision and Miscellaneous Workload b/.....			6.0
Total.....			20.0
		ESTIMATE 1980	
Home Mortgage Actions a/.....	410,000	29,286	14.0
Administration, Supervision and Miscellaneous Workload b/.....			7.0
Total.....			21.0
		ESTIMATE 1981	
Home Mortgage Actions a/.....	410,000	29,286	14.0
Administration, Supervision and Miscellaneous Workload b/.....			7.0
Total.....			21.0

a/ Number of requests processed, cases refiled and retired to Federal Records Center.

b/ Includes such items as handbook preparation, conducting studies and special projects.

e. Library Division. The Library Division is responsible for operating the HUD Central Library Facility, which provides a full range of library, technical and legal bibliographic documentation resources, and services to both the Department and its constituency. In addition, it provides functional guidance, support, and services to HUD field offices and provides documentation, legal and technical information resources on housing and community development on a national basis.

A table indicating the workload and related staff follows:

OFFICE OF ADMINISTRATIVE SERVICES
WORKLOAD/STAFFING
LIBRARY DIVISION

	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED
Reference/telephone inquiries (mainly statistical, research letters, etc.) and visitors	55,081	11,974	4.6	55,081	11,974	4.6	55,081	12,240	4.5
Circulation/books and periodicals	145,106	27,404	5.3	145,106	26,527	5.5	145,106	27,798	5.2
Acquisitions	48,046	15,752	3.1	48,046	14,967	3.2	48,046	15,752	3.1
Cataloguing and bibliographic citations assembled	14,710	2,107	7.0	14,710	2,057	7.2	14,710	2,116	7.0
Filing and shelving	205,023	93,192	2.2	205,023	93,192	2.2	205,023	95,359	2.2
Administration, supervision and miscellaneous uncountable workload			3.5			3.5			3.5
Total			25.7			26.2			25.5

f. Publications and Information Division. The Publications and Information Division is responsible for developing and implementing the Departmental publications program, which includes reviewing requests for new HUD publications in terms of Departmental policy and standards, providing special guidance to all offices of the Department on publications projects, writing or editorial assistance in the preparation of materials and selection of illustration materials for each approved publication. In addition, it obtains and edits material for the official monthly magazine (Challenge) and a weekly newsletter, both available to the public on a subscription basis through the Government Printing Office, and a monthly employee-oriented publication (Huddle). The responsibilities of the Division also include operating a Program Information Center (Headquarters) through which information and printed materials are made available to the public.

A table indicating the workload and related staff follows:

	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED
		ACTUAL 1979	
Telephone inquiries and visitors a/	123,897	18,492	6.7
Publications distributed a/	184,630	83,922	2.2
Service Center b/	134,465	61,120	2.2
Administration, Supervision and miscellaneous uncountable workload c/	...	...	12.1
Total			23.2
		ESTIMATE 1980	
Telephone inquiries and visistors a/	135,000	20,149	6.7
Publications distributed a/	210,000	95,409	2.2
Service Center b/	177,000	80,454	2.2
Administration, Supervision and miscellaneous uncountable workload c/	...	...	12.1
Total			23.2
		ESTIMATE 1981	
Telephone inquiries and visitors a/	135,000	20,149	6.7
Publications distributed a/	210,000	95,409	2.2
Service Center b/	177,000	80,454	2.2
Administration, Supervision and miscellaneous uncountable workload c/	...	...	12.1
Total			23.2

a/ Program Information Center activities.

b/ Number of requests processed by Service Center for publications and forms.

c/ Includes, among various other activities, the compiling, writing and editing of various Departmental publications and providing editorial assistance for the issuance of program guidelines, regulations, etc.

g. Communications and Space Management Division. The Communications and Space Management Division is responsible for developing, coordinating and executing space utilization programs and telecommunications services for the Department. In the area of space utilization it develops Department-wide policy with implementation, as necessary, for the development, acquisition and utilization of all required HUD space; provides functional layouts for all proposed and occupied office space; maintains scale layouts of all occupied space for pricing purposes under the Federal Building Fund; and is responsible for assisting field offices in establishing space requirements, including layout assistance, as necessary. In the area of telecommunications services, the Division develops Department-wide policy for and oversees operations relating to the use of facsimile, teletype, long-line, and telephone communication systems and equipment, including data facilities for nationwide networks, and operates the Headquarters Communications Center.

This activity also provides for telephone, teletype, and mail and messenger services to the Headquarters staff. This includes developing, coordinating and executing Department-wide programs for correspondence, mail and communications (voice and facsimile transmission services), providing technical assistance for these services, and evaluating the effectiveness of those services in all organizational elements. Staff requirements are expected to remain level, and no additional personnel are requested for 1981.

In meeting these requirements, close liaison with both using and requesting officials within HUD and with the General Services Administration is required.

A workload summary table for these services follows:

OFFICE OF ADMINISTRATIVE SERVICES
WORKLOAD/STAFFING
COMMUNICATIONS SERVICES

	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORKLOAD	WORKLOAD PER STAFF-YEAR	STAFF YEARS	WORKLOAD	WORKLOAD PER STAFF-YEAR	STAFF YEARS	WORKLOAD	WORKLOAD PER STAFF-YEAR	STAFF YEARS
Communications:									
Telephone (number installed/changed).....	12,354	2,471	5.0	12,500	2,500	5.0	12,700	2,540	5.0
Surveys completed (Headquarters and Field)...	94	19	5.0	96	19	5.0	99	20	5.0
Administration, supervision and miscellaneous uncountable workload (mail and messenger services, etc.).....			18.0			18.0			18.0
Total.....			28.0			28.0			28.0

h. Facilities Operations Division. The Facilities Operations Division is responsible for all matters relating to the operation and maintenance of Headquarters-occupied space in the Washington, D.C., area. These include office services operations, transportation, and mail and messenger services. Additionally, it is responsible for the development and implementation of Department-wide policies relating to personal property and supply management.

Other functions performed by this Division include:

— office machine repair - maintains "in-house" capability for limited typewriter and other office machine servicing;

— maintenance and labor - maintains limited "in-house" capability for furniture and equipment repair and office moves within the Headquarters building;

— storage and distribution - responsible for central warehousing and bulk distribution of forms, directives and publications; Headquarters distribution of furniture and equipment; providing technical advice on transportation of things; and conducting studies to determine restocking levels or replenishment cycles.

Summaries of the workload for these services and related staff-year requirements are on the following page. Total workload is expected to remain approximately constant; therefore, no staffing change is requested for 1981.

OFFICE OF ADMINISTRATIVE SERVICES
FACILITIES OPERATIONS DIVISION
WORKLOAD/STAFFING

	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED
Motor vehicles (trips).....	13,048	759	17.2	13,500	785	17.2	13,500	785	17.2
Inventory management actions a/.....	24,150	2,683	9.0	24,500	2,722	9.0	24,500	2,722	9.0
Property management actions b/.....	6,800	971	7.0	7,000	1,000	7.0	7,000	897	7.8
Administration, supervision and miscellaneous uncountable workload c/	...	...	28.8	...	...	25.5	...	...	25.0
Mail service/distribution:									
First-class units.....	12,950,600	1,177,327	11.0	13,000,000	1,181,818	11.0	13,000,000	1,181,818	11.0
Bulk packages.....	18,300	3,268	5.6	18,500	3,558	5.2	18,500	3,304	5.6
Total mail.....	12,968,900			13,018,500			13,018,500		
Warehouse:									
Storage & Distribution:									
Line Items Received in process and issued (forms, publications, furniture and equipment).....	365,000	26,071	14.0	370,000	26,429	14.0	370,000	26,429	14.0
Office Machines Repairs:									
Typewriters.....	4,150	2,305	1.8	4,250	2,361	1.8	4,250	2,361	1.8
Other Machines.....	290	580	.5	325	650	.5	325	650	.5
Total.....			94.9			91.2			91.9

a/ Number of requests prepared for stock replenishment, status, print orders, etc.

b/ Number of requests for office furniture, office equipment, etc.

c/ Includes such items as maintenance and service activities, office moves, space layouts, etc.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

4. OFFICE OF PERSONNEL

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASES + DECREASES - 1981 vs 1980
Permanent Full-Time positions, end of year:					
Office of the Director	15	10	15	15	...
Employee Relations	18	16	18	18	...
Employment Planning and Standards	22	20	24	24	...
Headquarters Operations	60	81	69	69	...
Executive Resources	14	14	14	14	...
Training	15	12	17	17	...
Personnel Systems and Payroll	69	66	69	69	...
Field Division	...	7	...	...	...
Total, Permanent Full-Time Positions end of year	213	226	226	226	...
Staff-years	308.2	306.0	284.3	284.3	...

The Office of Personnel is responsible for the planning, development, administration and evaluation of all personnel programs for the Department.

The current 1980 staffing level for the Office of Personnel reflects an increase of 13 positions over the 1979 level and is consistent with the staffing level included in the 1980 request. The increase in the number of positions is required by:

— Implementation in 1980 of the Department's agreement with the Office of Personnel Management (OPM) to assume recruiting and examining authority for competitive senior-level and mid-level positions. Full implementation of the agreement during this fiscal year will require a staffing allocation of nine positions which includes a supervisory personnel management specialist, two rating examiners, two staff assistants, one personnel clerk, one file clerk, and two clerk typists. It is expected that assumption of this function from OPM will benefit the Department substantially in reducing long delays which have been experienced in receiving OPM certificates to competitively staff jobs. The 1980 level of staffing is necessary to support this activity.

— During 1980, several of the Department's automated computer systems which are now under development will be on line or developed sufficiently to require staff participation by the Office of Personnel in the area of training. Development and implementation of those systems have significant personnel implications which require close coordination between ADP, the program offices and the Office of Personnel. There is, therefore, a new demand for staff with ADP training skills, requiring staff with both training and systems background. Two employees will be needed to meet this new requirement and to support existing staff in providing the unprecedented volume of program technical training being requested by program areas due to new programs and changes in existing programs.

— An additional two positions will be required in 1980 in the areas of merit pay and performance appraisal. The Department's merit pay plan and policies are under development and will be submitted to OPM for approval. A considerable workload exists in the development of this plan, as well as implementation procedures, such as identification and notification of affected GS-13 to GS-15 supervisory employees and management officials and development by October 1980 of the performance standards which will be used when merit pay decisions become effective in 1981.

The Department has one of the few OPM-approved performance appraisal systems required by the Civil Service Reform Act in the Federal Government. A mini-cycle is in process now, after which evaluations will be conducted and changes initiated as necessary. In an effort to assure uniform and consistent performance standards throughout the Department, approximately 18 models for the most populated HUD occupations are being developed. HUD supervisors and managers from the Field and Headquarters will be trained in how to use the models.

No increase in staff is requested for 1981.

	ACTUAL 1979	CURRENT ESTIMATE 1980	BUDGET ESTIMATE 1981
WORKLOAD FACTORS			
Staff supported, end of year strength:			
Permanent Full-Time Personnel.....	16,067	15,956	15,986
Temporary Personnel.....	1,350	1,195	1,225
Total.....	17,417	17,141	17,211
No. of Policy and Guidance Documents Issued.....	104	111	110
No. of Management Actions Taken In-Staff (includes Adverse Actions, Appeals, and Grievances).....	156	260	250
No. of Consultations with Labor Unions	95	230	300
Training (including Executive Development):			
No. of Courses.....	197	177	180
No. of Participants.....	4,935	4,790	4,850
No. of Payroll Transactions Processed.	105,000	80,000	50,000
No. of Personnel Actions Processed....	7,023	6,800	6,800
No. of Merit Staffing Actions Processed	692	545	430
No. of Applications Processed (Career and Non-Career).....	61,803	57,773	67,023
No. of Positions Classified (Evaluations, Classification Surveys, Whitten Review, Job Audits).....	1,235	1,805	1,815

a. Office of the Director. The Director plans and directs all functions of the Office, serves as the Department's principal advisor and representative for personnel management and pay administration, and develops and recommends Department-wide policy on personnel and pay matters. The Director is assisted in her duties and responsibilities by a Deputy Director who acts for the Director in her absence. The Director's immediate staff:

Coordinates policy development and program evaluation in the Office of Personnel through an Assistant to the Director. Activities include:

— Providing focus and direction to cross-cutting personnel activities and assuring that personnel management functions are integrated into the overall management systems.

— Coordinating and monitoring personnel activities in Field Offices.

— Providing general direction to the Personnel Management Evaluation Staff, which:

* Evaluates the effectiveness and efficiency of personnel management programs in the Department, coordinating personnel management evaluation activities with program review activities of other HUD elements and GAO, and maintaining a working relationship with the Office of Personnel Managment (OPM) regarding the Evaluation Program in the Department.

* Assuring the development of career structure and training plan for the personnel community to ensure that HUD has the necessary skills to carry out new and expanding personnel programs.

* Provides administrative support required by the Office of Personnel in coordination with offices in the Office of Administration in the areas of ceiling control, personnel, budget, correspondence, reports, issuances, Departmental Staff Bulletins, time and attendance, administrative services, training, travel, mail, personnel regulatory issuances, records management and other activities as required in support of the overall management and administration of the office.

b. Employee Relations Division. This Division is responsible for four major programs: Affirmative Action, Employee Services, Employee Conduct, and Labor Management Relations. Some specific activities are:

— Plan, monitor and evaluate progress toward achievement of Equal Employment Opportunity Commission (EEOC) goals and prepare Departmental submissions to EEOC;

— Plan and develop a coordinated approach to the Department's Federal Women's and Spanish-Speaking programs in terms of training, communications, outreach efforts, interagency liaison and management awareness of the special needs and concerns of Hispanics and women;

— Ensure proper union consultation and negotiation of all management decisions affecting personnel policies, procedures, and working conditions, and advise and coordinate management's execution of this obligation; administration and interpretation of nationwide American Federation of Government Employees contract; and provide direction, advice and assistance to Field Offices with National Federation of Federal Employees (NFFE) units;

— Provide technical assistance and coordination at the Departmental level for resolution of disputes, impasses, and arbitration; and unfair labor practices;

— Train managers on employee relations responsibilities;

— Respond to employee inquiries and complaints;

— Prepare required annual reports for retirement, health benefits, injury compensation, incentive awards and occupational health programs;

— Administer incentive awards program through a committee of key staff;

— Provide direct technical assistance and guidance on employee conduct in program matters to Field and Headquarters staff; and

— Develop Departmental policies, procedures and programs concerning adverse actions, grievances, and appeals and the personnel aspects of the Standards of Conduct.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
WORKLOAD INDICATORS:			
Performance Awards			
Indirect Involvement.....	120	175	195
Direct Involvement.....	20	28	33
Labor-Management Disputes Resolutions			
Informal Process--Completed.....	45	70	60
Formal Process--Completed.....	20	35	45
Third-Party Process--Completed.....	7	20	25
Grievances			
Consultative Services--Indirect Involvement.....	50	55	75
Preparation of Decisions--Completed	15	20	30
Affirmative Action Plans Reviewed.....	11	11	11

c. Employment Planning and Standards Division. The Division is divided into two areas: Employment Planning and Career Programs and the Position Management and Standards Program.

The first area, Employment Planning and Career Programs, provides support for Departmental employment and employment-related programs mandated by laws and regulations. Staff assistance is required in program development, recruitment planning, and in providing interpretation of law, regulations, and HUD policies to ensure uniform application and compliance throughout the Department. Consideration is also given to policy in areas such as documentation of delegations of personnel authority and utilization of flexitime.

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The second program area, Position Management and Standards, deals primarily with the classification aspect of personnel in compliance with regulations set forth in Title V of the U.S. Code, and the OPM Classification Standards.

A major effort in 1980 will be the implementation of aspects of the Civil Service Reform Act which impact both staffing and classification policies of the Department. Some specific activities in this Division are:

— development of Special Employment Programs to meet particular Departmental needs and to enhance achievement of Affirmative Action objectives;

— major emphasis on Affirmative Action for the Vietnam Veterans;

— review of and decisions on second-level position classification appeals;

— assistance to managers and personnel staff;

— participation in evaluation of field classification and staffing;

— implementation of performance appraisal systems to support all management actions to reward or correct employee performance;

— development and revision of agency guidance;

— classification efforts in support of the grade and pay retention program;

— management of placement effort in support of grade and pay retention program;

— development of performance appraisal aspects of merit pay;

— review and validation efforts in compliance with the uniform guidelines on employee selection;

— development of position papers as input to Departmental bargaining team;

— management of delegations of appointment authorities from OPM;

— continued implementation and evaluation of Housing Careers programs;

— maintenance of HUD Occupational Guides - classification, qualifications, performance standards guidance for major occupations;

— development of policies and programs to support legislation requiring emphasis on part-time employment opportunities; and

— development and implementation of an assessment center approach for staffing upward mobility positons.

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	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
EMPLOYMENT PLANNING AND STANDARDS WORKLOAD INDICATORS:			
Classification Guides Issued.....	62	40	56
Classification Appeals.....	17	20	40
Briefing and Position Papers.....	130	225	160

d. Headquarters Operations Division. The Division provides the full range of personnel services to Headquarters employees.

Because of the unusual volume of demand work handled by this Division, the Director is assisted by a Deputy Director. In addition to two branches - Recruitment and Special Programs Branch and Program and Policy Branch - there are three Personnel Teams which service various Headquarters organizations. The Headquarters EEO Affirmative Action program is also managed through this Division.

The Personnel Teams provide a full range of services, but are particularly involved in staffing and classification and employee relations functions.

The classification staff of this Division is reponsibile for classification support to Headquarters personnel operations, much of which is demand work. This includes new and revised position descriptions which are reviewed and assigned a title, series, and grade. Further reviews may correct misclassifications, initiate full program reviews, and develop journey levels.

Staffing activities of this Division are governed by the regulations contained in the Federal Personnel Manual (FPM). This area is responsible for processing accessions, in-house changes, and separation transactions within a reasonable time frame. Merit staffing cases are also processed by this office, in addition to determining regulatory requirements and providing personnel management advice to managers.

The Recruitment and Special Programs Branch is responsible for announcing vacancies, contacting special recruitment sources, responding to correspondence, maintaining reemployment priority consideration listings, recruiting clerk-typists, maintaining Dial-A-Job service, providing employment information to walk-in applicants, recruiting and managing the summer college program, summer faculty program, summer aids, HUD interns, administrative interns, cooperative education students and Veterans and Handicapped programs. Outreach efforts also are made by this office to recruit for hard-to-fill positions, maintain an applicant referral file, maintain the Displaced Employee program, and to enhance affirmative action objectives through advertising and on-campus recruiting.

The Department has received recruiting and examining authority from OPM in 1980 for senior and mid-level positions. The Special Examining Unit in this Division will carry out the recruiting and examining functions in Headquarters under this authority.

The Headquarters Affirmative Action program is developed and managed in this Division. Federal agencies are required to provide programs of training and education which will afford employees an opportunity to acquire skills and abilities needed to compete for advancement to positions of greater responsibility.

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The Program and Policy Branch is responsible for processing adverse actions, grievances, appeals, incentive awards, retirements, performance ratings, and fringe benefit actions according to legal and regulatory requirements. Managers are offered advice regarding substance and procedures for employee cases, performance evaluations, and labor-management relations obligations. Some training in employee relations and labor-management relations subjects is also provided for managers and supervisors. A primary objective of this staff is to assure consistency and equity of employee relations actions and programs throughout Headquarters and to develop a mutually beneficial working relationship with the Headquarters American Federation of Government Employees (AFGE) unit.

WORKLOAD INDICATORS:	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Personnel Actions Approved and Coded.....	6,234	5,500	6,500
Vacancies Announced.....	774	500	800
Classification Reviews--Routine Check.....	1,057	1,525	1,650
Classification Audits Supervisor.....	136	285	200
Classification Reviews--In-depth review of classification standards.....	820	1,200	1,400
Interviews Granted.....	1,236	1,150	1,500
Requests for Certification for Employment Submitted to OPM or Done by the Agency.....	368	250	400
Correspondence Processed:			
Congressional.....	252	325	285
Secretarial.....	242	250	250
Memos to Program Offices.....	682	725	650
Other (Employment Inquiries, etc.).....	2,200	2,600	2,850
Adverse Actions Processed.....	26	35	80
Grievances Filed.....	30	75	100
Classification Appeals Filed by Employees....	39	80	50
Retirements Processed.....	120	125	150

e. The Executive Resources Division. This Division is divided into two major areas. The first deals with Executive and Non-Career Staffing and Placement.

The Civil Service Reform Act of 1978 establishes a Senior Executive Service which became operational in July 1979. The Act requires a conversion process and the development of many new systems and procedures which are the responsibility of this staff.

In the interim period, the Federal Personnel Manual establishes special procedures for staffing supergrade, non-career, and expert and consultant positions for which this staff is reponsible. Regulations also require that agencies establish executive resources programs to assure sound personnel management at the executive level.

The Executive and Non-Career Staffing and Placement staff provides the following services:

-- conversion to the Senior Executive Service:

-- staffing, classification, and qualification statements for career and non-career appointees;

-- staffing for key field positions;

-- staffing for non-career positions;

-- staffing for experts and consultants; and

-- staff support for the Executive Resources Board.

In the second area, the Executive Development and Evaluation staff is primarily concerned with the identification, training and development of HUD executives. The Civil Service Reform Act of 1978 requires agencies to establish executive development programs for:

— the systematic identification and development of candidates for the Senior Executive Service, and

— the continuing development of incumbent senior executives.

Additionally, this staff has responsibility for the implementation of the Executive Performance Appraisal System required by the Act.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
WORKLOAD INDICATORS:			
Senior Executive Service and Executive Level Appointments	176	45	55
Schedule C Appointments Made	75	75	90
Experts and Consultants Hired and/or Extended	168	185	210
Key Field Vacancies Staffed (including Service Office Supervisors)	20	25	25
Schedule C Audits Conducted	50	60	75
Senior Executive Service Audits Conducted	45	65	80
Expert and Consultant Audits Conducted	16	20	24

f. Training Division. Provisions of the Government Employees Training Act of 1958, Executive Order 11348, Federal Personnel Manual, and OMB Circular A-48 authorize and direct the head of each Department to investigate training needs and to plan, program, budget for, operate and evaluate training programs.

HUD provides training of two major types--technical and management. The amount and kind of technical training may vary widely from year to year in response to new program directions, while management training is directed toward relatively consistent objectives for a specific population. Resource allocation for both programs is determined by an Annual Training Needs Survey.

Much of the training is conducted at the Department's National Training Center in Columbia, Maryland whose staff is covered under the Field Administration Budget Activity. The overall management of this facility and its activities are also the responsibility of the Director of the Training Division. Some specific activities of the Division are:

— development of nationwide videotape instructional and communications systems, as well as a system of alternative instructional methods;

— incorporation of affirmative action emphasis in supervisory and managerial training; and

— efforts to ensure that all supervisors and managers receive management training.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
WORKLOAD INDICATORS:			
Technical Training:			
Courses	168	140	140
Participants	4,470	4,200	4,200
Management Training:			
Courses	20	22	25
Participants	400	440	500
Instructor Training/Design Sessions:			
Sessions	9	15	15
Participants	65	150	150
Alternative Instructional Methodologies			
Products	26	42	43

g. Personnel Systems and Payroll Division. This Division has Departmental responsibility for developing, improving, and evaluating pay policy and personnel and payroll reporting. In addition, the Division is responsible for:

— workforce data analysis;

— issuance of accurate paychecks on time;

— timeliness and accuracy of payment of withholding taxes to states/municipalities, union dues to employee unions, insurance fees to carriers, and crediting of retirement/FICA withholdings to Federal accounts;

— maintenance and security of accurate personal services and financial records in conformance with federal requirements; and

— prevention of fraud in personnel/payroll activities.

A substantial portion of the documentation, processing and reporting activities are supported by the automated Terminally Operated Personnel Payroll System (TOPPS). Data are input from and output to the Regions, as well as to Headquarters. Frequent changes in personnel and pay laws and regulations (e.g., Civil Service Reform Act implementation) require continous revisions to these automated operations to assure that they meet current statutory and regulatory requirements. In addition, TOPPS provides managers and supervisors throughout the Department with a management information system which is being further developed to improve its data base and expand its capability. The increased availability of workforce data and analysis enables the Department to more effectively manage its human resources.

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	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
WORKLOAD INDICATORS:			
No. of Employees Payrolled.....	23,381	21,000	21,000
No. of Pay/Leave Questions Answered (204's).....	4,273	3,000	2,500
No. of Pay Cases Researched.....	620	500	450
No. of Checks Distributed in Headquarters.....	55,154	40,000	40,000
No. of Bonds Distributed in Headquarters.....	18,395	17,000	17,000
No. of Stop Payments Placed.....	588	450	500
No. of Quality Assurance Reports Prepared.....	26	26	26
No. of User Assistance Requests (UAR's).....	225	175	150
No. of Advance Requirements Notices (ARN's).....	110	80	50

h. Field Division - The staff of the Field Division was reassigned to the Office of the Director, the Employment Planning and Standards Division and the Headquarters Operations Division. The functions of the Field Division were absorbed by the Office of the Director, the Employment Planning and Standards Division and Headquarters Operations Divisions.

The Field Division was responsible for:

-- supporting some of the personnel operations activities in which Headquarters officials participated in the selection process e.g., selection of Area Office Housing and CPD Division Directors;

-- monitoring quality, consistency, and timeliness of field personnel management activities;

-- surveying and monitoring of standardized field jobs;

-- providing technical personnel assistance to Regional Administrators and their staffs.

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5. OFFICE OF ORGANIZATION AND MANAGEMENT INFORMATION

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year:					
Office of the Director	4	4	4	4	...
Staff Resources Division	28	33	33	33	...
Management Systems and Organization Division	30	30	30	30	...
ADP Plans and Policy Division	8	8	8	8	...
Data Management Division	25	14	26	26	...
Reporting Analysis and Statistical Operations Division	...	12	...	...	...
Total, permanent full-time positions, end of year	95	101	101	101	...
Staff-years	108.7	103.0	105.8	105.8	...

The functions of the Office of Organization and Management Information are to develop, coordinate, evaluate, and improve the Department's management and organizational systems. Included in the activities of this office are the performance of management studies, surveys and analyses, the establishment of management information systems, the development and application of work measurement criteria to ensure effective distribution of resources, and management of the Departmental Operating Planning System and the Executive Management Review System (EMR). The office also is the primary focal point for formulating and coordinating Departmental plans, systems, policies and budgets for ADP, as well as developing and administering Departmental policies for data management and reporting systems.

The increase of six positions, from 95 in 1979 to 101 in the 1980 current estimate reflects staffing adjustments related to additional workload. The Staff Resources Division was increased five positions for additional work measurement activities and for expanded responsibilities associated with the Regional Operating Plan and Executive Management Review systems. The Data Management Division was increased one position for work to improve data quality.

No additional positions are requested for 1981.

A discussion of the specific functions of the various Divisions of the Office follows:

a. Office of the Director. The Director establishes priorities, coordinates operations and provides general policy guidance and operational direction for the Office.

b. Staff Resources Division. This Division is responsible for administering a comprehensive management program for ensuring the most effective and efficient utilization of the Department's staff resources. This involves the development, implementation and maintenance of systems designed to identify staffing requirements, including work measurement, the issuance and control of staff allocations, and the conduct of analyses to identify processing improvements.

Activities of this Division are of paramount importance to HUD and directly affect the Department's capacity to accomplish workload without loss in quality. Important systems include process analysis, and implementation leading to better ways to conduct Departmental operations, and development and refinement of work measurement standards as a basis for justification and optimum distribution of staff resources. The Division also operates the Departmental Executive Management Review System and the Operating Planning System.

c. Management Systems and Organization Division. This Division develops and recommends improvements to Departmental management systems and carries out management studies to improve the Department's managerial and organizational effectiveness. It oversees the Department's paperwork management systems--including issuances, forms, records, and files; recommends Departmental organization policy; provides organizational analysis, evaluation, and documentation services; serves as the focal point for work processing and micrographics activity within the Department; and manages the Office of Administration's Performance Evaluation System.

d. ADP Plans and Policy Division. This Division provides a focal point for Departmental ADP systems, policies, plans and cost estimates. It coordinates the development of the Department's ADP program and budget, consistent with long-range planning. The Division provides staff support to the Departmental ADP Policy and Planning Committee, prepares long-range ADP studies, and coordinates the development of both long-range and short-range ADP plans. It is also responsible for ongoing evaluation of ADP systems and for the security of the Department's automated information systems.

e. Data Management Division. This Division develops and administers data management policies and programs for the Department, establishes the mechanisms by which Departmental elements specify their preliminary data needs and information requirements, defines the criteria for an initial review and analysis of those data needs, and participates in the system design process to ensure that the maximum degree of data standardization and data quality is achieved. It has a continuing responsibility to ensure that all program offices are made aware of, and have an opportunity for necessary input to, the data needs of other offices at an early stage. This Division develops, coordinates, and operates the Department's reports management system, formulates and directs the Department's program for complying with the Privacy Act of 1974, prepares analyses, and gathers and interprets Department-wide statistical data. It acts as the focal point for HUD in liaison with other Federal departments and agencies concerning data policies and standards, serves as a coordinator for data requirements from external sources to satisfy Departmental needs, participates in the exchange of information and provides seminars which focus on data quality, reports management, and the assessment and control of information resources.

f. Reporting Analysis and Statistical Operations Division. The Reporting Analysis and Statistical Operations Division was combined with the Data Management Division in order to improve data quality. The Reporting Analysis and Statistical Operations Division was responsible for developing, coordinating, and operating the Department's reports management system; formulating and directing the Department's program of complying with the Privacy Act of 1974 and developing and interpreting statistical data.

6. OFFICE OF PROCUREMENT AND CONTRACTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions end of year:					
Office of the Director	2	2	2	2	...
Policy & Evaluation Division	9	10	8	8	...
Research and Demonstration Division	10	8	10	10	...
Administration Support Division	13	8	10	10	...
Procurement and Grants Division	...	12	...	...	...
Community Services Division	10	...	10	10	...
Total permanent full time positions end of year:	44	40	40	40	...
Staff-years	47.1	42.0	44.1	44.1	...

The Office of Procurement and Contracts is responsible for developing procurement and contract policy, and for implementing standards and procedures to provide an effective procurement and contracting program. It also is reponsible for awarding and administering all contracts required for Headquarters activities and monitoring such activities in the field.

The Office was reorganized in May 1979. The reorganization provided for the dissolution of the Procurements and Grants Division and its functions were distributed among the three operating divisions (Administration, Community Services and Research and Demonstration). Each division services a specific organization within the Department.

a. Office of the Director. The Director serves as the principal advisor to the Secretary and other Headquarters officials on acquisition matters. The Director is responsible for the development of Departmental acquisition plans and policies, and for overall supervision, management, and direction of the Office of Procurement and Contracts.

b. Policy and Evaluation Division. The Division is responsible for the review and improvement of acquisition practices, policies and procedures throughout the Department and, in the field, through the Regional Contracting Officers. The Division develops acquisition policy applicable to all procurement activities, and monitors and evaluates the implementation and effectiveness of such policies. The Division develops and implements Departmental acquisition training objectives and programs. It provides the Office with: specialized services; a management information system; bidder's list; audit coordination; and price/cost analysis. The Division also provides administrative services for the Office, such as travel, supplies, budget, and personnel.

c. Research and Demonstration Division. This Division's area of responsibility falls under such broad categories as research and development in all program areas, feasibility studies, analytical studies and reports, and data support services to HUD Program Managers; price and cost analysis and statistical studies and reports. Assigned responsibilities include urban environment, housing and community development research, loan and mortgage insurance patterns, natural disaster area studies, noise abatement control, economic and market analysis, mortgage prepayment and other multifacets of housing technological studies. Other efforts include experimental housing, new community project evaluation studies, solar energy research and technical assistance contracts regarding community development grantees.

d. Administration Support Division. The area of responsibility assigned to the Division includes all requirements which directly or indirectly support the operations of the Department. The major responsibility of the Division is the acquisition of ADP hardware and software and management studies to improve Departmental accounting systems or other administrative processes.

e. Community Services Division. The Division places and administers purchase orders, contracts, interagency agreements, grants and cooperative agreements. Principal program efforts include: technical assistance projects in support of Community Development Block Grant recipients; prepurchase and default counseling of prospective homebuyers and homeowners; assistance to qualified neighborhood organizations to undertake specific housing, economic or community development projects; and contractor support to develop alternative workout solutions for troubled new communities.

OFFICE OF PROCUREMENT AND CONTRACTS
WORKLOAD/STAFFING

	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED	WORKLOAD	PRODUCTION RATIO	STAFF-YEARS REQUIRED
Administration and Supervision.....	N/A	N/A	7.3	N/A	N/A	7.3	N/A	N/A	7.3
Policy and Evaluation.....	N/A	N/A	4.0	N/A	N/A	4.0	N/A	N/A	4.0
Contract Actions.....	1,306	102	12.7	1,225	118	10.4	1,225	118	10.4
Procurement Actions.....	4,628	1,028	4.5	5,500	1,222	4.5	5,500	1,222	4.5
Contracts Being Administered.....	795	114	7.0	600	86	7.0	600	86	7.0
Orders Being Administered.....	2,500	1,250	2.0	3,350	1,675	2.0	3,350	1,675	2.0
Grants Placements.....	1,391	267	5.2	1,400	311	4.5	1,400	318	4.4
Grants Being Administered.....	951	216	4.4	1,000	227	4.4	950	211	4.5
Total.....			47.1			44.1			44.1

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7. OFFICE OF BUDGET

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year:					
Office of the Director.....	6	6	6	6	...
Division of Program Budget Development.....	18	18	18	18	...
Division of Budget Management and Operations.....	18	18	18	18	...
Total, permanent full-time positions, end of year.....	42	42	42	42	...
Staff-years.....	42.1	42.0	42.4	42.4	...

The Office of Budget advises the Assistant Secretary for Administration, the Secretary, the Under Secretary, and other officials of the Department on budget matters, including the budgetary implications of policy and legislative proposals. It formulates, reviews, evaluates, and makes recommendations concerning Department-wide policies, plans, standards, and basic procedures on budget formulation, presentation and execution, including the administrative control of funds. In addition, the Office coordinates the submission of budget estimates to the Office of Management and Budget and to the Congress. It serves as the principal point of contact with the Congress, the Office of Management and Budget, the Appropriations Committees, and other Federal agencies on all budget matters and appropriations hearings.

No change in staffing is proposed for 1981.

Major elements of the Office of Budget are the Office of the Director, the Division of Program Budget Development, and the Division of Budget Management and Operations. Their duties are as follows:

a. Office of the Director. The Director advises the Secretary in matters relating to budget formulation, presentation, and execution, serves as advisor to other Department officials with respect to these matters, and is responsible for the coordination and direction necessary for the internal operations of the Office of Budget.

b. Division of Program Budget Development. The Division has primary responsibility for overall office functions relating to the Department's grant, loan, insurance, guarantee, and other assistance programs. It reviews and evaluates budget submissions and proposals, undertakes reviews of operations and evaluates budgetary requirements, and serves as a focal point on budgetary matters with staff of the Assistant Secretaries and other officials.

c. Division of Budget Management and Operations. The Division has responsibility for carrying out the office's function with respect to the formulation and management of the Department's administrative expenses budget, budgetary systems and procedures development and the preparation, review, and analysis of budget-related financial reports.

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8. EXECUTIVE SECRETARIAT

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent, full-time positions, end of year:					
Office of the Special Assistant	4	6	5	5	...
Secretarial Correspondence Unit	12	11	13	13	...
White House Correspondence Unit	...	7	...	...	...
Records Maintenance and Mail Messenger Unit	6	...	6	6	...
Total, permanent full-time positions end of year	22	24	24	24	...
Staff-years	25.6	25.0	24.0	24.0	...

The Executive Secretariat is the central coordinating staff of the Department serving the Secretary and the Under Secretary and is responsible for providing the following services:

— reviewing for assignment of action, all incoming official correspondence for the Secretary and the Under Secretary;

— reviewing all material submitted by Departmental units for the attention of the Secretary and the Under Secretary to ensure completeness and proper coordination;

— monitoring the Secretary's and the Under Secretary's mail for a timely response;

— reviewing for final clearance all outgoing mail prepared for the signatures of the Secretary and the Under Secretary;

— insuring timely and appropriate responses to mail referred to HUD from the White House;

— maintaining current files on all matters involving Departmental policy;

— disseminating requests for information emanating personally from the Secretary and the Under Secretary to key personnel for action, and monitoring these assignments in order to meet established deadlines;

— performing such other functions as the Secretary may assign.

During 1979 the White House Correspondence Unit was consolidated with the Secretarial Correspondence Unit, and the Records Maintenance and Mail Messenger Unit was established. These changes were made because of a substantial decrease in White House Correspondence and an increased emphasis on records maintenance.

The Executive Secretariat handled 30,000 pieces of correspondence in 1979. Similar levels of activity are anticipated for 1980 and 1981. No change in staffing is requested.

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OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Travel and Transportation of Persons	$2,487	$2,560	$2,527	$2,872	+$345
Transportation of Things	276	35	62	70	+8
Rents, Communications and Utilities	14,207	14,711	15,972	16,545	+573
(GSA Space Rents)	(8,331)	(9,669)	(9,210)	(9,380)	(+170)
(FTS)	(1,290)	(1,366)	(1,415)	(1,540)	(+125)
(Penalty Mail)	(1,308)	(1,177)	(1,625)	(1,924)	(+299)
(All Other)	(3,278)	(2,499)	(3,722)	(3,701)	(-21)
Printing and Reproduction	2,337	2,675	2,588	2,686	+98
Federal Register	(645)	(1,200)	(700)	(770)	(+70)
Other	(1,692)	(1,475)	(1,888)	(1,916)	(+28)
Other Services	18,707	19,588	21,797	27,195	+5,398
ADP	(11,517)	(12,724)	(13,930)	(17,565)	(+3,635)
Special Contracts	(1,640)	(2,124)	(2,204)	(3,366)	(+1,162)
Other	(5,550)	(4,740)	(5,663)	(6,264)	(+601)
Supplies and Materials	674	511	726	726	...
Equipment	660	1,443	538	381	-157
Indemnities for Property Damage	...	2	...	...	...
Total-Other Objects	39,348	41,525	44,210	50,475	+6,265

Costs for these objects of expense are based in large part on a pro-rata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD". However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The obligations for travel in 1980 include the effect of the overall reduction in obligations for travel (and transportation of things) in the Executive Branch mandated by the Congress in the Joint Resolution providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

This activity funds, on a consolidated basis, all Department Headquarters costs for space rental, communications and penalty mail, as well as certain centrally managed activities such as training, space alterations, office moves, and certain printing items.

The increase of $2,685 thousand in the current 1980 estimate of $44,210 thousand, as compared to the Budget estimate of $41,525 thousand is the net effect of Congressionally imposed funding reductions and limitations, more recent data on requirements and significant increases in the costs of goods and services experienced since the Budget estimate was provided. Specific changes are as follows:

— reductions of $459 thousand for space rental, $782 thousand for automated data processing services and $51 thousand for travel--a total of $1,292 thousand--consistent with the Congressional reduction to the funding level requested for "Salaries and Expenses, HUD";

— reductions of $141 thousand for travel and $3 thousand for the transportation of goods consistent with the overall limitation on such activities imposed by the Congress on the Executive Departments;

— increases of $320 thousand for automated data processing services (ADP), $25 thousand for printing services, and $8 thousand for visual arts services,—a total $353 thousand. These services are provided by staff funded under the Working Capital Fund (WCF) and the increases reflect the impact of the pay raise which became effective during October 1979;

— increases of $49 thousand for the Federal Telecommunications System (FTS) and $448 thousand for postal services based upon advice from GSA and the U.S. Postal Service which provide those services;

— an increase of $1,223 thousand for other communications and equipment rental costs resulting from rate increases for both activities and increased equipment rental requirements;

— an increase of $1,668 thousand for automated data processing services (ADP) which reflects a redistribution of overall Departmental requirements for such services on the basis of more recent data; and

— a net increase of $380 thousand for all other changes, which reflect both changes in requirements and cost increases.

The increase of $6,265 thousand in 1981, as compared to 1980, consists principally of:

— +$345 thousand for travel which consists of both anticipated cost increases and increased travel requirements associated with the installation of the HUD Mortgage Accounting Program (HUDMAP);

— +$170 thousand for space rental and $125 thousand for the Federal Telecommunications System (FTS)-- a total of $295 thousand--in accord with data provided by the GSA which provides those services;

— +$299 thousand for postal services consistent with data provided by the U.S. Postal Service;

— +$3,635 thousand for ADP which provides for new systems development efforts, principally in support of HUDMAP, major enhancements and modifications to several existing programs such as the Program Accounting System and Assisted Housing Accounting System, expanded use of computer time; and a proportionate share of field terminal conversion;

— +$1,162 thousand for Special Contracts which is discussed in greater detail later in this Section; and

— +$529 thousand which is the net effect of all other changes, reflecting both changed requirements and anticipated cost increases.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

This request includes funds for Special Contracts for specific services unique to the individual Offices included under this activity. The following table lists the funding requirements for each of the Offices included under this activity and is followed by a brief discussion of each of the items.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Office of Finance and Accounting	1,465	$1,400	$1,815	$2,939	+1,124
Office of Administrative Services	6	17	17	17	...
Office of Personnel	167	140	75	130	+55
Office of Organization and Management Information	...	517	257	275	+18
Office of Procurement and Contracts	2	50	40	5	-35
Total	1,640	2,124	2,204	3,366	+1,162

The increase of $80 thousand in the 1980 current estimate, as compared to the Budget estimate, reflects a reordering of overall Departmental requirements for Special Contracts within the funds available, as do the changes indicated for the various Offices included under this activity. A discussion of the requirements of each of the Offices follows:

1. Office of Finance and Accounting. The following table provides detail of the funds requested:

	1980		
	Budget	Revised	1981
Systems Development & Programming	$1,400	$700	$965
Development of Procedures Handbooks	...	765	435
Training Development	...	...	580
Preparation of Current Manual Data For Computer Input	...	...	620
Human Engineering of the System	...	350	339
Total HUDMAP Requirements	1,400	1,815	2,939

The funds are exclusively associated with the HUD Mortgage Accounting Program (HUDMAP). This program is being designed to consolidate the accounting for the various mortgage insurance programs administered by the Department in a low labor-intensive integrated automated data processing system. Accounting for these programs is currently provided through a labor-intensive process which utilizes a variety of manual and 17 computerized sub-systems.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

The primary benefits consist of providing greater and more rapid responsiveness to HUD clientele, improved cost management, and the ability to provide more current information more rapidly for management decision making. Additionally, the development of the system is in accord with recommendations made by the General Accounting Office.

The development efforts were initiated in mid-1975 and the major emphasis to date has been placed on completing the specification of concepts and the preparation of an integrated functional requirements document for use in computer system design, planning, development and installation. To date, systems design is well on it's way to completion and systems implementation for multi-family, Title I and single family is scheduled for completion by July of 1982. Due to the nature and scope of the effort, the Congressional Appropriation Committees have been and are continuing to be provided with progress reports.

The following paragraphs address each of the respective line items in the table of funds requested:

--System Development and Programming. Concentration has been placed on completing the specification of concepts and the preparation of an integrated functional requirement document for use in subsequent computer system program design and work force procedural and organizational planning, development and installation. The computer systems program work is being done under contract. Computer system design work is scheduled for completion by December 1981. This work serves as the bridge between the specification of requirements for the mortgage insurance accounting system and the subsequent development of the computer and terminal software programming and testing. The computer programs will be developed and implemented in three phases: 1) Multifamily in January of 1982, 2) Title I in April of 1982, and 3) Single Family in July of 1982.

--Also an interim Institution Master File (IMF), capability is being developed in support of the Computerized Homes Underwriting System (CHUMS). The IMF subsystem will capture and maintain data pertaining to those institutions (mortgagees) approved to participated in the FHA Mortgage Insurance Program. This subsystem will be fully operational within FY 1980. The conversion of the data entry portion of the subsystem to the HUD Teleprocessing Network II Services will be accomplished in 1981.

--A HUDMAP Technical Support group has been organized and will be fully operational within 1980. This group provides a variety of high level technical support such as Data Base Administration, Management of Time Sharing Services Resources and coordination of software, hardware and CPU interface during implementation. This group will also monitor execution of and maintain the implementation plan.

--Development of Procedures/Handbooks. Contractor support is required by HUDMAP for process analysis examination of functional requirement specifications, for the production of flowcharts for each component of the system, and for the overall integration of manual procedures and automated systems to ensure maximum efficiency and effectiveness of the integrated system. In addition, extensive analytical work will be done on the forms requirements of the processes. On this basis, forms design will commence and procedures composition will be completed and then approved by the

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users. New Handbooks which cover all aspects of the Mortgage Insurance Accounting System will have to be prepared and a significant number of existing Housing and Administration handbooks will require revisions. Handbooks are scheduled for completion consistent with training and system implementation needs. Two contracts are under development to obtain the needed support.

--Training Development - The training of HUD staff in the processes and procedures associated with the implementation and on-going operation of this large, new system is essential to effectively utilizing the system. The development of training syllabi and associated materials, as well as the presentation of such materials to the staff which will be utilizing HUDMAP is being phased in accordance with the implementation plan. Current planning provides for the training of approximately 990 Headquarters and Field staff in the operation of the system and orientation presentations to 285 other HUD staff. In addition, printed and other visual materials will be provided to 920 project and management brokers and 15,000 mortgage servicing agents.

--Preparation of Current Manual Data for Computer Input. Virtually all requisite Multifamily program data as well as significant portions of the requisite Title I and Single Family program data are currently maintained in a non-automated form. In addition, the current General Ledger capability is totally manual.

--This labor intensive effort is to identify, locate, retrieve, verify and correct all requisite data currently stored in manual files for conversion to an automated form and subsequent loading in the MIAS data base. The manual files involved are located both in HUD Headquarters and Field Offices.

--Human Engineering of the System. There are a number of critical activities which must be accomplished by HUDMAP Human Factors Division, with contractor support, to achieve the overall integration of manual procedures and automated systems. Task analysis, development of position descriptions, and organization design must be completed. Development of work measurement and performance standards must also be started. Extensive testing of forms and processes and the development of simulation capabilities for use during the training and implementation phases will be performed. A portion of this effort will be accomplished by the contracts identified above.

2. Office of Adminstrative Services. The $17 thousand requested for this Office is a continuing requirement for the Departmental Library. It provides a computerized capability for cataloguing and obtaining catalog cards for new publications in areas of interest to HUD. Experience has proved that this is the most cost effective means for meeting this requirement.

3. Office of Personnel. The 1980 current estimate includes $70 thousand for services to support affirmative actions designed to achieve equal employment opportunity goals and $5 thousand for activities in support of Occupational Health Week. The 1981 request continues those activities and provides an additional $55 thousand for performance appraisal-management assistance. The management assistance contract will provide third party instruction, advice and assistance to managers in carrying out performance appraisal responsibilities in accord with the Civil Service Reform Act of 1978.

4. Office of Procurement and Contracts. The $40 thousand included in the current estimate for 1980 is for contractor support to develop a grants and cooperative agreements data gathering system to ensure compliance with the Federal Grants and Cooperative Agreement Act of 1977. The $5 thousand included in the 1981 estimate will allow the Department to co-sponsor outreach symposiums and conferences for small business and minority contractors.

5. Office of Organization and Management Information. The 1980 current estimate of $257 thousand includes $100 thousand for ADP evaluations, $50 thousand for management consulting services, $50 thousand for General Management and Organizational Studies, $25 thousand for initiating the development of systems and procedures to insure the security of the Department's ADP systems, and $32 thousand for services associated with the Reporting and Data Inventory Control System (RADICS).

The funding for ADP Evaluation is to initiate a program under which all of the Department's ADP systems will be evaluated on a five-year cycle to assess both the effectiveness of the systems in meeting Departmental needs and their efficiency in terms of ADP utilization.

The Management Consulting Services are to provide quick-reaction assistance related to work measurement and process analysis needs in those instances where there is insufficient in-house staff or specific expertise available for such requirements. Additionally, it provides the objectivity of an independent outside party in such matters.

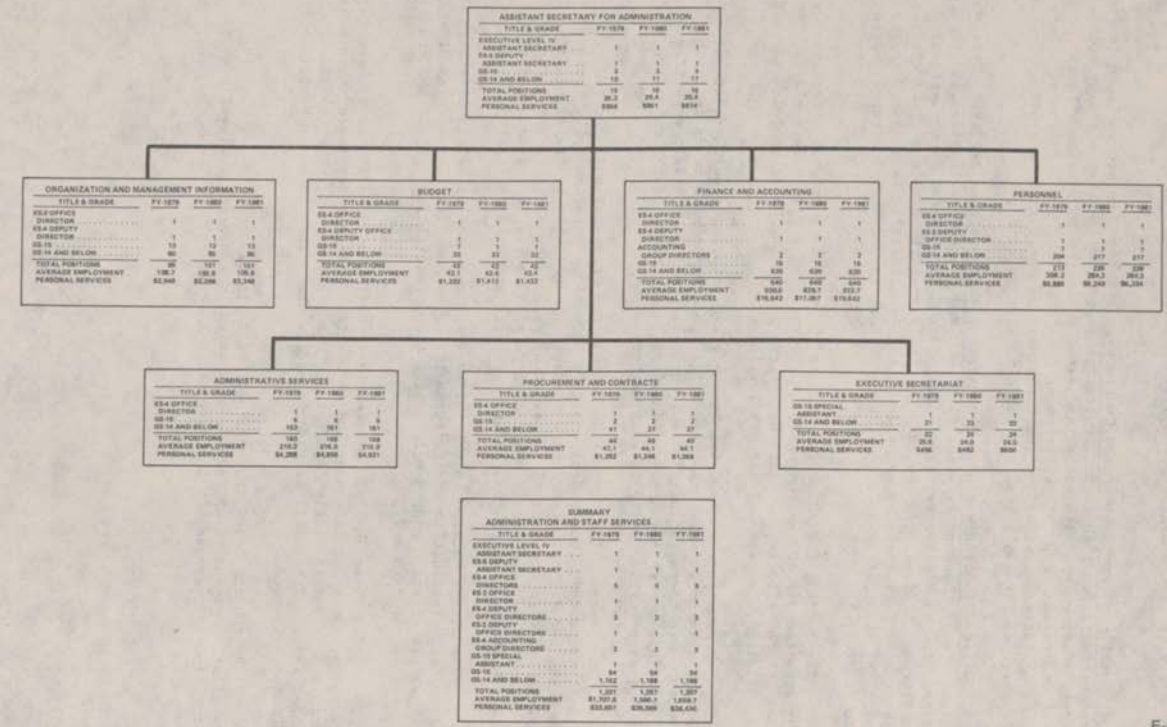
The contract for General Management and Organizational Studies provides, as needed, independent analysis of various Departmental operations which might benefit from improved processes. In addition to reviewing and analyzing selected portions of the existing organizational structure, there will be an increased emphasis on studies related to installing advanced office systems which involves the use of micrographics and word processing systems.

The effort related to the ADP security measures is being undertaken in accord with instruction and criteria issued by the Office of Management and Budget and is directed toward eliminating the potential for illegal and fraudulent uses of ADP data and processes.

RADICS is an on-line computer-based system used to inventory Departmental reports, forms and issuances and to monitor data elements included in those documents. It was initially developed by a private firm for the Department of Defense, and the funds will be used to modify the system in order to tailor it to HUD-specific needs.

The funding level request for 1981 reflects a continuation of the above efforts, exclusive of RADICS, at a slightly enhanced level and provides for anticipated increases in the cost of such services.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATION AND STAFF SERVICES
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATION AND STAFF SERVICES
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
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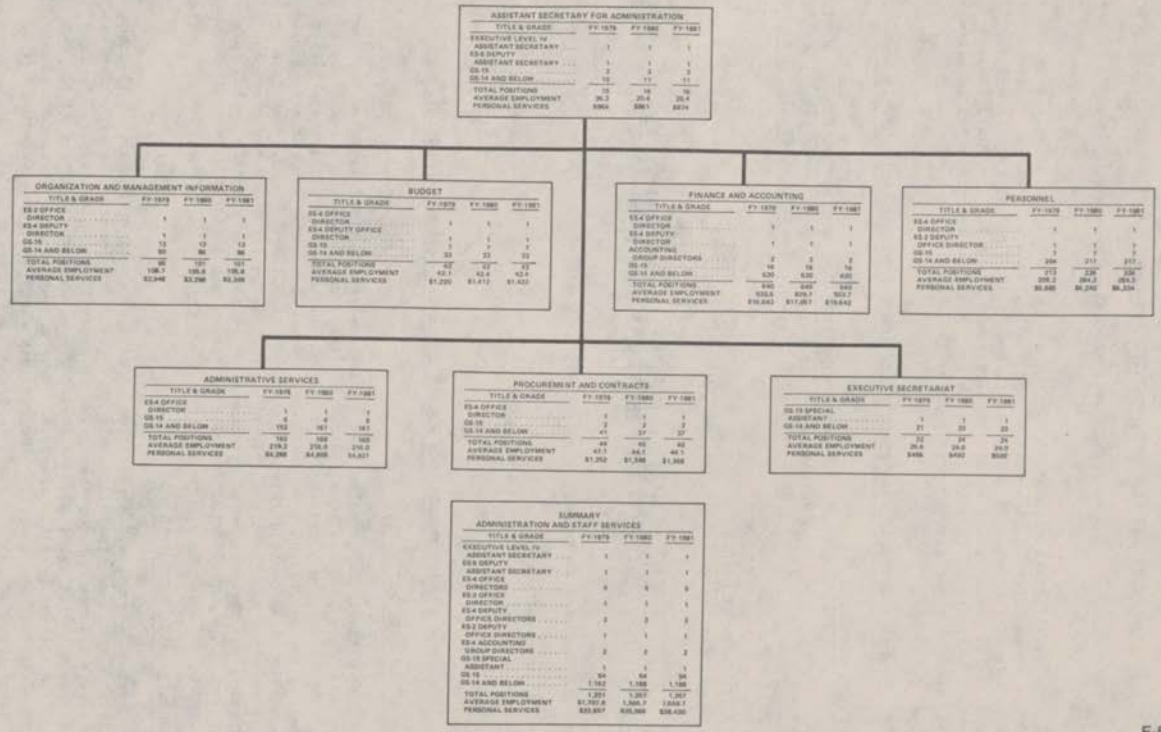

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this Part of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction in the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 13: FIELD DIRECTION AND OPERATIONAL SUPPORT

ACTIVITY HIGHLIGHTS

	ACTUAL	ESTIMATE 1980		ESTIMATE 1981		REVISED ESTIMATES
	1979	PREVIOUS	REVISED	PREVIOUS	REVISED	1981 vs 1980
			(Dollars in Thousands)			
TOTAL FUNDING BY OBJECT						
Personal Services....	$18,221	$19,061	$18,982	$19,868	$19,716	+$734
Furniture and Equipment.....	222	183	183	131	119	-64
All Other.....	1,382	1,379	1,379	1,587	1,587	+208
Total.....	19,825	20,623	20,544	21,586	21,422	+878
Pay increase supplemental included above		(982)	(903)			
Permanent positions-End of Year.....	663	657	657	680	680	+23
Staff-Years.....	732.8	701.6	698.6	714.6	709.6	+11.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $79 thousand to reflect a reduction of 3 staff-years which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-year reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $152 thousand--from $19,868 thousand to $19,716 thousand--is included in this revised request. The reduction reflects the possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 5 staff-years has been applied. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Equipment - The reduction of $12 thousand, from $131 thousand to $119 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD," is included later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with each particular Budget Activity of "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980 and 1981.

BUDGET ACTIVITY 13: FIELD DIRECTION AND OPERATIONAL SUPPORT

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity.....	$19,825	$19,009	$20,623	$21,586	+$963
Pay increase supplemental included above.....			(982)		
Permanent Positions - End of Year.....	663	575	657	680	+23
Staff-Years.....	732.8	620.0	701.6	714.6	+13.0

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request is for 680 positions and $21,586 thousand, increases of 23 positions and $963 thousand as compared to 1980.

The additional positions are for the economic and market analysis function in the Area Offices to support significantly expanded responsibilities and workload related to an increased emphasis on economic development. The additional funds include $807 thousand principally for the increased staffing level and within-grade increases and $156 thousand for other support items, such as travel, equipment rentals and supplies for the additional staff and for increased costs.

The budget also reflects the consolidation of HUD's labor relations effort within the Field Direction and Operational Support Activities. The Labor Relations staff within Field Direction and Operational Support has been responsible for overall field compliance with the Davis-Bacon Act and related legislation. Wage Requirements Clerks--who have previously been included in the Housing and Community Planning and Development budget activities--process and review requests for wage rate determinations, which are required for most HUD-related construction under Davis-Bacon. By reassigning these 82 positions (71 from Housing and 11 from Community Planning and Development) to Field Direction and Operational Support, the Department expects to achieve better management and more orderly and consistent staffing of labor relations operations.

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 estimate varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate	$19,009
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses"	-280
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-48
Add October 1979 pay raise	+1,143
Add cost of staffing changes due to functional transfer	+1,385
Add revised estimate for personal services cost.	-501
Less revised estimate for support costs	-85
Current 1980 estimate	$20,623

The changes in funding requirements for FY 1980 are the result of the following:

-- Action by the Congress on the Department's 1980 budget request for "Salaries and Expenses"...

* A share of the $396,000 departmentwide reduction from the budget request for travel (-$16,000)

* A share of the general departmentwide reduction of $6.8 million for "Salaries and Expenses" (9.0 staff years and -$264,000)

-- A share of the additional departmentwide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by the Congress (P.L. 96-86)

-- The additional funds required to implement the pay-increase which became effective during October 1979;

-- The transfer of 82 positions (86.2 staff-years) for wage requirement clerks into this activity in order to consolidate all wage determination activities under the Field Direction and Operational Support function. The source of the positions and funds are:

	POSITIONS	FUNDS
Housing	71	$1,202
Community Planning and Development	11	183
Total	82	1,385

-- A revision of personal services cost estimates based on more recent average salaries and benefits data; and

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

-- A revision of other objects of expense on the basis of more recent cost and requirements data--principally reductions in travel, transportation of things and equipment.

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$19,825	$20,623
Increased pay rates:		
October 1978 raise	+17	...
October 1979 raise	+1,143	+17
Cost of within-grade increases	+219	+242
Cost of two extra days pay in 1980	+156	...
Cost of one less days pay in 1981	...	-81
Changes in personal services costs, principally due to changes in average employment and average salary	-695	+629
All other changes	-42	+156
Total obligations	20,623	21,586

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost an additional $1,160 thousand in 1980 and an additional $17 thousand in 1981.

Within-grade increases for employees are estimated to cost $219 thousand in 1980 and $242 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared with 260 days in 1979. The two extra days are estimated to require an additional $156 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $81 thousand less in 1981.

Changes in personal services costs which reflect changes in both average employment and average personal services costs. The 1980 reduction of $695 thousand reflects reduced average employment and a reduction in the use of temporary staff as compared to permanent full-time staff--the latter results in an increase in the average personal services cost. The 1981 increase of $629 thousand reflects a continuation of this trend as well as the proposed increased employment by the addition of mid-level professionals for economic and market analysis activities.

Changes in miscellaneous items such as travel, equipment rental, printing, other services, supplies and equipment result in a net decrease of $42 thousand in 1980 and a net increase of $156 thousand in 1981. The increase in 1981 consists principally of travel ($83 thousand) and equipment rental ($73 thousand).

Salaries and Expenses, Housing and Urban Development
Budget Exhibit 13: Field Direction and Operational Support

STAFFING SUMMARY

SCOPE OF ACTIVITY

The Field Direction and Operational Support activity funds staff which directs and manages the Department's Field programs and provides cross-program technical support, in the areas of economic market analysis and labor relations. Specifically, the Field Direction function includes the staff required for the direction and overall administration of the Department's Field programs and activities, in accordance with delegated authority and with policy and other directives of the Secretary or principal officials. Operational Support includes three functions: regional program analysis, economic market analysis (EMA) and labor relations. EMA and labor relations directly support Housing and CPD workload processing.

EXPLANATION OF STAFFING REQUIREMENTS

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE- 1981 vs 1980
FIELD DIRECTION:					
Regional Offices.....	85	85	85	85	...
Area Offices.....	252	252	252	252	...
Subtotal.....	337	337	337	337	...
OPERATIONAL SUPPORT:					
Regional Offices.....	52	52	52	52	...
Area Offices.....	274	186	268	291	+23
Subtotal.....	326	238	320	343	+23
SUMMARY:					
Regional Offices....	137	137	137	137	...
Area Offices.....	526	438	520	543	+23
Total.....	663	575	657	680	+23

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
FIELD DIRECTION:					
Regional Offices....	92.5	96.8	92.5	92.5	...
Area Offices.....	279.1	269.1	265.1	265.1	...
Subtotal.....	371.6	365.9	357.6	357.6	...
OPERATIONAL SUPPORT:					
Regional Offices...	55.5	55.5	55.5	55.5	...
Area Offices.....	305.7	198.6	288.5	301.5	+13.0
Subtotal.....	361.2	254.1	344.0	357.0	+13.0
SUMMARY:					
Regional Offices...	148.0	152.3	148.0	148.0	...
Area Offices.....	584.8	467.7	553.6	566.6	+13.0
Total.....	732.8	620.0	701.6	714.6	+13.0

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

The staff-years indicated above, except for the 1980 Budget Estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget Estimate would be 624.4 staff years, and the 77.2 net increase, as compared to the Current Estimate, reflects the 9.0 staff years reduction resulting from Congressional action on the 1980 Budget offset by a transfer of 86.2 staff years from Housing and Community Planning and Development for wage determination activities.

The change in the 1980 staffing level from the Budget estimate of 575 to the Current level of 657 reflects a transfer of 82 positions (wage requirement clerks) from Housing and Community Planning and Development to the labor relations staff in the area offices.

The 1981 staff request is for 680 positions, an increase of 23 positions as compared to 1980. The additional positions are for expanded economic and market analysis workload and are discussed in greater detail in the ensuing section on Operational Support.

The staff-years consist of the following components:

	1979	1980	1981
Staff-years of permanent full-time personnel	657.8	664.2	676.2
Special employment programs	37.7	27.2	27.0
Other temporary and part-time employees	29.8	2.7	4.6
Terminal leave	3.7	3.7	3.0
Overtime	3.8	3.8	3.8
Total staff-years	732.8	701.6	714.6

A description of the last four categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD," in another section of this Part of the Justifications. The changes in these programs reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary and intermittent employment, and Special Employment Programs, which include such specialized programs as employment for the handicapped, Vietnam Veterans, summer college, etc.

1. REGIONAL OFFICES

a. FIELD DIRECTION STAFF

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	85	85	85	85	...
Staff-years	92.5	96.8	92.5	92.5	...

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

The Regional Administrator is responsible to the Secretary for administering within the defined geographic boundaries of the Region all of the Department's programs and activities in accordance with the program directions of and subject to delegations of authority from the Secretary and/or responsible Assistant Secretaries.

Other important duties of the Regional Administrator include: coordinating with the related program activities of other Federal departments and agencies having jurisdictions within the same Region; coordinating HUD's activities with the State governments within the Region, and serving as the Department's principal field liaison with Governors and other State officials; and representing the Secretary on the Federal Regional Council and on Interstate River Basin Commissions.

The Regional Administrator is assisted in carrying out these functions by a Deputy Regional Administrator and a small staff of secretarial and specialist aides. These include a Public Affairs Officer, who is responsible for regionwide public affairs services, and two special assistants. One special assistant is a generalist who performs a wide variety of tasks and the other special assistant is concerned primarily with Federal Regional Council activities.

A typical staffing pattern for the Office of Regional Administrator is as follows:

Position	Number
Regional Administrator	1
Deputy Regional Administrator	1
Special Assistants	2
Public Affairs Officer	1
Clerical Support	4
Total	9

b. OPERATIONAL SUPPORT STAFF

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	52	52	52	52	...
Staff-years	55.5	55.5	55.5	55.5	...

Each Regional Office has an Economist who serves as the principal advisor to the Regional Administrator on economic matters and market analysis aspects of the Department's housing and community planning and development programs. Additionally, he provides economic intelligence and analysis to the Regional Administrator and Headquarters on the condition of the entire regional economy, as well as separate local markets within the Region. The Regional Economist also provides technical guidance and direction to Area Office Economists and ensures the quality, timeliness and conformity with program standards of Area Office Economists' performance through monitoring and evaluation efforts.

The Regional Labor Relations Officer has, on behalf of the Regional Administrator, primary responsibility for monitoring and evaluating management of labor relations and labor standards enforcement in the field offices as well as the provision of technical guidance and direction. Additionally, the Officer represents the Regional Administrator on matters of labor relations and labor standards with

other Government agencies and outside groups, including maintaining liaison with organized labor, particularly the building and construction trades, and contractor associations. The Officer also provides appeal authority and management review of Area Office decisions arising under Title II, Section 12 of the Housing and Community Development Act of 1974.

The Program Planning and Evaluation Staff has primary responsibility for coordinating onsite management performance evaluations of Area Offices and conducting program evaluations on how external forces and program design features affect program impact in the Region. This staff also conducts research on housing and urban problems or on questions which affect HUD at the Regional level. A typical staffing pattern for the Regional Office Operational Support staff is as follows:

Position	Number
Regional Economist	1
Labor Relations Officer	1
Program Analysts	2
Clerical Support	1
Total	5

2. AREA OFFICES

a. FIELD DIRECTION STAFF

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1980	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	252	252	252	252	...
Staff-years	279.1	269.1	265.1	265.1	...

The Area Manager is responsible to the Regional Administrator for administering, within a defined geographic area, all of the Department's programs assigned to the Area Office. These include Mortgage Insurance and Assisted Housing programs, Housing Management, Community Planning and Development, and other programs of the Department.

The Area Manager is responsible for administering HUD program fund assignments made by program Assistant Secretaries (reallocations made by Regional Administrators) in a manner designed to implement and expedite program and production goals assigned him and to assure interprogram coordination.

In carrying out these responsibilities, the Area Manager is the spokesperson for the Secretary, Assistant Secretaries, and Regional Administrator and the Department in the area and represents them with mayors and other principal representatives of cities and localities and with private and public groups and persons having an interest in the programs of the Department.

The Area Manager is assisted in carrying out these functions by the Deputy Area Manager, Special Assistant (two in large Area Offices) and Clerical Support. A typical Staffing pattern for the office of the Area Manager is as follows:

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

Positions	Number	
Area Manager	1	
Deputy Area Manager	1	
Special Assistant	1	(2 in large Area Offices)
Clerical Support	3	(4 in large Area Offices)
Total	6	

b. OPERATIONAL SUPPORT STAFF

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	274	186	268	291	+23
Staff-years	305.7	198.6	288.5	301.5	+13.0

A typical staffing pattern for the Area Office Operational Support Staff is as follows:

Position	Number	
Labor Relations Specialists	1	(2 in large Area Offices)
Wage Requirements Assistants	2	
Area Economists	2	(3 to 5 in large Area Offices)
Clerical Support	1	
Total	6	

The Labor Relations staff is responsible to the Area Manager for ensuring the proper and uniform administration and enforcement of construction labor standards pertinent to all HUD programs within the office jurisdiction and for advising the Area Manager on labor relations matters. Specific functions of a Labor Relations staff include: wage requirements processing, conducting labor standards investigations and compliance reviews, determination of maintenance wage rates for low rent housing authorities, 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 violators, and supervising the conduct of Davis-Bacon residential wage surveys.

The Area Economist, as director of the Economic and Market Analysis Division (EMAD), is the principal economic advisor to the Area Manager. Depending on workload requirements, EMAD staffs in the various Area Offices range from 2 to 5 professional economists and statistical assistants. EMAD provides central economic and market analysis reviews of all major Housing and CPD program applications. As a result of these cross-program responsibilities, EMAD plays a key role in coordinating field office program delivery efforts. For example, EMAD review activities provide for integration of Community Development Block Grant Housing Assistance Plans (HAPS), the field office Housing Assistance Allocation Plan for the distribution of assisted housing funds, and assisted housing development applications submitted pursuant to the HAP and allocation processes.

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

Among its specific functions, EMAD is responsible for conducting market analyses of assisted and unassisted housing proposals, reviewing the economic and market feasibility of Urban Development Action Grants (UDAGs), reviewing the Housing Assistance Plans elements of Community Development Block Grant applications and providing technical assistance to Housing Assistance Plan applicants, reviewing Fair Market Rent modifications, establishing income limits for assisted housing programs, and developing the field office Housing Assistance Allocation Plans. In order to support these activities and other office needs, EMAD also undertakes various comprehensive or special market studies.

The staffing levels for this function, which are included in the table above, are as follows:

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year.....	(105)	(97)	(97)	(120)	(+23)
Staff-years.....	(116.0)	(104.6)	(113.1)	(126.1)	(+13.0)

The requested increase of 23 permanent full-time economist positions and 13 staff-years responds to workloads added since 1974, especially those associated with the Community Development Block Grant and Urban Development Action Grant programs. The additional workload has been undertaken by EMAD with little increase in field staff, despite the fact that each of the new functions requires specialized economic reviews and analyses.

The deficiency in the staffing levels for this function were identified during 1979, when the Department installed the major elements of a work measurement system covering Area Office EMAD functions. The initial development phase involved definition of work units, analysis of processing methods, and establishment of uniform performance standards for the various functions. A technical estimate method was used to set preliminary work measurement criteria for the EMAD work units. A major expansion of this initial analysis, using the same work units, a similar methodology, and a larger sample, is being undertaken in 1980 to refine the criteria.

The results of applying these staffing criteria to 1981 workloads are displayed in the table which follows this narrative and indicate the need for 158.6 staff-years, an increase of 42.6 over 1979 usage. The staffing factors assume thorough professional analytical work and complete supporting data development; the workload estimates assume full performance of demand workload (primarily externally generated, e.g., application review) and desirable levels of activity in non-demand work units (e.g., comprehensive housing market analyses).

Given the staffing levels available in recent years, it has clearly been necessary for the Department to accept less than full performance in workload coverage and, at time, in quality. Since no additional workload reporting system for EMAD existed until 1980, accurate historical work counts are not available. Management oversight of the function, however, suggests that the workload has been accommodated in various ways, principally through the priorities which individual offices have been forced to assign to the work, and through delayed or less thorough products in some cases.

Unless the present staffing deficit is gradually corrected, the analytical quality and timeliness of EMAD work products will be increasingly difficult to maintain, and it is likely that the Department will lose a significant part of its capacity to conduct independent and objective economic analysis in support of major Housing and CPD programs. This in turn could result in increased costs to the Federal Government through the approval of economically infeasible projects that will eventually default. The Department is not requesting full funding in 1981 of the staff required under the work measurement criteria because it would be difficult to maintain the current high professional staff quality in a one-year transition to a full field complement. It is essential to maintain this quality due to the significance of the function in the field processing chain, and therefore the Department requests only 23 positions and 13 staff-years as an incremental step toward fully adequate staffing. This minimum increase is basic to satisfactory activity in the function.

3. WORK MEASUREMENT

Work measurement standards and criteria have been established for all significant and staff intensive Field Direction and Operational Support activities in the field offices relating to Economic and Market Analysis. A description of the activity, workload, and criteria follows.

(a) Community Development Block Grants (CDBG)

(1) Entitlement Grants

(i) Applicant Training Session

-- Activity. Participate in Field office training sessions for prospective CDBG Entitlement applications to explain Housing Assistance Plan (HAP) concepts, methodologies, and sources of available data. Coordinate with other field office staff on training subjects and materials.

-- Work Unit. Each Area Office trains applicants within its jurisdiction. The number of work units is equal to the number of Area Offices.

-- Criterion. 0.6 staff-years

(ii) Application Review

-- Activity. Provide analytical services to ensure the quality of economic and market analysis and conclusions contained in HAPs and Grantee Performance Reports through technical assistance, application review, and performance monitoring in relation to current housing conditions, need for additional housing assistance, housing assistance goals, and proposed location of lower-income housing.

-- Work Unit. A review is required for each CDBG application. The number of work units, therefore, is equal to the number of applications.

-- Criterion. 6.9 staff-years

(2) Small Cities Grants

(i) Preapplication Review

-- Activity. Prepare review findings and recommendations on Small Cities CDBG preapplications, including determinations of need, program impact and benefit, performance, and other bonus points. The reviews include discussions with applicants to verify information provided, with other HUD staff to provide technical assistance, and participation in Area Office determination of ratings for eligibility criteria.

-- Work Unit. The number of work units equals the number of CDBG Small Cities preapplications submitted to the Area Offices.

-- Criterion. 2.0 staff-years

(ii) Applicant Training Session

-- Activity. Participate in Area Office training session for prospective CDBG Small Cities applicants to explain Housing Assistance Plan (HAP) concepts, methodologies, and sources of available data.

-- Work Unit. The number of work units is equal to the number of Area Offices.

-- Criterion. 0.9 staff-years

(iii) Application Review

-- Activity. To ensure the adequacy of economic and market analysis and conclusions contained in HAPs and Grantee Performance Reports through technical assistance, application review, and performance monitoring in relation to current housing conditions, need for additional housing assistance, housing assistance goals, and proposed locations of lower-income housing.

-- Work Unit. A review is required for each Small Cities application; the number of work units is equal to the number of applications received.

-- Criterion. 11.9 staff-years

(b) Urban Development Action Grants (UDAG)

(1) Application Reviews

-- Activity. Review UDAG applications to determine project eligibility under specified distress factors, propose eligible activities, and provide an assessment of the potential economic and market feasibility.

-- Work Unit. The number of work units is equal to the number of UDAG applications.

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-- Criterion. 36.8 staff-years

(c) Areawide Housing Opportunity Plans (AHOPs)

(1) AHOP Review

-- Activity. Provide technical assistance, impact analysis, and review of Areawide Housing Opportunity Plans as they relate to areawide housing assistance needs and goals, and the provisions of a broader geographical choice of housing opportunities for lower-income households outside of areas and jurisdictions which contain undue concentrations of low-income and minority households.

-- Work Unit. Technical assistance and a review is required for each application submitted by an areawide planning organization. The number of work units is equal to the number of applications.

-- Criterion. 3.6 staff-years

(d) Housing Assistance Allocation Plans

-- Activity. Participate in the allocation of funds and monitoring of assisted housing production to ensure that contract authority is reserved on the basis of HAP goals and relative needs and distributed within allocation areas in proportion to community requirements to serve elderly, family, and large family households, and goals for new construction, rehabilitation and existing housing. Responsibilities include establishing allocation areas, identifying fair share factors for each county in each field office jurisdiction, computing a fair share distribution of housing assistance funds for each allocation area, computing the number and proportion of units by housing type and household type for each allocation area, recommending the housing program mix, and recommending the reallocation of uncommitted contract authority.

-- Work Unit. Pursuant to the Section 891 regulations, an allocation plan is required for each Area Office and each Multifamily Service Office which has a separate assignment of assisted housing contract and budget authority. The number of work units is equal to the number of such offices.

-- Criterion. 5.7 staff-years

(e) Housing Market Analysis

(1) Market Analysis of Unassisted Housing Proposal

-- Activity. Assist field office housing development staff in determining the prospective marketability of unassisted housing applications. The reviews are conducted for all proposed projects of significant size (100 units in SMSAs and 50 units in non-SMSA markets), or for smaller projects where the field office housing development staff is uncertain about market prospects.

-- Work Units. A market analysis review is required for all multifamily housing project proposals of significant size for all Sections of the National Housing Act, including Section 207, 221(d)(4), 220, 234, mobile home park proposals and nursing home proposals. The number of work units is equal to the number of applications received.

-- Criterion. 17.0 staff-years

(2) Market Analysis Review of Assisted Housing Proposal

-- Activity. Assist field office housing development staff in determining the prospective marketability of all assisted housing proposals. EMA reviews for consistency with the field office allocation plan, any applicable Housing Assistance Plans, and for conformance with the Department's Site and Neighborhood standards.

-- Work Unit. A review is required for all assisted housing proposals, including Section 8, Low Income Public Housing, Section 202, State Agency (HFDA), and Farmers Home Administration. The number of reviews is equal to the number of applications received.

-- Criterion. 21.6 staff-years

(3) Comprehensive Housing Market Analysis Report

-- Activity. Determine current and prospective housing demand/supply relationships in local housing market areas. These reports provide information useful for a wide variety of other EMAD, housing development, and local public body activities. Performance of this work unit requires the development of a data system for monitoring all housing market areas within the field office jurisdiction.

-- Work Unit. Comprehensive Housing Market Analyses are conducted to provide background information on local economic and housing market conditions and projected housing demand for use in the Department's Housing underwriting process. The objective is to cover all major housing markets on a three-year cycle. The work unit is a complete market analysis report.

-- Criterion. 7.6 staff-years

(4) Housing Impact Study

-- Activity. Housing impact studies are a special category of Comprehensive Housing Market Analysis which are concerned with (but need not be limited to) activities such as analysis of tight and soft housing markets, military base closings, and analysis of housing needs in areas affected by natural disasters. The reports include housing demand forecasts and recommended program actions.

Performance of this activity requires the development of a data system to acquire information necessary for monitoring all housing market areas within the field office jurisdiction.

-- Work Unit. Housing Impact Studies are conducted for problem market areas on an "as needed" basis. The number of such studies has averaged about 4 to 5 annually per Area Office.

-- Criterion. 7.1 staff-years

(f) Income Limit Adjustment

(1) PHA Income Limit Revisions

-- Activity. Provide technical assistance, as requested and review income limit revisions submitted by Public Housing Agencies. As necessary, consult with other HUD staff and PHAs for additional information and clarification. Recommend approval or disapproval of income limit changes on the basis of data submitted in request, and inform PHA and other HUD officials of decision.

-- Work Unit. PHAs are required to review their income limits on a bi-annual basis, with revised income limit schedules adopted by PHAs submitted to Area Offices for review and approval. The number of work units is equal to the number of income schedules recommended for approval or disapproval.

-- Criterion. 2.0 staff-years

(2) Other Assisted Housing Income Limit Revisions

-- Activity. Provide technical assistance, review and monitoring of effectiveness of all HUD-approved income limits for assisted housing programs under U. S. Housing Act of 1937, National Housing Act, and Housing and Urban Development Act of 1965. This includes income limits for rent supplement, Section 8, Section 235, Section 236, and Section 221(d)(3) BMIR programs. Propose income limit modifications in accordance with outstanding instructions. Income limits are reviewed to (1) ensure that revised schedules would be in compliance with statutory requirements and administrative guidelines, and (2) ensure that the accuracy and validity of the request are supported by accompanying data and documentation.

-- Work Unit. The number of work units is equal to the number of income schedules recommended for modification.

-- Criterion. 0.2 staff-years

(g) Fair Market Rent (FMR) Adjustment

(1) Fair Market Rent Exception

-- Activity. Ensure the reasonableness of requests by Public Housing Agency (PHA) for approval of gross rents which exceed published FMRs for the Existing Section 8 program. PHAs have the authority to approve gross rents on a unit-by-unit basis which exceed published FMRs by up to 10 percent. HUD approval is required for gross rents which exceed the published FMRs by more than 10 percent, up to a maximum of 20 percent above FMRs.

-- Work Unit. Field Office economists review all PHA requests for approval of gross rents exceeding published FMRs by up to 20 percent and recommend approval or disapproval of such requests. The number of work units is equal to the number of requests for exceptions reviewed.

-- Criterion. 0.7 staff-years

(2) Fair Market Rent Revision

-- Activity. Ensure the reasonableness of published FMRs. Economists are responsible for ongoing review of FMRs for Existing Housing under the Existing Section 8 program and for recommending appropriate revisions to the Area Manager. Modified FMR schedules in a particular area may be utilized when published "for effect" in the Federal Register.

-- Work Unit. Review of published FMRs and development of recommendations for appropriate revisions. These recommendations may be undertaken on the basis of public comments in response to the Federal Register publication or on the basis of Field Office considerations. The number of work units is equal to the number of FMR schedules recommended for revision.

-- Criterion. 2.0 staff-years

(h) Neighborhood Strategy Area Proposals (NSA)

(1) NSA Proposal Reviewed

-- Activity. Advise and provide technical assistance to applicants during the preparation of the NSA proposal. Technical review of the application to determine adequacy of data and information in the application and conformity to outstanding regulations, threshold requirements, and processing instructions.

-- Work Unit. A review is required for each NSA proposal; the number of work units equals the number of reviews completed.

-- Criterion. 1.1 staff-years

(j) Property Disposition Review

(1) Section 290 Review

-- Activity. Review pertinent economic, demographic, and housing market data to identify factors which affect the disposition of HUD-owned multifamily projects. The objectives of Property Disposition reviews are to assist the Department in planning the orderly disposition of HUD-owned multifamily projects consistent with overall market trends and demand estimates for assisted and unassisted housing.

-- Work Unit. Reviews are conducted to determine the feasibility and market impact of disposing of HUD acquired multifamily projects with or without subsidy assistance. The number of work units equals the number of PD reviews completed.

-- Criterion. 6.9 staff-years

The Economic and Market Analysis field staffing estimates based on work measurement criteria are shown in the following table:

ECONOMIC MARKET ANALYSIS FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT CRITERIA

		Estimate 1981		
	Work Unit	Number of Work Units	Staff-Hour Requirement	Staff-Years
COMMUNITY DEVELOPMENT BLOCK GRANTS				
Entitlement Grants				
Applicant Training Session Conducted	Area Office	40	28.0	0.6
Applicant Reviewed	Application	662	18.7	6.9
Small Cities Grants				
Preapplication Reviewed	Preapplication	4,500	0.8	2.0
Applicant Training Session Conducted	Area Office	40	39.0	0.9
Application Reviewed	Application	2,400	8.9	11.9
URBAN DEVELOPMENT ACTION GRANTS				
Application Reviewed	Application	950	69.7	36.8
AREAWIDE HOUSING OPPORTUNITY PLANS				
AHOP Reviewed	AHOP Submitted	75	86.8	3.6
HOUSING ASSISTANCE ALLOCATION PLANS				
HAAP Completed and Monitored	Area Office	40	248.5	5.5
	Multifamily Service Office	8	43.0	0.2

ECONOMIC MARKET ANALYSIS FIELD STAFFING ESTIMATES BASED ON WORK MEASUREMENT CRITERIA

		Estimate 1981		
	Work Unit	Number of Work Units	Staff-Hour Requirement	Staff-Years
HOUSING MARKET ANALYSIS				
Market Analysis of Unassisted Housing Proposal	Multifamily Proposal	864	35.4	17.0
Market Analysis of Assisted Housing Proposal	Multifamily Proposal	4,224	9.2	21.6
Comprehensive Housing Market Analysis Completed	Report	85	160.0	7.6
Housing Impact Study Completed	Report	180	70.7	7.1
INCOME LIMIT ADJUSTMENT				
PHA Income Limit Revised	Income Limit	1,600	2.3	2.0
Other Assisted Housing Limit Revised	Income Limit	450	0.6	0.2
FAIR MARKET RENT ADJUSTMENT				
Fair Market Rent Exception	FMR	150	8.6	0.7
Fair Market Rent Revision	FMR	300	12.0	2.0
NEIGHBORHOOD STRATEGY AREA PROPOSALS				
NSA Proposal Reviewed	NSA Proposal	100	20.4	1.1
PROPERTY DISPOSITION REVIEW				
Section 290 Review Completed	Sale -- MF Project	243	51.0	6.9
Subtotal -- Direct Time				134.6
Data Development and Maintenance and Special Studies				10.9
Administrative Work and Training				13.1
Total -- Economic Market Analysis				158.6

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)				
Travel and Transportation of Persons.....	$734	$800	$698	$781	+$83
Transportation of Things....	32	50	21	24	+3
Rent, Communications and Utilities.....	347	371	395	468	+73
Printing and Reproduction...	57	70	61	66	+5
Other Services.....	87	76	70	101	+31
Supplies and Materials.....	124	123	132	145	+13
Equipment.....	222	204	183	131	-52
Indemnities for Property Damage.....	1	1	2	2	...
Total, Other Objects.....	1,604	1,695	1,562	1,718	+156

Costs for these objects of expense are based in large part on a prorata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD". However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The obligations for travel in 1980 includes the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of the overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

Travel funds are used principally for monitoring of field offices and for on-site reviews in connection with specific programs, such as the review by economic and market analysis staffs of Urban Development Action Grant proposals. The increase of $83,000 in 1981 reflects higher travel costs as well as additional travel requirements associated with the additional economic and market analysis positions requested.

A more complete discussion of the basis for the Department's travel estimates is found in the section "Salaries and Expenses, HUD" contained in Volume III.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FIELD DIRECTION AND OPERATIONAL SUPPORT
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)

OFFICE OF THE REGIONAL ADMINISTRATOR

TITLE & GRADE	FY-1979	FY-1980	FY-1981
REGIONAL ADMINISTRATOR			
ES-4	9	8	8
ES-3	0	1	1
ES-2	0	0	0
ES-1	1	1	1
DEPUTY REGIONAL ADMINISTRATOR			
ES-4	6	6	6
ES-3	2	2	2
ES-2	2	2	2
GS-15	12	12	12
GS-14 AND BELOW	105	105	105
TOTAL POSITIONS	137	137	137
AVERAGE EMPLOYMENT	148.0	148.0	148.0
PERSONAL SERVICES	$3,765	$4,020	$4,114

OFFICE OF THE AREA MANAGER

TITLE & GRADE	FY-1979	FY-1980	FY-1981
AREA MANAGER			
ES-4	10	10	10
ES-3	4	4	4
ES-2	3	3	3
ES-1	1	1	1
GS-15	42	44	44
GS-14 AND BELOW	466	458	481
TOTAL POSITIONS	526	520	543
AVERAGE EMPLOYMENT	584.8	553.6	566.6
PERSONAL SERVICES	$14,456	$15,041	$15,754

SUMMARY
FIELD DIRECTION AND OPERATIONAL SUPPORT

TITLE & GRADE	FY-1979	FY-1980	FY-1981
REGIONAL ADMINISTRATOR			
ES-4	9	8	8
ES-3	0	1	1
ES-2	0	0	0
ES-1	1	1	1
DEPUTY REGIONAL ADMINISTRATOR			
ES-4	6	6	6
ES-3	2	2	2
ES-2	2	2	2
AREA MANAGER			
ES-4	10	10	10
ES-3	4	4	4
ES-2	3	3	3
ES-1	1	1	1
GS-15	54	56	56
GS-14 AND BELOW	571	563	586
TOTAL POSITIONS	663	657	680
AVERAGE EMPLOYMENT	732.8	701.6	714.6
PERSONAL SERVICES	$18,221	$19,061	$19,868

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this Part of the Justifications. This section describes the effect of the proposed amendment to the FY 1981 Budget request and the reduction of the proposed supplemental for pay costs for the "Salaries and Expenses" portion of this budget activity. All data are presented on a comparable basis for the three fiscal years - 1979, 1980 and 1981.

BUDGET ACTIVITY 14: FIELD ADMINISTRATION

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
		(Dollars in Thousands)				
TOTAL FUNDING BY OBJECT						
Personal Services....	$24,508	$25,871	$25,744	$28,751	$28,520	+$2,776
Furniture and Equipment.....	426	348	348	246	224	-124
All Other.....	31,479	35,897	35,897	38,203	38,203	+2,306
Total.....	56,413	62,116	61,989	67,200	66,947	+4,958
Pay increase supplemental included above		(1,585)	(1,458)			
Permanent positions End of Year.....	1,214	1,126	1,126	1,181	1,181	+55
Staff-Years.....	1,349.2	1,293.8	1,287.8	1,413.8	1,402.8	+115.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

CHANGES IN 1980 ESTIMATES

The estimate for supplemental funds required for the pay raise implemented during October 1979 has been reduced $127 thousand to reflect a reduction of 6 staff-years which may result from the limitation on Federal civilian hiring directed by the President on March 14, 1980. This reduction reflects a pro-rata share only of a possible 78 staff-year reduction for the Department as a whole. It is stressed that both the reduction for this activity and the overall reduction for the Department are dependent on rates of attrition which have not occurred. The actual reduction in staff-years may differ considerably from this estimate.

CHANGES IN 1981 ESTIMATES

Personal Services - A reduction of $231 thousand--from $28,751 thousand to $28,520 thousand--is included in this revised request. The reduction reflects the possible impact of the limitation on Federal hiring as directed by the President on March 14, 1980. As stated above, the actual effect of the employment freeze cannot yet be fully assessed. However, a pro-rata share reduction of 11 staff-years has been applied. The pro-rata share is from a Department-wide estimated reduction of 130 staff-years.

Equipment - The reduction of $22 thousand, from $246 thousand to $224 thousand, is a pro-rata share of an overall Departmental reduction of $280 thousand related to the government-wide effort to reduce outlays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is included later in this Part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with each particular Budget Activity of "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years, 1979, 1980, and 1981.

BUDGET ACTIVITY 14: FIELD ADMINISTRATION

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity.....	$56,413	$58,325	$62,116	$67,200	+$5,084
Pay increase supplemental included above.....			(1,585)		
Permanent full-time positions, end of year.....	1,214	1,152	1,126	1,181	+55
Staff-years.....	1,349.2	1,267.0	1,293.8	1,413.8	+120.0

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 request is for 1,181 positions and $67,200 thousand. These are increases of 55 positions and $5,084 thousand, respectively, as compared to 1980.

The additional staff are required principally to support higher program workload in accounting, management information, personnel, management systems, and claims collection activities. The additional funds consist of $2,880 thousand for personal services costs for the increased staffing level and within-grade increases, and $2,204 thousand in other costs, principally for space rental, communications, postal services, equipment rental and travel.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The current 1980 estimate varies from the 1980 Budget estimate as follows:

Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

	(Dollars in Thousands)
Original estimate	$58,325
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses"	-1,309
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-54
Add October 1979 pay raise	+1,666
Add cost of staffing changes due to revised workload requirements data	+359
Add revised estimate for personal services costs	+515
Add revised estimates for support costs	+2,614
Current 1980 estimate	$62,116

The changes in funding requirements for 1980 are the result of the following:

-- action by the Congress on the Department's 1980 Budget request for "Salaries and Expenses":

* a share of the $396 thousand departmentwide reduction from the Budget request for travel (-$19 thousand),

* a share of the $1.0 million reduction of space rental funds (-$541 thousand),

* a reduction of 26 positions and 9.7 staff-years (-$178 thousand),

* a share of the general departmentwide reduction of $6.8 million for "Salaries and Expenses" (18.9 staff-years and -$571 thousand);

-- a share of the additional departmentwide reduction of $1.1 million in obligations for travel and transportation of things as a result of the general reduction to the Executive Branch mandated by the Congress (P.L. 96-86);

-- the additional funds required to implement the pay increase which became effective during October 1979;

-- a realignment of staffing based on more recent workload data which resulted in an increase of 18.9 staff-years;

-- a revision of personal services cost estimates based on more recent average salaries and benefits data; and

-- a revision of other objects of expense on the basis of more recent cost and requirements data, principally for postal and communication services, equipment rentals, and travel.

Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$56,413	$62,116
Increased pay rates:		
October 1978 raise	+24	...
October 1979 raise	+1,666	+24
Cost of within-grade increases	+311	+362
Cost of two extra days' pay in 1980	+197	...
Cost of one less day's pay in 1981	...	-110
Changes in personal services costs, principally due to changes in average employment	-835	+2,604
Changes in:		
Office space rental payment to GSA	+2,625	+430
Penalty mail payments to the Postal Service	+958	+701
Federal Telecommunications System cost to GSA	+355	+215
Other communications and equipment rentals	+311	+605
Other miscellaneous changes	+91	+253
Total obligations	62,116	67,200

EXPLANATION OF INCREASES AND DECREASES

Enacted pay raises are estimated to cost $1,690 thousand in 1980 and an additional $24 thousand in 1981.

Within-grade increases for employees are estimated to cost $311 thousand in 1980 and an additional $362 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared with 260 days in 1979. The two extra days are estimated to require an additional $197 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $110 thousand less in 1981.

A reduction of $835 thousand for personal services costs during 1980 results primarily from a reduction of 55.4 staff-years from 1979. An increase of 120 staff-years during 1981 requires an increase of $2,604 thousand for personal services costs.

Mandatory items of payment to the General Services Administration (GSA) and the Postal Service are estimated to increase as follows:

	SPACE RENTAL	FEDERAL TELECOM-MUNICATIONS SYSTEM	PENALTY MAIL
		(Dollars in Thousands)	
FY 1979	$20,565	$3,890	$3,917
Increase	+2,625	+355	+958
FY 1980	23,190	4,245	4,875
Increase	+430	+215	+701
FY 1981	23,620	4,460	5,576

Space rental costs, based upon estimates provided by GSA, are estimated to cost an additional $2,625 thousand in 1980 and an additional $430 thousand in 1981.

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Estimates provided by the GSA indicate that the cost of utilizing the Federal Telecommunications System will increase $355 thousand in 1980 and an additional $215 thousand in 1981.

Penalty mail costs paid to the Postal Service are estimated to increase $958 thousand in 1980 and an additional $701 thousand in 1981.

Changes in the costs of other communications services and equipment rentals result in an increase of $311 thousand in 1980 and an additional $605 thousand in 1981.

Changes in the costs of miscellaneous items such as travel, printing, supplies, and equipment result in net increases of $91 thousand in 1980 and an additional $253 thousand in 1981. The increase in 1981 is principally for increased travel funds to support the additional staff-years and continued increases in the cost of travel due to inflation.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

Field Administration staff are responsible for all administrative functions in Regional and other Field Offices. Duties performed may include any or all of the following: personnel management, accounting, administrative services, management and budget, claims collection, contracting, and management information services, including reports, statistics, and ADP operations. Operation of the HUD National Training Center at Columbia, Maryland is also included within Field Administration. A separate discussion for each component of Field Administration follows under the "Explanation of Staffing Requirements."

2. WORKLOAD

The workload undertaken by the staff included in this activity is reflective of their diverse responsibilities. It includes a wide variety of specific actions which range from basic processing activities related to the recording of obligations and payments under the accounting functions, through the processing of personnel and procurement actions, to the conduct of financial management analyses and regionwide coordination of all administrative activities. The staffing levels for this activity are determined by the application of work measurement standards to workload indicators. The indicators, or units measured, include the number of employees to be served, documents received for processing, and various other services or actions to be provided.

A reorganization of field offices which was implemented during 1978 significantly altered the internal structure of this activity and the manner in which it provided services to other field staff. In order to assess the impact of these changes, a thorough analysis of the workload indicators and work measurement standards used to identify the staff levels required to execute the assigned functions was undertaken during 1979. The analysis has resulted in revised work measurement standards and the identification of additional or changed units measured. The staffing levels required reflect the application of these revised standards to the anticipated workload and are addressed in greater detail in the pertinent sections of the Justification.

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EXPLANATION OF STAFFING REQUIREMENTS

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Regional Offices:					
Immediate Office of the Director, Office of Regional Administration....	34	20	20	20	...
Accounting Services.....	185	185	189	205	+16
Administrative Services.....	119	130	110	112	+ 2
Management and Budget Services.....	74	73	82	94	+12
Contracting Services.....	8	8	8	9	+ 1
Management Information Services.....	79	71	79	83	+ 4
Personnel Services.....	178	186	162	178	+16
Management Planning and Systems Support.....	...	41	...	...	...
Subtotal, Regional Offices.....	677	714	650	701	+51
Collocated Area Offices:					
Administrative Coordination..	10	...	24	24	...
Noncollocated Area Offices:					
Administrative Management and Support.....	413	423	326	334	+ 8
Administrative Support to Subordinate Offices.....	99	...	111	106	- 5
By Regional Office Staff...	(25)	...	(28)	(26)	(-2)
By Field Office Staff.....	(74)	...	(83)	(80)	(-3)
Subtotal, Regions.....	1,199	1,137	1,111	1,165	+54
Regional Office Staff..	(702)	(673)	(678)	(727)	(+49)
Field Office Staff.....	(497)	(464)	(433)	(438)	(+5)
National Training Center.....	15	15	15	16	+ 1
Total, permanent full-time positions (end of year)....	1,214	1,152	1,126	1,181	+55

The reduction of 26 positions in the current estimate for 1980, as compared to the Budget estimate, reflects the reduction made by the Congress in the 1980 appropriations act. The current 1980 estimate is therefore 88 positions less than the actual 1979 level. A decrease of this magnitude clearly has a serious negative impact on the Department's capacity to maintain a well-qualified, fully productive Field Administration staff, and in turn inhibits its capacity to provide the dependable, timely, and quality services which are essential to program field staffing efforts, to program accounting and ADP activities, and to maintenance of the physical, administrative, and informational environment conducive to effective program operations.

The increase requested for 1981 is 55 positions over the 1980 current estimate and 33 positions lower than 1979 usage. In addition to restoring operations to a satisfactorily responsive level, the increase is primarily related to the application of new work measurement standards to higher workloads in Regional Office accounting and in management information services at all levels, to newly assigned examining functions in Regional Office personnel services, and to enhanced capacity to administer the Departmental Operating Plan System and claims collection activities.

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The requested increase of 55 PFT positions is deemed to be the minimum required to carry out the increased workloads in 1981 which are computed under the work measurement standards to require 120 staff-years over the current 1980 estimate. It is planned to make maximum use of temporary and part-time employees to cover the expanded Field Administration staff time required in 1981 as compared with 1980. The requested level of 1,181 PFT positions in 1981 is 33 less than the 1979 level and recognizes the dual policy of keeping Federal permanent full-time employment to minimum viable levels while maximizing the use of other types of employment.

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Regional Offices:					
Administrative General Direction	36.4	56.2	31.5	31.5	...
Accounting Services	199.0	216.1	220.6	244.1	+23.5
Administrative Services	159.4	148.1	149.2	151.7	+ 2.5
Management and Budget Services	80.9	97.6	108.5	116.4	+ 7.9
Contracting Services	8.7	8.8	9.6	10.8	+ 1.2
Management Information Services	82.4	87.1	85.2	89.1	+ 3.9
Personnel Services	204.5	232.1	184.0	198.5	+14.5
Management Planning and Systems Support	...	49.2	...	...	...
Subtotal, Regional Offices	771.3	895.2	788.6	842.1	+53.5
Collocated Area Offices:					
Administrative Coordination	11.5	...	25.2	25.2	...
Noncollocated Area Offices:					
Administrative Management and Support	427.2	507.3	365.2	377.9	+12.7
Administrative Support to Subordinate Offices	102.6	...	135.7	131.1	- 4.6
By Regional Office Staff	(26.0)	...	(37.0)	(35.2)	(-1.8)
By Field Office Staff	(76.6)	...	(98.7)	(95.9)	(-2.8)
Auxiliary Duties of All HUD Staff	10.8	...	3.5	11.5	+8.0
Subtotal, Regions	1,323.4	1,402.5	1,318.2	1,387.8	+69.6
National Training Center	15.5	16.0	16.0	17.0	+ 1.0
Total Computed Staff-Year Requirement	1,338.9	1,418.5	1,334.2	1,404.8	+70.6
Less Anticipated Workload/ Productivity Adjustments	...	-121.5	-49.4	...	+49.4
Plus Terminal Leave	10.3	5.0	9.0	9.0	...
Less Overtime	...	-35.0	...	...	...
Budgeted Staff-Years	1,349.2	1,267.0	1,293.8	1,413.8	+120.0

The staff-years indicated above, except for the 1980 Budget estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the 1980 Budget estimate would be 1,303.5 staff-years. The comparable 9.7 net decrease, as compared to the current estimate, reflects the 28.6 staff-year reduction resulting from Congressional action on the 1980 Budget partially offset by an increase of 18.9 resulting from an overall realignment of staff on the basis of current workload data.

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An additional change in the current 1980 estimate as compared to the Budget estimate is the different base on which staffing requirements are computed. New work measurement standards result in a decrease below the Budget estimate of 84.3 staff-years in computed 1980 requirements, based on relatively similar workload levels. These new standards fully reflect the economies in administrative operations which are realized by the 1978 field reorganization, and which were included only on an estimated basis in the 1980 Budget submission.

The 120 staff-year increase requested for 1981, a total of 70.6 more than the calculated requirement for 1980, is also the result of applying the new work measurement standards to the best available workload estimates. The principal functions for which increased workloads are projected are noted in the discussion of the requested additional positions. Greater detail is provided in the following pages which describe the individual functional areas listed on the previous page. The functions themselves are also thoroughly detailed in the "Work Measurement" section which addresses the work covered by each standard.

It should be noted that more detailed data is being provided for staffing requirements associated with administrative coordination in collocated Area Offices and for administrative support provided subordinate offices, i.e., Service Offices and Valuation/Endorsement Stations.

The staff-years for the Field Administration Activity consist of the following components:

	1979	1980	1981
Staff-years of permanent full-time personnel..	1,159.1	1,186.0	1,163.0
Special employment programs.....	95.1	54.0	100.0
Other temporary and part-time employees.....	49.6	9.8	106.8
Terminal leave.....	10.3	9.0	9.0
Overtime.....	35.1	35.0	35.0
Total staff-years.....	1,349.2	1,293.8	1,413.8

A description of the last four categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another section of this Justification. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment, and special employment programs, which include such specialized programs as employment of the handicapped, Vietnam veterans, and summer college.

Discussions of staffing for each of the principal administrative areas are provided in the following sections and are also found in the section on "Work Measurement" in the latter part of the Justification for this Budget Activity.

a. Regional Office

(1) Immediate Office of the Director, Office of Regional Administration

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year.....	34	20	20	20	...
Staff-years.....	36.4	56.2	31.5	31.5	...

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The Director, Office of Regional Administration provides overall direction, coordination, and monitoring of administrative activities in the Area Offices, advises the Regional Administrator and Deputy Regional Administrator on matters of administrative management, and supervises the provision of administrative support to the Regional Office, the collocated Area Office and subordinate offices.

Positions in this category cover solely the requirements of the Immediate Office of the Director. The requested staff-years include both the Immediate Office of the Director and additional general or internal activities of Field Administration staff which are not clearly related to specific Field Administration functions discussed under individual office headings.

The new work measurement standards eliminate from this category the previous allowances for administrative training and for administrative support to the Headquarters-directed personnel who are located in the field; these activities are now covered in the standards for specific administrative functions. The decrease in staff-years from the 1980 Budget estimate to the current estimate is due to this change in the work structure.

No change in the staffing level is requested for 1981.

(2) Accounting Services

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year....	185	185	189	205	+16
Staff-years.....	199.0	216.1	220.6	244.1	+23.5

The Regional Accounting Division provides accounting support to all program and administrative activities, except for mortgage insurance programs. It is responsible for processing all travel vouchers and other administrative payments for the Region, maintaining the Department's accounts in the Region, preparing numerous reports and analyses that reflect program and budgetary performance and needs, and providing advice and assistance to local agencies on all accounting requirements relating to HUD programs.

The increase in the current 1980 estimate as compared to the Budget estimate, and the requested staff increase for 1981 are based on applying work measurement standards to the program and administrative workload levels estimated for the coming year. Most of the increase is related to the greater number of assisted housing projects in management, approved action grant and elderly housing projects, and Section 312 rehabilitation loans. In addition, the increase will support preliminary actions to decentralize mortgage accounting.

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(3) Administrative Services

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year....	119	130	110	112	+2
Staff-years.....	159.4	148.1	149.2	151.7	+2.5

The Administrative Services Division provides numerous services related to space and communication, procurement, mail handling, paperwork and property management, and other similar activities. It also directs and coordinates delivery of administrative services throughout the Region, and operates administrative services for the Regional Office, its collocated Area Office, and any subordinate offices.

The decrease in the 1980 current estimate of 20 positions below the Budget estimate is the net effect of changes in work units, workload levels, and work measurement standards. The new standards eliminate from this section the administrative services requirements of satellites to collocated Area Offices (see d below). The increase of 2 positions for 1981 is for increased workload in this area.

(4) Management and Budget Services

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year....	74	73	82	94	+12
Staff-years.....	80.9	97.6	108.5	116.4	+7.9

The Management and Budget Division provides services relating to the organization, management, and budget of the Region, including fund allocation and monitoring, preparation and justification of annual budgets, analytical support to improve program operations and organization, and management of Departmental systems for time reporting and for forms, reports and issuances control. An additional major responsibility is the operation within the Region of the Departmental Operating Plan System, including program forecasts, staffing analysis, suballocation of resources and workload to field offices, control of resource utilization, monitoring of accomplishment, and related analysis of time reporting data.

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The increase of 9 positions and 10.9 staff-years in 1980 as compared to the 1980 Budget estimate is based on applying work measurement standards to best available workload estimates. The recent work measurement study addressed earlier showed that more staff resources were being applied to the Management and Budget Division than were included under the previous work measurement standards. Regional Administrators had discovered, through experience, that such usage resulted in a high rate of return in terms of improved efficiency in overall Regional operations and management.

An increase of 12 positions is requested for 1981. Of this total, 6 positions are requested for enhanced claims collection efforts. Claims requiring Departmental collection are escalating and are related to many programs, including Section 8 payments, Urban Renewal closeouts, Title I and other insured loans, and New Communities loan guarantees. The increased staff would permit reduction in the growing backlog of claims and improved monitoring of field office claims collection and deposit activities, thereby decreasing expenses and increasing net proceeds to the Government.

The remaining 6 positions are requested for improvement of the Departmental Operating Plan System in the Regions. This is the principal vehicle for Departmental execution of the approved Budget and appropriations act. A major analysis of the system in 1980 is expected to result in recommendations to simplify the overall process, including the automated system for production of the Plans and for monitoring of performance through the Executive Management Review System. An additional objective is to revise current reports generated by the automated system to improve their utilization as management information tools. In order to gain the benefits of this analysis, the additional staff are requested to implement the decisions made on the basis of the review.

(5) Contracting Services

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1980 vs 1981
Permanent full-time positions, end of year....	8	8	8	9	+1
Staff-years.....	8.7	8.8	9.6	10.8	+1.2

Principal activities of the Regional Contracting Officer include evaluating and monitoring all Regional procurement to ensure compliance with policies and regulations, placing and administering contracts over $10,000, awarding certain cooperative agreements, and administering grants and cooperative agreements as delegated, as well as related advice and assistance to the Regional Administrator and principal staff.

Contracting services for all 10 Regions are currently being executed by 8 Contracting Officers, which requires that two of the Contracting Officers must each serve two Regions. An increasing workload, as well as greater responsibilities related to ensuring that Federal interests are appropriately protected in the award and monitoring of contracts, requires one additional Contracting Officer.

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(6) Management Information Services

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1980 vs 1981
Permanent full-time positions, end of year....	79	71	79	83	+ 4
Staff-years.....	82.4	87.1	85.2	89.1	+3.9

The Management Information Division provides overall direction and coordination of data management, reporting, and information services throughout the Region. Information services relate primarily to automated data processing, providing the communications skills necessary to operate the ADP network which links all Field Offices to the Regional Offices and Headquarters. Additional workload includes the development and administration of various information systems, monitoring and technical assistance related to data quality, special studies and management assistance, and counseling in the area of reports and statistics. Past activities of the Management Information Division have resulted in the development of systems which have had wide-ranging application throughout the Department.

The minor changes in staffing in the 1980 current estimate as compared to the Budget estimate are the net result of applying the new work measurement standards to the most recent workload estimates.

Consistent with past approval by the Congress of HUD's expanded use of modern, decentralized computer hardware, the Department's field operations are increasingly supported by responsive automated systems for both information and processing. As a result, the direct workload in management information services for 1981 will increase as current systems are better utilized and as new systems are brought on-line. The requested increase of 3.9 staff-years (4 positions) in 1981 will permit the Regional Office to support the operational requirements of its collocated Area Office as well as to ensure data quality as the Department implements several large new ADP systems.

(7) Personnel Services

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1980 vs 1981
Permanent full-time positions, end of year....	178	186	162	178	+16
Staff-years.....	204.5	232.1	184.0	198.5	+14.5

The Personnel Division is responsible for overall direction and coordination of personnel activities in the Region, for performing a wide variety of specialized Regional functions including classification, training, employee counseling, management advisory services, and liaison with subordinate installations, and for providing operating personnel services for the Regional Office, the collocated Area Office, and its satellites.

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The reduction of 24 positions in the 1980 staffing level from the Budget estimate is the result of new work measurement standards applied to lower workload estimates which reflect the elimination from these standards and workloads of the personnel requirements of offices subordinate to the collocated Area Offices (see d below).

The increase of 14.5 staff-years in 1981 is the net effect of a decrease of 2.3 staff-years in requirements for normal operations based on work measurement standards, offset by the need for 16.8 additional staff-years to perform certain examining functions transferred to the Department from the Office of Personnel Management without transfer of related staff. The new functions involve the examination and certification of applicants for occupational skill areas needed in Departmental programs. HUD's performance of this activity will speed and improve the examining and certification process through close coordination of specialized program expertise with technical personnel operations, with resulting benefits to HUD program delivery.

(8) Management Planning and Systems Support

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1980 vs 1981
Permanent full-time positions, end of year....	...	41	...	...	...
Staff-years.....	...	49.2	...	...	...

The 1980 Justification under this category requested the Regional Office staff needed to perform various management planning and information services for the collocated Area Office and its subordinate offices, consistent with the 1978 reorganization. As an element of the 1979 work measurement study, a thorough analysis was undertaken of Field Administration activities and staffing in the collocated Area Office and, separately, in the subordinate Service Offices and Valuation/Endorsement Stations. Staffing for the functions previously covered in this category, therefore, is now included below under "Collocated Area Office -- Administrative Coordination" and under "Administrative Support to Subordinate Offices."

b. Collocated Area Office -- Administrative Coordination

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year....	10	...	24	24	...
Staff-years.....	11.5	...	25.2	25.2	...

As a result of the 1978 field reorganization, administrative management and support functions for the 9 collocated Area Offices are performed by the Regional Offices situated in the same city; Regional Office staff (see section a above) support administrative operations in these Area Offices, based on new work measurement standards and work units which fully reflect collocation. As explained above under "Management Planning and Systems Support," the 1980 Budget used a different work structure to cover these functions and hence no separate 1980 Budget estimate is identified.

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The collocated Area Office staffing estimates address the need for a small staff to provide liaison between the Area and Regional Offices, to coordinate Area Office administrative requirements and perform essential basic operations, and to provide direct advice and general administrative assistance to the Area Manager and principal Area Office officials. Staffing for the collocated Area Office remains level from 1980 to 1981 under the new work measurement standards.

c. Noncollocated Area Office Administrative Management and Support

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1980 vs 1981
Permanent full-time positions, end of year....	413	423	326	334	+ 8
Staff-years.....	427.2	507.3	365.2	377.9	+12.7

There are 31 noncollocated Area Offices, with staffing levels ranging from 50 to over 450 permanent positions, which require basic administrative management and support. Field Administration staff are responsible for all administrative activities in the noncollocated Area Offices, including personnel management, administrative services, and management planning and information services. Personnel activities include classification, staffing, training coordination, employee counseling, and labor/management advisory services. Administrative services activities include management of records and equipment, space planning and management, mail handling, and communication services. Management planning and information services activities include handling of funding documents, organizational studies and reports, development and monitoring of local office Operating Plans, preparation and submission of time reports, and input and quality control of ADP information that flows directly from the Area Offices to Headquarters. Various recurring administrative reports are prepared in the Area Offices for transmittal to Regional Offices and Headquarters or for local use.

The 1980 Budget estimate included staff for provision of administrative support to the noncollocated Area Offices and their subordinate installations. The reduction of 97 positions in the 1980 staffing level from the Budget estimate is the net result of new work measurement standards and new work units, and the separate identification of staff requirements for subordinate offices (see the following section).

The increase of 12.7 staff-years in 1981 reflects the application of work measurement standards to the best available estimates of workload. Most of this increase is due to substantially higher estimated information services workloads, offset by a very small decrease in administrative management and support staffing based on a minimal decrease in the number of positions served. The information services projections reflect the implementation of several large new ADP systems as well as full utilization of the significant opportunities available from the expanded ADP equipment.

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d. Administrative Support to Subordinate Offices

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year....	99	...	111	106	-5
Staff-years.....	102.6	...	135.7	131.1	-4.6

Administrative support to Service Offices and Valuation/Endorsement Stations is provided by personnel in the Regional Office, if the installation is subordinate to a collocated Area Office, or by the noncollocated Area Office. In small offices or for certain less specialized administrative duties, Housing personnel in subordinate offices may themselves perform some administrative activities on a part-time or intermittent basis as required. This staff time is identified as a function of the Field Administration Activity, and provides support in the areas of personnel, administrative services, and management information services.

This activity was not separately identified in the 1980 Budget; it was included within the totals for Management Planning and Systems Support and for noncollocated Area Office Administrative Management and Support. The 1980 current estimate and the 1981 request are based on applying new work measurement standards to present workload projections. The small decrease in 1981 is the net result of a reduction in the number of positions served and increased workload in information services related to the implementation of new ADP systems and full utilization of new ADP capacity.

e. Auxiliary Duties of All HUD Staff

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1980 vs 1981
Permanent full-time positions, end of year....	...	...	...	...	...
Staff-years.....	10.8	...	3.5	11.5	+8.0

Various administrative duties are assigned to both program and Field Administration staff on an auxiliary basis. These activities, funded by the Field Administration account, fall generally into the following categories:

-- Program liaison for Field Administration functions such as claims collection; audit resolution; forms, reports, and issuances management; and the employee suggestion program (IDEAS); and

-- Employee and organizational development activities including counseling related to equal employment opportunity within HUD; coordination of the Hispanic and women's programs; grievance examination; occupational health and safety functions; and, principally, employee representation in union matters.

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In 1980, as in other years, no staff time was budgeted for these general auxiliary duties. They were instead considered to be included within the Field Administration Activity. A Departmental contract with the American Federation of Government Employees, AFL-CIO, effective in November 1979, however, calls for specific allowances for union representation on official time. Because of the magnitude of this requirement and its mandated nature, specific time is being identified for auxiliary duties, principally but not solely including union representation. Since the contract was concluded during 1980, the increase in staff-years in 1981 will provide for auxiliary duties for the full year.

f. National Training Center

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1980 vs 1981
Permanent full-time positions, end of year....	15	15	15	16	+1
Staff-years.....	15.5	16.0	16.0	17.0	+1.0

The National Training Center, located at Columbia, Maryland, is the Department's central facility for employee instruction in program operations as well as in general supervisory and managerial methods. The Center staff is responsible for operating the Center, which includes a varied physical complex, and for coordinating the administrative details of facilities management and trainee accommodations.

The staff also provides training direction in several areas. These include planning the Center's training calendar in response to programmatic and other Departmental needs and evaluating course effectiveness, as well as giving technical guidance to program officials in their design, development, and conduct of individual courses. While training in HUD program delivery remains the Center's primary focus, the staff also has direct instructional duties for developing and conducting training for supervisors and managers which emphasizes the latest techniques and theories in the behavioral sciences and in systems management.

In order to gain greater application of the Center's technical services in 1981, it is intended that Center staff undertake a new initiative. In cooperation with functional specialists, Center personnel will design and package programmatic courses for delivery by local staff in field offices, thus increasing the flexibility and availability of Departmental training. This approach, however, will require more definition and development of course materials and methods than is necessary for a course conducted at the Center by Headquarters program experts. The increase in 1981 is to support this effort.

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WORK MEASUREMENT

In 1977 the Department installed the initial elements of a work measurement system covering Field Administration activities. This effort involved analysis of processes and procedures within Field Administration, identification of the work activities which were the main contributors to the Field Administration workload, and development of work measurement standards through field surveys and analysis of historical data.

The 1978 field reorganization restructured Field Administration activities to such a degree that new work measurement standards were required. Prior to the reorganization, administrative management functions were performed within each HUD Area Office and each satellite Insuring Office. The reorganization collocated Regional and Area Offices in 9 of the 10 cities in which a Regional Office is situated, and transferred all operational administrative functions from these 9 Area Offices, and from their satellite Service Offices and Valuation/Endorsement Stations, to the Office of Regional Administration.

The 1980 Budget was prepared based on preliminary adjustments in the previous work measurement standards to reflect economies projected from this consolidation of functions in the Regional Offices. It was recognized that adjustments were provisional and that the reorganization required a comprehensive reanalysis of workload indicators and staffing factors. In 1979, a work measurement study was conducted to initiate this review.

The primary work measurement technique used in the 1979 study was work sampling, a scientifically rigorous method. In general, work sampling involves making objective, randomly spaced, direct observations of work being performed, simultaneously classifying these observations by precisely prescribed categories, and determining percentages of time per category. In conjunction with production counts obtained during the sampled period, this time information is then used to develop work measurement standards in terms of hours per unit of work produced. To a limited degree, this method was supplemented by technical estimates for activities which were not observed during the period of field study.

With the outcome of this methodology, work measurement standards were developed for each Administrative Division in the Regional Offices and each administrative function in the Area and Service Offices and the Valuation/Endorsement Stations. Standards cover all activities assigned to the field during the period of the study. The standards take into account the differing requirements of collocated vs. noncollocated Regional and Area Offices, and of Multifamily Service Offices vs. regular Service Offices with only single family operations. All staff time required to perform each function is included in these standards.

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The Field Administration work measurement standards are as follows:

1. REGIONAL OFFICE

a. Administrative General Direction

-- Activity. Perform the functions of the Immediate Office of the Director, Office of Regional Administration, i.e., direct and coordinate administrative activities throughout the Region; advise Regional officials on administrative management; and supervise the provision of administrative support to the Regional Office, and to the collocated Area Office and its satellites. In addition to duties assigned to the Immediate Office, conduct internal activities and respond to the public and to other HUD staff on general matters which are not clearly related to specific Field Administration functions.

-- Standard. 3.15 staff-years per Regional Office.

b. Accounting Services

(1) Accounting Services

-- Activity. Administer the internal Regional Office accounting system, including processing of invoices and vouchers for payment, control of travel fund usage, processing and control of accounts payable and receivable, and maintenance of accounting records and controls for administrative and program funds.

-- Standard. 0.731 staff-hour per document processed.

(2) Field Office Reviews

-- Activity. Conduct periodic financial reviews of the Regional and Field Offices to ensure compliance with Departmental and regulatory requirements relating to cash management controls, fund controls, and the collection of debts and claims.

-- Standard. 46.5 staff-hours per review conducted.

(3) Supervision

-- Activity. Supervise the staff and work of the Regional Accounting Division and its branches.

-- Standard. 3.0 staff-years per Regional Office.

Salaries and Expenses, Housing and Urban Development
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c. Administrative Services

(1) Administrative Support Services

-- Activity. Perform varied duties including distribution of payroll checks, acquisition and control of supplies, and counseling of employees on travel and transportation regulations.

-- Standard. 11.48 staff-hours per PFT employee in Regional Office and collocated Area Office (average during year).

(2) Paperwork Management

-- Activity. Supply and control forms and issuances, monitor inventories, and administer forms and records management programs.

-- Standard. 13.10 staff-hours per PFT employee in Regional Office and collocated Area Office (average during year).

(3) Mail Handling

-- Activity. Pick up mail from Post Office, distribute throughout office, pick up and deliver intra-office mail, and provide other services as needed.

-- Standard. 11.33 staff-hours per PFT employee in Regional Office and collocated Area Office (average during year).

(4) Imprest Fund

-- Activity. Control and make available for use an imprest fund for the Regional Office, account for monies in the imprest fund, balance it daily, and ensure its proper size and management.

-- Standard. 1.64 staff-hours per PFT employee in Regional Office and collocated Area Office (average during year).

(5) Motor Pool

-- Activity. Provide motor pool services, including maintenance of records and control of usage of assigned GSA vehicles, handling of damage claims, and licensing of users.

-- Standard. 0.73 staff-hour per PFT employee in Regional Office and collocated Area Office (average during year).

(6) Procurement

-- Activity. Receive, process, and monitor regionwide procurements for supplies, general services, furniture, and equipment.

-- Standard. 1.73 staff-hours per purchase order processed (HUD-35s and SF-344s).

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(7) Printing and Reproduction Services

-- Activity. Administer printing contracts, design and produce materials to be printed, and operate and maintain printing and reproduction equipment.

-- Standard. 0.50 staff-hour per printing requisition processed (HUD-20Bs and GPO-2511s).

(8) Property Management

-- Activity. Provide furniture/equipment services such as issuance and management of assigned furniture and equipment, control of the requisition process, and maintenance of accountability through property records.

-- Standard. 0.13 staff-hour per requisition for supplies and equipment processed (HUD-10s and 10.2s).

(9) Collateral Duties

-- Activity. Perform various auxiliary duties, e.g., develop, manage, and monitor the required Facility Self Protection cadre, and provide a broad range of program and legal document resource services to program officials, other agencies, and public or private groups.

-- Standard. 0.43 staff-hour per Regional Office PFT employee (average during year).

(10) Library Services

-- Activity. Provide technical direction to library services and facilities within Region. Offer technical, programmatic, documentary, bibliographic, and circulation services within the Regional Office library.

-- Standard. 1.00 staff-year per Regional Office library.

(11) Telecommunications

-- Activity. Monitor communications requirements, e.g., telephone and facsimile, to ensure that office needs are being fulfilled in a cost effective manner, and initiate requests for changes. Coordinate field telephone requirements and operate message center.

-- Standard. 2.81 staff-hours per PFT employee in Region (average during year).

(12) Facilities Management

-- Activity. Analyze office layouts to ensure that available space is equitably distributed, and plan and implement changes to improve personnel efficiencies or morale.

-- Standard. 0.51 staff-hour per PFT employee in Region (average during year).

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(13) Annual Property Inventory

-- Activity. Maintain an inventory of office furniture and equipment and periodically analyze furniture and equipment needs. Perform minor repairs on equipment and administer maintenance contracts.

-- Standard. 0.32 staff-hour per PFT employee in Region (average during year).

(14) Supervision

-- Activity. Supervise the staff and work of the Regional Administrative Services Division.

-- Standard. 1.00 staff-year per Regional Office.

d. Management and Budget Services

(1) Regional Management and Budget Services

-- Activity. In support of the entire Region, administer management systems, conduct the forms management program, and perform operational duties such as budget, Operating Plan, and Executive Management Review System activities, including workload forecasts and workload/staffing allocations to field offices.

-- Standard. 5.44 staff-hours per PFT employee in Region (average during year).

(2) Regional Management and Budget Support

-- Activity. Manage the Departmental time reporting system within the Region, perform budget analyses for submission to Headquarters, review and disseminate Federal Register materials, administer the Regional issuance program, and conduct administrative training.

-- Standard. 14.44 staff-hours per PFT employee in Regional Office and collocated Area Office (average during year).

(3) Field Office Management and Budget Support

-- Activity. Participate in reviews of Area Offices, Service Offices, and Valuation/Endorsement Stations, conduct records and correspondence management activities in field offices, and perform organizational analyses of field offices.

-- Standard. 66.80 staff-hours per office served.

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(4) Regional Office Management and Budget Services

-- Activity. Perform internal management functions of the Management and Budget Division including supervision of Division work and staff, clerical processing, and correspondence and supplies activities. Also prepare and promulgate Regional Office delegations of authority.

-- Standard. 5.68 staff-hours per PFT employee in Regional Office.

(5) Fund Allocation

-- Activity. Serve as the control point for processing and monitoring all Program Fund and Contract Authority Assignments (HUD-185s) and prepare and monitor fund subassignments to field offices. Also issue budget allowances for and monitor use of allotments for administrative expenses, except personal services, and administer these funds properly.

-- Standard. 0.50 staff-hour per fund assignment (HUD-185.1s) processed.

(6) Management Analysis Program

-- Activity. Conduct a Regional management analysis program to develop and recommend improvements in operating practices and in managerial methods in response to Regional needs.

-- Standard. 1.00 staff-year per Regional Office.

(7) Employee Suggestion Program (IDEAS)

-- Activity. Operate the Regional program for Improving Departmental Efficiency and Services.

-- Standard. 0.42 staff-year per Regional Office.

(8) Claims Collection

-- Activity. Collect outstanding balances on amounts owed the Department and monitor field office activities in this area.

-- Standard. 0.2 staff-year per Regional Office.

(9) Audit Resolution

-- Activity. Coordinate with program officials and with Inspector General and General Accounting Office staff the resolution of Regional audit problems and oversee related field office activities.

-- Standard. 0.25 staff-year per Regional Office.

(10) Word Processing Supervision

-- Activity. Supervise and ensure that timely, efficient, and economical service to all office personnel is provided by the Regional Word Processing Center.

-- Standard. 1.0 staff-year per Center.

(11) Clerical Support

-- Activity. Perform clerical support activities to the operations of the Regional Management and Budget Division.

-- Standard. 1.00 staff-year per Regional Office.

e. Contracting Services

-- Activity. Monitor and evaluate all Regional procurement activities to ensure that regulations and policies are observed and that procedures are current and effective. Place and administer cooperative agreements and contracts over $10,000, except for the Property Disposition program. Advise Regional officials on these matters.

-- Standard. 1.20 staff-years per participating Regional Office.

f. Management Information Services

(1) Core Staff

-- Activity. Implement automated systems for regionwide use, including identification of ADP applications, development of Regional modifications of existing systems, and installation of systems throughout Region. Monitor and audit data quality and provide technical assistance to program officials to ensure data quality. Coordinate and control information systems development, teleprocessing service, equipment/system usage schedule, and problem resolution, and provide programing services. Ensure proper and prompt maintenance of ADP equipment in the Regional Office.

-- Standard. 5.00 staff-years per Regional Office.

(2) Information Services

-- Activity. Provide primary terminal operator for all Departmental and Regional ADP systems and ensure timely and accurate data entry. Generate and distribute recurring and special reports.

-- Standard. 0.0042 staff-hour per card input.

g. Personnel Services

(1) Classification

-- Activity. Ensure that positions are classified properly, establish new positions, conduct surveys to determine accuracy of existing position descriptions, review classification appeals, and maintain Federal Personnel Manuals.

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-- Standard. 1.95 staff-hours per PFT employee in Region (average during year).

(2) Staffing

-- Activity. Conduct Regional staff planning and staffing activities, process personnel actions, conduct Regional recruitment activities, screen applications, develop qualifications certificates, convene merit staffing panels, and orient new employees.

-- Standard. 7.94 staff-hours per PFT employee in Region (average during year).

(3) Payroll/Clerical Processing

-- Activity. Review time cards, submit them to Headquarters, and perform related administrative tasks. Process personnel and selected payroll actions and resolve pay problems. Maintain personnel files. Disseminate vacancy announcements and other personnel material. Prepare special reports as requested by the Office of Personnel Management and by Headquarters.

-- Standard. 8.59 staff-hours per PFT employee in Region (average during year).

(4) Training Coordination

-- Activity. Develop and conduct a Regional training program to improve performance of managers and employees, including an annual survey of training needs. Perform administrative activities in connection with courses, including screening of requests, coordination with employees and related paperwork, reports, and record-keeping. Monitor training funds. Provide information on training opportunities and counsel employees as requested.

-- Standard. 2.52 staff-hours per PFT employee in Region (average per year).

(5) Employee-Management/Labor-Management Relations

-- Activity. Perform employee relations functions, including annual performance evaluation program, processing of awards, and administration of the grievance process. Administer hours of duty, absence, and leave provisions, and assist employees with retirement analysis and computations. Perform equal employment opportunity counterpart functions, including employee counseling needed to determine whether matter is EEO-related. Advise or represent and provide technical assistance to management on internal labor relations.

-- Standard. 4.53 staff-hours per PFT employee in a collocated Region (average during year). 1.95 staff-hours per PFT employee in a noncollocated Region (average during year).

(6) Special Examining Function

-- Activity. Issue special examination registers, receive applications, examine and rate them according to Office of Personnel Management guidelines and regulations, determine eligibility for Federal employment by grade and type of work, maintain register of eligibles, and provide register of certified applicants to HUD and other Federal personnel offices in response to vacancy requests.

-- Allowance. 2.10 staff-years per large Regional Office. 1.05 staff-years per small Regional Office.

(7) Supervision

-- Activity. Supervise the staff and work of the Regional Personnel Division and its branches.

-- Standard. 2.00 staff-years per Regional Office.

2. COLLOCATED AREA OFFICE -- ADMINISTRATIVE COORDINATION

-- Activity. Provide the Area Manager and other Area Office officials with advice, assistance, and essential basic operational support on personnel, information services, management systems, administrative services, and related matters. Serve as liaison with the collocated Office of Regional Administration to ensure that the services described below under "Noncollocated Area Office" are provided to the collocated Area Office by the Regional Office in a timely and effective manner.

-- Standard. 3.15 staff-years per collocated Area Office.

3. NONCOLLOCATED AREA OFFICE

a. Administrative Management and Support

-- Standard. 3.655 staff-years per office plus 0.034 staff-year per PFT employee in Area Office (average during year), which is the aggregate of the following functional standards:

(1) Administrative Officer

-- Activity. Supervise the staff and operations of the branches of the Administrative Management Division to ensure that standards, requirements, and goals are met, and that the office is served in a timely and effective manner. Maintain liaison and coordination with other Area Office Divisions and the Office of Regional Administration.

-- Standard. 1.000 staff-year per office.

(2) Accounting and Budget

-- Activity. Analyze budget materials and control program and administrative fund allowances. Act as the focal point for all subassignments of funds (HUD-185.1s) received by the Area Office.

-- Standard. 0.027 staff-year per office plus 0.005 staff-year per PFT employee.

(3) Administrative Services

-- Activity. Provide library, records, files, and communication services and facilities. Manage transportation and official travel services, including control and allocation of motor vehicle mileage ceilings and other efforts to promote office energy conservation. Acquire, stock, and distribute forms, issuances, and publications. Administer an imprest fund for payment of cash purchases, travel advances, and reimbursement vouchers. Administer space and property management programs and provide delegated procurement services. Perform miscellaneous services, such as distribution of salary checks and bonds.

-- Standard. 0.389 staff-year per office plus 0.018 staff-year per PFT employee.

(4) Management Services

-- Activity. Develop, update, and monitor the Area Office component of the Regional Operating Plan, and analyze and track resource usage and performance against Plan. Provide organizational and other management analysis services as required. Serve as office control point for Departmental time reporting system to ensure accurate date entry and effective use of reports. Operate word processing center if authorized for office. Manage the employee suggestion program (IDEAS) for office.

-- Standard. 0.250 staff-year per office plus 0.006 staff-year per PFT employee.

(5) Personnel Services

-- Activity. Develop and issue office personnel policies and procedures, perform ongoing position management, classify positions up to delegated grade levels, recruit and place staff, orient new employees, coordinate training activities in the office, and administer programs for employee appraisal, labor-management relations, and employee relations, including awards, discipline, grievance resolution, and employee services and benefits. Maintain personnel records. Develop and implement the internal affirmative action plan.

-- Standard. 1.989 staff-years per office plus 0.005 staff-year per PFT employee.

b. Information Services

-- Activity. Coordinate the development of Area Office ADP requirements. Work with the Region and Headquarters on ADP systems and installation of equipment. Monitor and schedule existing systems and ADP teleprocessing equipment to ensure efficient and effective use. Provide primary terminal operator services for all ADP systems in the Area Office. Train office employees in capabilities and functions of ADP systems, and work with them to ensure data quality.

-- Standard. 0.002 staff-year per hour of connect time.

4. ADMINISTRATIVE SUPPORT TO SUBORDINATE OFFICES

Administrative support to subordinate offices is provided primarily by staff assigned to the parent noncollocated Area Office or to the Regional Office, if the office is subordinate to a collocated Area Office. Personnel performing these functions may be duty-stationed to the subordinate office if workload warrants. Housing staff in the subordinate office may also perform some administrative work, covered by these standards, on a part-time or intermittent basis.

Standards have been developed for administrative support to subordinate offices for the same functions as for noncollocated Area Office administrative activities. The definitions of these activities are shown under item 3, and are not repeated below.

a. Multifamily Service Office

(1) Administrative Management Support

-- Standard. 2.405 staff-years per office plus 0.032 staff-year per PFT employee assigned to Multifamily Service Office (average during year), which is the aggregate of the following functional standards:

(a) Administrative Officer

-- Standard. 1.000 staff-year per office.

(b) Accounting and Budget

-- Standard. 0.027 staff-year per office plus 0.005 staff-year per PFT employee.

(c) Administrative Services

-- Standard. 0.389 staff-year per office plus 0.018 staff-year per PFT employee.

(d) Management Services

-- Standard. 0.004 staff-year per PFT employee.

(e) Personnel Services

-- Standard. 0.989 staff-year per office plus 0.005 staff-year per PFT employee.

(2) Information Services

-- Standard. 0.002 staff-year per hour of connect time.

b. Service Office--Valuation/Endorsement Station

(1) Administrative Support

-- Standard. 2.135 staff-years per office with 30 or more assigned PFT employees, or 1.135 staff-years per office with less than 30 assigned PFT employees; plus 0.030 staff-year per PFT employee in the office (average during year). This is the total of the following functional standards:

(a) Administrative Officer

-- Standard. 1.000 staff-year for Service Office with 30 or more PFT employees assigned. No resources for Service Office with less than 30 PFT employees assigned.

(b) Accounting and Budget

-- Standard. 0.027 staff-year per office plus 0.005 staff-year per PFT employee.

(c) Administrative Services

-- Standard. 0.119 staff-year per office plus 0.018 staff-year per PFT employee.

(d) Management Services

-- Standard. 0.002 staff-year per PFT employee.

(e) Personnel Services

-- Standard. 0.989 staff-year per office plus 0.005 staff-year per PFT employee.

(2) Information Services

-- Standard. 0.002 staff-year per hour of connect time.

Displayed in the following chart are the results of application of these standards to projected workloads for 1980 and 1981.

SUMMARY OF FIELD ADMINISTRATION WORK MEASUREMENT STANDARDS AND CALCULATED STAFF-YEARS

OFFICE TYPE AND FUNCTION	WORK UNIT a/	WORK MEASUREMENT STANDARD b/	1980 ESTIMATE National Workload (# WU's)	1980 ESTIMATE Calculated Staff-Years	1981 ESTIMATE National Workload (# WU's)	1981 ESTIMATE Calculated Staff-Years
REGIONAL OFFICES (10)						
ADMINISTRATIVE GENERAL DIRECTION	Regional Offices	3.15 SY	10	31.50	10	31.50
ACCOUNTING SERVICES						
Accounting Services	Documents Processed	0.731 SH	460,000	186.81	518,000	210.37
Field Office Reviews	Reviews Conducted	46.5 SH	146	3.77	146	3.77
Supervision	Regional Offices	3.0 SY	10	30.00	10	30.00
Subtotal - Accounting Services				220.58		244.14
ADMINISTRATIVE SERVICES						
Administrative Support Services	PFTs Served	11.48 SH	4,003	25.53	4,032	25.72
Paperwork Management	PFTs Served	13.10 SH	4,003	29.13	4,032	29.34
Mail Handling	PFTs Served	11.33 SH	4,003	25.20	4,032	25.38
Imprest Fund	PFTs Served	1.64 SH	4,003	3.65	4,032	3.67
Motor Pool	PFTs Served	0.73 SH	4,003	1.62	4,032	1.64
Procurement	HUD-35s & SF-344s	1.73 SH	13,635	13.10	15,000	14.42
Printing/Reproduction	HUD-208s & GPO-2511s	0.50 SH	21,881	6.08	24,263	6.74
Property Management	HUD-10s & 10.2s	0.13 SH	26,290	1.90	28,919	2.09
Collateral Duties	Regional Office PFTs	0.43 SH	1,476	0.35	1,509	0.36
Library Services	Regional Libraries	1.00 SY	9	9.00	9	9.00
Telecommunications	Total Regional PFTs	2.81 SH	11,697	18.26	11,536	18.01
Facilities Management	Total Regional PFTs	0.51 SH	11,697	3.31	11,536	3.27
Annual Property Inventory	Total Regional PFTs	0.32 SH	11,697	2.08	11,536	2.05
Supervision	Regional Offices	1.00 SY	10	10.00	10	10.00
Subtotal - Admin. Services				149.21		151.69
MANAGEMENT & BUDGET SERVICES						
Regional Mgmt. & Budget Services	Total Regional PFTs	5.44 SH	11,697	35.35	11,536	34.86
Regional Mgmt. & Budget Support	PFTs Served	14.44 SH	4,003	32.11	4,032	36.35 c/
Fld. Ofc. Mgmt. & Budget Support	Offices Served	66.80 SH	81	3.01	81	3.01
Reg. Ofc. Mgmt. & Budget Services	Regional Office PFTs	5.68 SH	1,476	4.66	1,509	4.76
Fund Allocation	HUD-185.1s	0.50 SH	2,458	0.68	2,458	0.68
Management Analysis Program	Regional Offices	1.00 SY	10	10.00	10	10.00
Employee Suggestion Program (IDEAS)	Regional Offices	0.42 SY	10	4.20	10	4.20

OFFICE TYPE AND FUNCTION	WORK UNIT a/	WORK MEASUREMENT STANDARD b/	1980 ESTIMATE National Workload (# WU's)	1980 ESTIMATE Calculated Staff-Years	1981 ESTIMATE National Workload (# WU's)	1981 ESTIMATE Calculated Staff-Years
Claims Collection and Audit Resolution	Regional Offices	0.45 SY	10	4.50	10	8.50 d/
Word Processing Supervision	Word Processing Centers	1.00 SY	4	4.00	4	4.00
Clerical Support	Regional Offices	1.00 SY	10	10.00	10	10.00
Subtotal - Mgmt. & Bud. Services				108.51		116.36
CONTRACTING SERVICES	Participating Reg. Offices	1.20 SY	8	9.60	9	10.80
MANAGEMENT INFORMATION SERVICES						
Core Staff	Regional Offices	5.00 SY	10	50.00	10	50.00
Information Services	Cards Input	0.0042 SH	15,086,509	35.20	16,750,000	39.08
Subtotal - Mgmt. Info. Services				85.20		89.08
PERSONNEL SERVICES						
Classification	Total Regional PFTs	1.95 SH	11,697	12.67	11,536	12.50
Staffing	Total Regional PFTs	7.94 SH	11,697	51.60	11,536	50.89
Payroll/Clerical Processing	Total Regional PFTs	3.39 SH	11,697	55.82	11,536	55.05
Training Coordination	Total Regional PFTs	2.52 SH	11,697	16.38	11,536	16.15
Employee-Labor/Mgmt. Relations	Total Reg. PFTs (C) e/	4.53 SH	10,354	26.06	10,204	25.68
	(NC)	1.95 SH	1,343	1.45	1,332	1.44
Special Examining Function	Regional Offices f/	2.10 SY (lg. Ofc.)	...	...	6	12.60
		1.05 SY (Sml. Ofc.)	...	...	4	4.20
Supervision	Regional Offices	2.00 SY	10	20.00	10	20.00
Subtotal - Personnel Services				183.98		198.51
SUBTOTAL - REGIONAL OFFICES				788.58		842.08
COLLOCATED AREA OFFICES (8)						
Admin. Coordination	Collocated AO	3.15 SY	8	25.20	8	25.20
NONCOLLOCATED AREA OFFICES (31)						
Admin. Management and Support	Noncollocated AOs	3.655 SY/Ofc.	31	314.31	31	313.87
	Total PFTs	+.034 SY/WU	5,912		5,899	
Information Services	Connect Time (Hrs.)	0.002 SY	25,463	50.93	32,000	64.00
Subtotal - Noncollocated AOs				365.24		377.87

OFFICE TYPE AND FUNCTION	WORK UNIT a/	WORK MEASUREMENT STANDARD b/	1980 ESTIMATE National Workload (# WU's)	1980 ESTIMATE Calculated Staff-Years	1981 ESTIMATE National Workload (# WU's)	1981 ESTIMATE Calculated Staff-Years
ADMINISTRATIVE SUPPORT TO SUBORDINATE OFFICES						
MULTIFAMILY SERVICE OFFICES						
Admin. Management Support	MFSOs	2.405 SY/Ofc.	9	46.00	11	54.07
	Total PFTs	+.032 SY/WU	761		863	
Information Services	Connect Time	0.002 SY	4,713	9.43	6,000	12.00
SERVICE OFFICES/VAL. END. STAS.						
Admin. Support						
Service Offices over 29 PFT	Service Offices	2.135 SY/Ofc.	15	54.83	9	34.94
	Total PFTs	+.030 SY/WU	760		524	
Service Offices under 30 PFT	Service Offices	1.135 SY/Ofc.	9	16.34	13	20.07
	Total PFTs	+.030 SY/WU	204		177	
Valuation/Endorsement Stas. (8)	Total PFTs	.030 SY/WU	59	1.77	42	1.26
Information Services	Connect Time (Hrs.)	0.002 SY	3,668	7.34	4,300	8.80
Subtotal - Subordinate Offices				135.71		131.14
Provided by Reg. Office Staff				(37.02)		(35.24)
Provided by Field Office Staff				(98.69)		(95.90)
AUXILIARY DUTIES (Union representation, coordination of Hispanic and Women's Programs, certain grievance and merit staffing activities, etc.)	Allowance			3.50		11.50
TOTAL - REGIONS				1,318.23		1,387.79
NATIONAL TRAINING CENTER	Allowance			16.00		17.00
TOTAL - FIELD ADMINISTRATION COMPUTED STAFF-YEAR REQUIREMENT				1,334.23		1,404.79

a/ Work units are described on the preceding pages.
b/ SY = staff-year (1,800 hours); SH = staff-hour.
c/ Includes 4.0 staff-years for enhanced Operating Plan activities not covered by work measurement.
d/ Includes 4.0 staff-years for enhanced claims collection activities not covered by work measurement.
e/ C = Regional Office with collocated Area Office; NC = Regional Office without collocated Area Office (Fort Worth).
f/ Function transferred from Office of Personnel Management after 1979 work measurement study. Staffing level based on technical estimate.

Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

OTHER OBJECTS OF EXPENSE

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Travel and Transportation of Persons	$1,349	$926	$1,286	$1,544	+$258
Transportation of Things	76	43	42	48	+6
Rent, Communications and Utilities	28,863	31,998	33,112	35,063	+1,951
(GSA Rents)	(20,565)	(23,731)	(23,190)	(23,620)	(+430)
(FTS)	(3,890)	(4,034)	(4,245)	(4,460)	(+215)
(Penalty Mail)	(3,917)	(3,423)	(4,875)	(5,576)	(+701)
(All Other)	(491)	(810)	(802)	(1,407)	(+605)
Printing and Reproduction	127	115	137	149	+12
Other Services	795	542	1,035	1,099	+64
Supplies and Materials	264	265	282	297	+15
Equipment	426	355	348	246	-102
Indemnities for Property Damage	5	1	3	3	...
Total, Other Objects	31,905	34,245	36,245	38,449	+2,204

Costs for these objects of expense are based in large part on a pro rata share of total Departmental requirements which are discussed in greater detail in the section on "Salaries and Expenses, HUD." However, it should be noted that the funding increases in 1980 and 1981, as shown above, when compared with actual obligations in 1979, reflect substantially the rise in costs of goods and services rather than increases in receipt of the goods or services themselves.

The category of rents, communications and utilities increases by $1,951 thousand in 1981. This includes an increase of $430 thousand in space rental and is based on estimated charges for leased space furnished by the General Services Administration. Similarly, the increase in Federal Telecommunications System (FTS) expenses is based on data furnished by the GSA, taking into account increases in rates. Penalty mail costs are based on calculations furnished by the U.S. Postal Service. The increase of $605 thousand includes increased equipment rentals, mainly through enhanced word processing equipment utilization, as well as anticipated rates for local telephone and rental services.

The increase of $360 thousand in travel in the 1980 current estimate, as compared to the Budget estimate, reflects the higher than anticipated travel which occurred in 1979. The increase in travel also reflects oversight responsibilities for field staff related to the planning and installation of the HUD Teleprocessing Network (HTN II).

The obligations for travel in 1980 include the effect of the overall reduction in obligations for travel (and transportation of things) mandated by the Congress in the Executive Branch in the Joint Resolution providing continuing appropriations for 1980 (P.L. 96-86). However, the ultimate impact of that overall reduction on all activities of the Department has not yet been determined, so that the estimates for travel and transportation of things shown above must be regarded as preliminary.

Salaries and Expenses, Housing and Urban Development
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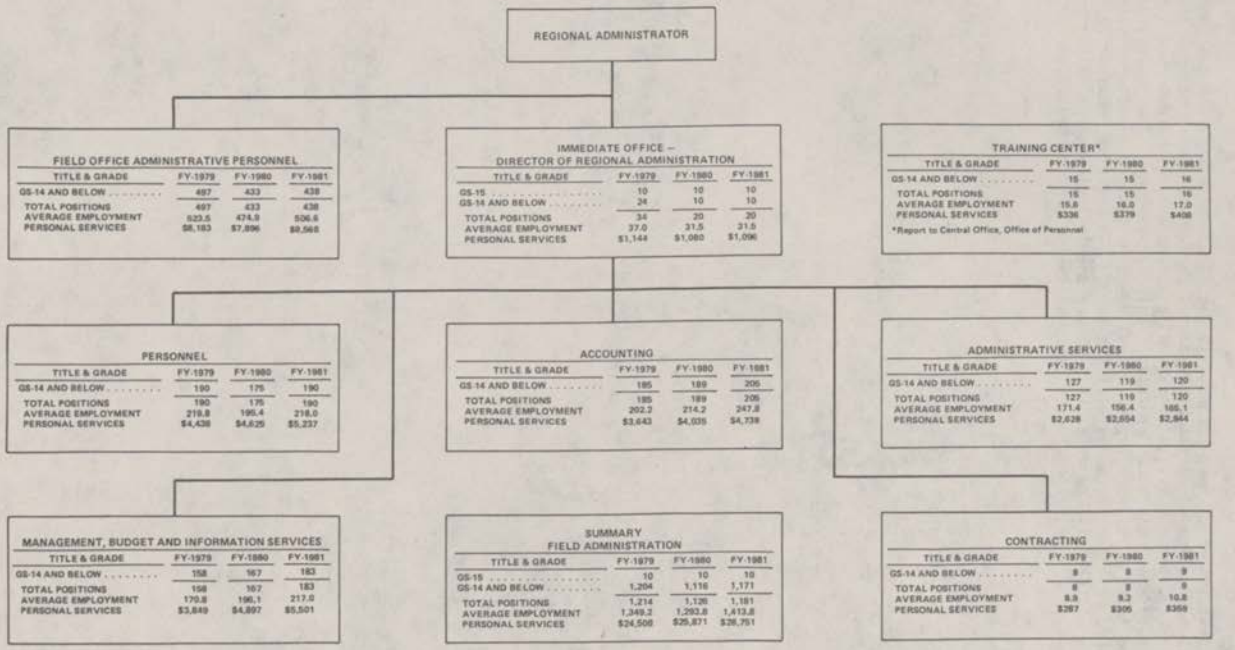
Travel funds are used principally for field monitoring and cash management reviews, monitoring of Office of Personnel Management classification standards, personnel recruitment visits, personnel training and advice/guidance visits, and supervisory and performance appraisal training sessions. The increase of $258 thousand in 1981 reflects higher travel costs as well as additional travel associated with the increased staffing level. In addition, monitoring reviews of field offices will be expanded. A more complete discussion of the basis for the Department's travel estimates is found in the section "Salaries and Expenses, HUD" contained in Part 3.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FIELD ADMINISTRATION
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



FIELD OFFICE ADMINISTRATIVE PERSONNEL

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-14 AND BELOW	497	433	438
TOTAL POSITIONS	497	433	438
AVERAGE EMPLOYMENT	523.5	474.9	506.6
PERSONAL SERVICES	$8,183	$7,896	$8,568

IMMEDIATE OFFICE – DIRECTOR OF REGIONAL ADMINISTRATION

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-15	10	10	10
GS-14 AND BELOW	24	10	10
TOTAL POSITIONS	34	20	20
AVERAGE EMPLOYMENT	37.0	31.5	31.5
PERSONAL SERVICES	$1,144	$1,080	$1,096

TRAINING CENTER*

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-14 AND BELOW	15	15	16
TOTAL POSITIONS	15	15	16
AVERAGE EMPLOYMENT	15.8	16.0	17.0
PERSONAL SERVICES	$336	$379	$408

*Report to Central Office, Office of Personnel

PERSONNEL

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-14 AND BELOW	190	175	190
TOTAL POSITIONS	190	175	190
AVERAGE EMPLOYMENT	219.8	190.4	218.0
PERSONAL SERVICES	$4,438	$4,629	$5,237

ACCOUNTING

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-14 AND BELOW	185	189	205
TOTAL POSITIONS	185	189	205
AVERAGE EMPLOYMENT	202.2	214.2	247.8
PERSONAL SERVICES	$3,643	$4,035	$4,739

ADMINISTRATIVE SERVICES

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-14 AND BELOW	127	119	120
TOTAL POSITIONS	127	119	120
AVERAGE EMPLOYMENT	171.4	156.4	165.1
PERSONAL SERVICES	$2,628	$2,654	$2,844

MANAGEMENT, BUDGET AND INFORMATION SERVICES

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-14 AND BELOW	158	167	183
TOTAL POSITIONS	158	167	183
AVERAGE EMPLOYMENT	170.8	190.1	217.0
PERSONAL SERVICES	$3,849	$4,897	$5,501

SUMMARY FIELD ADMINISTRATION

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-15	10	10	10
GS-14 AND BELOW	1,204	1,116	1,171
TOTAL POSITIONS	1,214	1,126	1,181
AVERAGE EMPLOYMENT	1,349.2	1,293.8	1,413.8
PERSONAL SERVICES	$24,500	$25,871	$28,751

CONTRACTING

TITLE & GRADE	FY-1979	FY-1980	FY-1981
GS-14 AND BELOW	9	8	9
TOTAL POSITIONS	9	8	9
AVERAGE EMPLOYMENT	8.9	8.3	10.8
PERSONAL SERVICES	$287	$305	$359

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

REVISED BUDGET REQUEST

The Budget request for each of the staff activities funded within the appropriation "Salaries and Expenses, Housing and Urban Development" has been included in the respective sections of the Justification associated with the programs they support. This section provides a consolidated justification for all salaries and expenses funds of the Department. Pursuant to 12 U.S.C. 1701(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.

REVISED APPROPRIATION HIGHLIGHTS

The following table summarizes the revisions to the funding sources and personnel, as compared to the previous justification material, included in this request.

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
			(Dollars in Thousands)			
From Appropriation Bill:						
Salaries and Expenses, Housing and Urban Development	$265,411	$295,779	$294,815	$340,882	$337,943	+$43,128
Transfers from FHA Fund	250,255	267,999	266,963	252,222	249,513	-17,450
Subtotal	515,666	563,778	561,778	593,104	587,456	+25,678
From Transfers	10,999	11,512	11,512	10,586	10,586	-926
Unobligated Balance Lapsing	-9,272	...	...	...	...	...
Total Obligations	517,393	575,290	573,290	603,690	598,042	+24,752
Pay Raise Supplemental Included Above:						
(Appropriated Funds)	...	($11,972)	($11,008)	...	...	(-$11,008)
(FHA Transfer)	...	(12,881)	(11,845)	...	...	(-11,845)
(Total)	...	(24,853)	(22,853)	...	...	(-22,853)
Permanent Positions - End of Year	15,663	15,538	15,538	15,540	15,540	+2
Staff-Years	16,781	16,803	16,725	16,905	16,756	+31

Salaries and Expenses, Housing and Urban Development
Revised Budget Request

SUMMARY OF REVISED BUDGET ESTIMATES

This amendment reduces the funds requested for FY 1981 from $593,104 thousand to $587,456 thousand, a reduction of $5,648 thousand. The total reduction consists of $2,939 thousand of appropriated funds--from $340,882 thousand to $337,943 thousand--and $2,709 thousand to be transferred from FHA funds--from $252,222 thousand to $249,513 thousand.

The revision also reflects a reduction of $2,000 thousand to the request for supplemental FY 1980 funds related to the October, 1979 pay increase which has been requested separately.

These revisions, which comprise a part of the President's reductions in Federal outlays announced on March 14, 1980 are expected to result in outlay reductions of $908,000 in 1980 and $6,740,000 in 1981 (including $3,745,000 in the FHA insurance Fund transfer to "Salaries and Expenses").

The following table compares the revised estimates of funding levels for each of the Department's activities with the previous request. A separate and more detailed discussion of the revisions for each of the activities is included in the respective sections of the Justification associated with the program they support.

	ACTUAL 1979	ESTIMATE 1980		ESTIMATE 1981		REVISED ESTIMATES 1981 vs 1980
		PREVIOUS	REVISED	PREVIOUS	REVISED	
		(Dollars in Thousands)				
Housing	$229,135	$251,955	$250,864	$253,113	$250,608	-$256
Government National Mortgage Association.	1,695	2,272	2,272	2,668	2,668	+396
Community Planning and Development	54,110	65,487	65,280	68,556	67,881	+2,601
New Community Development Corporation	3,023	2,996	2,996	2,568	2,568	-428
Neighborhoods, Voluntary Associations and Consumer Protection..	11,351	12,770	12,722	13,466	13,358	+636
Policy Development and Research	10,769	11,408	11,373	12,099	11,985	+612
Fair Housing and Equal Opportunity	15,648	19,417	19,351	23,195	22,986	+3,635
Departmental Management	7,748	8,771	8,749	9,228	9,169	+420
Office of General Counsel	7,733	8,482	8,449	8,711	8,644	+195
Field Legal Services..	10,226	11,265	11,221	11,336	11,244	+23
Office of Inspector General	14,347	16,292	16,238	19,120	18,986	+2,748
Administration and Staff Services	75,370	81,436	81,242	90,844	89,576	+8,334
Field Direction and Operational Support..	19,825	20,623	20,544	21,586	21,422	+878
Field Administration..	56,413	62,116	61,989	67,200	66,947	+4,958
Total	517,393	575,290	573,290	603,690	598,042	+24,752

Salaries and Expenses, Housing and Urban Development
Revised Budget Request

The following table summarizes the revision to the estimated obligations by Object Class and is followed by a brief discussion of the Object Classes which change.

	ACTUAL	ESTIMATE 1980		ESTIMATE 1981		REVISED ESTIMATES
	1979	PREVIOUS	REVISED	PREVIOUS	REVISED	1981 vs 1980
		(Dollars in Thousands)				
Personal Services.....	$389,045	$434,412	$432,412	$444,335	$440,467	+$8,055
Travel.....	18,695	18,452	18,452	21,190	21,190	+2,738
Transportation of Things.....	1,128	614	614	700	700	+86
Rent, Communication and Utilities.....	50,207	58,225	58,225	62,000	62,000	+3,775
Printing and Reproduction.....	7,433	8,200	8,200	8,900	8,900	+700
Other Services.....	42,006	47,072	47,072	59,400	57,900	+10,828
Supplies and Materials	3,334	3,780	3,780	3,950	3,950	+170
Equipment.....	5,512	4,500	4,500	3,180	2,900	-1,600
Insurance and Indemnities.....	33	35	35	35	35	...
Total Obligations.	517,393	575,290	573,290	603,690	598,042	+24,752

Personal Services - The revised request provides for reduction of $2,000 thousand in 1980 and $3,868 thousand in 1981.

The reduction in personal services obligations in 1980 reflects the reduction in the request for a supplemental appropriation for the Federal pay increase that became effective in October, 1979. For both 1980 and 1981, the revised budget anticipates a substantial reduction in personal services obligations due to the employment freeze imposed effective February 29, 1980. The reduction has been distributed among the budget activities on a pro-rata basis, and from the dollar amounts staff-years have been computed, reflecting a total reduction of 78 staff-years in 1980 and 130 in 1981. Of course, the actual reductions in dollars and staff-years for both years will be subject completely to the rate of attrition which occurs, a factor essentially beyond the control of the Department, and the duration of the limitation on Federal civilian hiring announced by the President on March 14, 1980.

The distribution of personal services obligations, therefore, and the staff-years among budget activities as summarized in the tabulation below, do not represent planned reductions in any specific area. The actual number of staff-years and their distribution by organizational component and budget activity will depend on the rate and location of attrition that occurs.

The reduction in 1981 also includes $478,000 and a 19 staff-year reduction specifically for Housing programs because of reduced workload in the Section 235 program. This is attributed to a reduction of an estimated 7,000 unit reservations in 1980 and 1981 and is addressed in greater detail in the Housing section of these Justifications.

Salaries and Expenses, Housing and Urban Development
Revised Budget Request

Other Services - The revised request reduces 1981 funding $1,500 thousand--from $59,400 thousand to $57,900 thousand--as follows:

-$1,000 thousand for automated data processing services (ADP), which reflects a reduction in the requirement for commercial computer services due to a recent contract award for the replacement of central computer equipment. ADP services are funded through the Department's Working Capital Fund and are addressed in that section of the Justification which is included later in this volume.

-$500 thousand for space alteration costs--from $2,200 thousand to $1,700 thousand--consistent with more recent cost and requirements data.

Equipment - The revised request reduces 1981 funding $280 thousand--from $3,180 thousand to $2,900 thousand--and is related to the government-wide effort to reduce outlays.

The following table summarizes the revisions to the distribution of total staff-years among the Department's various activities.

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
Housing	8,693.5	8,692.3	8,653.3	8,429.3	8,347.3	-306.0
Government National Mortgage Association.	47.0	57.6	57.6	65.6	65.6	+8.0
Community Planning and Development	1,777.2	1,952.9	1,943.9	1,961.9	1,946.9	+3.0
New Community Development Corporation	79.3	72.6	72.6	57.6	57.6	-15.0
Neighborhoods, Voluntary Associations and Consumer Protection	378.5	392.4	390.4	392.4	389.4	-1.0
Policy Development and Research	252.2	252.3	251.3	252.3	250.3	-1.0
Fair Housing and Equal Opportunity	527.4	573.4	570.4	666.4	661.4	+91.0
Departmental Management	185.8	176.4	175.4	176.4	175.4	...
Office of General Counsel	236.7	240.5	239.5	240.5	238.5	-1.0
Field Legal Services	337.9	339.4	337.4	339.4	336.4	-1.0
Office of Inspector General	475.5	491.0	489.0	535.0	531.0	+42.0
Administration and Staff Services	1,707.8	1,566.7	1,557.7	1,659.7	1,643.7	+86.0
Field Direction and Operational Support	732.8	701.6	698.6	714.6	709.6	+11.0
Field Administration	1,349.2	1,293.8	1,287.8	1,413.8	1,402.8	+115.0
Total	16,780.8	16,802.9	16,724.9	16,904.9	16,755.9	+31.0

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The Budget request for each of the staff activities funded within the appropriation "Salaries and Expenses, Housing and Urban Development" has been included in the respective sections of the Justification associated with the programs they support. This section provides a consolidated justification for all salaries and expenses funds of the Department. Pursuant to 12 U.S.C. 1701(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.

The fiscal 1981 request reflects changes in the management of staffing levels throughout the executive departments and functional transfers, which affect the funding and staffing levels included under this appropriation.

Full-Time Equivalent System. In the case of the former, beginning in fiscal 1981, the Department will participate in the implementation, on a test basis, of a full-time equivalent (FTE) system for controlling employment. The purpose of the continuing experiment, initiated among a number of Federal agencies in 1979, is to demonstrate that FTE controls can improve personnel management and overcome some of the criticism associated with the existing end-of-year control system. For fiscal year 1982, the entire Executive Branch (excluding the Postal Service) is expected to be shifted to such a system. Meanwhile, in 1981, HUD will join other agencies in the test leading to full implementation.

Under the system, the Department will be assigned ceilings based on the number of workyears needed to achieve departmental missions and objectives. This would include workyears for permanent full-time employment and for part-time work which would be counted in equivalents of full-time work. The workyears used for the FTE system differ from the staff-year usually addressed in that they exclude overtime and terminal leave hours included in the staff-year totals. In addition to the historical end-of-year staff ceilings, the system would impose ceilings which:

--represent the maximum cumulative number of regularly scheduled hours (i.e., excluding overtime work) to be worked during a year;

--include separate FTE ceilings for full-time permanent (FTP) and total employment (all workyears, full-time and part-time). Workyears may be shifted by HUD from the FTP ceiling to the total but not vice versa; and

--apply to the types of appointments given to personnel rather than to the positions themselves.

FTE calculations are more truly indicative of the staff effort applied to HUD programs than end-of-year positions. Full-time equivalent employment would be based largely on workload measurement calculations. End-of-year positions represent staff on hand on one day of the year (September 30) while FTE positions will present the actual application of employment to the programs during the year. Moreover, as noted above, FTE positions include temporary employment not reflected in permanent employment totals, and thus, would be higher than the permanent employment totals shown in Table VIII on page B-27, included with the Summary Tables in Volume I of the Justification and on page H-12 of this Section.

Since the Department already calculates and manages in excess of 70 percent of its staffing requirements on the basis of staff-years under a work-measurement system, this is not a radical departure from our current practice. However, under

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the FTE concept, those employees who may occupy temporary positions but who have permanent appointments are incorporated into the permanent full-time position totals. The Department's staff-year figures are based on the nature of the position that is filled, not the nature of the personnel appointment, which results in permanent employees occupying temporary positions being counted as "temporary". This is consistent with the current government-wide method of counting year-end employment totals. The staff-year totals include terminal leave and overtime in that, while they may not add to the actual number of employees, the days and hours must be compensated. Hence, the staff-years actually identify the number of employment hours which must be compensated and for which appropriations must be provided.

The following table, which takes into account the variation in the method of counting staff in temporary positions, provides a comparison of the staff-years funded under this appropriation with the anticipated FTE count:

	1981	
	Staff Years	Full-Time Equivalent
Permanent Full-time	15,636.0 a/	16,186.0 a/
Other Full-time:		
Special Employment Programs	421.6	174.6
Temporary Employment	476.8	123.8
Subtotal	898.4	298.4
Terminal Leave	95.5	...
Overtime	275.0	...
Total	16,904.9 a/	16,484.4 a/

a/ Excludes Working Capital Fund.

Functional Transfers. In the case of the functional transfers, the 1981 Budget reflects both external and internal transfers. The external transfer provides for the transfer of 34 positions and 17 staff-years to the newly formed Department of Education. This transfer is in accordance with Section 306 of Public Law 96-88 which provides for the transfer of the College Housing Loan Program to that Department. The transfer is scheduled for April 1, 1980, and the positions transferred are for the end-of-year total and the staff-years transferred reflect one-half year of staff activity.

The internal transfers consist of:

--the transfer of 82 Wage Requirements Clerks into the Field Direction and Operational Support activity from the Housing Programs (71 positions) and Community Planning and Development (11 positions) activities in order to consolidate all wage determination activities under the Operational Support function; and

--the transfer of 40 positions from the Housing Programs activity to Community Planning and Development in order to consolidate all Section 312 Loan Servicing functions within the latter activity.

The above transfers are discussed in greater detail in the Sections for the individual activities affected and are summarized later in this Section of the Justification. All data in this Justification reflect the resultant changes in staff and funding in all years to provide comparability.

Salaries and Expenses, Housing and Urban Development

In this section of the Justification, the material is presented in terms of Department-wide requirements for operating expenses. All data are presented, wherever possible, on a comparable basis for the three fiscal years.

This Section includes:

--Summary tables of all financing for staffing and related expenses for the Department by Source of Funds, by Budget Activity and by Object Class;

--A summary explanation of proposed increases and decreases;

--An explanation of personal services obligations, including summary tables and staffing; and

--Explanations for all other objects of expense.

APPROPRIATION HIGHLIGHTS

The following table summarizes the funding sources and personnel included in this request.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
From Appropriation Bill:					
Salaries and Expenses, Housing and Urban Development a/.....	$265,411	$296,002	$295,779	$340,882	+$45,103
Transfers from FHA Fund.....	250,255	255,118	267,999	252,222	-15,777
Subtotal.....	515,666	551,120	563,778	593,104	+29,326
From Transfers:					
Transfer from GNMA...	1,659	2,041	2,272	2,668	+396
Transfer from New Communities Fund...	2,976	3,399	2,996	2,568	-428
Interstate Land Sales Registration fees..	271	423	350	350	...
Fees.....	5,520	5,520	5,894	5,000	-894
Miscellaneous.....	573	...	...	...	...
Unobligated balance lapsing.....	-9,272	...	...	...	...
Total Obligations	517,393	562,503	575,290	603,690	+28,400

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Pay raise supplemental included above					
(Appropriated funds)	...	...	($11,972)	...	(-$11,972)
(FHA transfer).....	...	...	(12,881)	...	(-12,881)
(Total).....	...	...	(24,853)	...	(-24,853)
Permanent Positions - End of Year.....	15,663	15,757	15,538	15,540	+2
Staff-Years.....	16,781	16,967	16,803	16,905	+102

a/ Excludes, for comparability purposes, the following transfers of related budget authority:

Receiving Agency	1979	1980
Department of Education.....	...	$382
Department of Labor.....	$4,181	...
Federal Emergency Management Agency.....	14,218	...
Total.....	18,399	382

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The funds requested for fiscal year 1981 total $593,104 thousand of which $340,882 thousand is requested in appropriated funds and $252,222 thousand is proposed to be transferred from FHA Funds. Including reimbursements, fees and other sources, the total obligations for "Salaries and Expenses, Housing and Urban Development" will be $603,690 thousand.

The following table provides a comparison of the actual 1979 and estimated 1980 and 1981 obligations for each of the Department's activities. A discussion of each of the activities is included in the respective sections of the Justification associated with the programs they support.

Salaries and Expenses, Housing and Urban Development

ACTIVITY	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Housing Programs.....	$229,135	$251,532	$251,955	$253,113	+$1,158
Government National Mortgage Association..	1,695	2,041	2,272	2,668	+396
Community Planning and Development.....	54,110	65,645	65,487	68,556	+3,069
New Community Development Corporation.....	3,023	3,399	2,996	2,568	-428
Neighborhoods, Voluntary Associations and Consumer Protection...	11,351	13,776	12,770	13,466	+696
Policy Development and Research.....	10,769	11,109	11,408	12,099	+691
Fair Housing and Equal Opportunity.....	15,648	17,241	19,417	23,195	+3,778
Departmental Management.	7,748	9,354	8,771	9,228	+457
General Counsel.....	7,733	8,232	8,482	8,711	+229
Field Legal Services....	10,226	10,771	11,265	11,336	+71
Inspector General.....	14,347	15,831	16,292	19,120	+2,828
Administration and Staff Services.....	75,370	76,238	81,436	90,844	+9,408
Field Direction and Operational Support...	19,825	19,009	20,623	21,586	+963
Field Administration....	56,413	58,325	62,116	67,200	+5,084
Total Obligations.....	517,393	562,503	575,290	603,690	+28,400

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

The current 1980 estimate varies from the 1980 Budget as follows:

	(Dollars in Thousands)
Original estimate.....	$562,503
Less action by the Congress on the 1980 appropriation request for "Salaries and Expenses".....	-11,813
Less a portion of the reduction in obligations for travel and transportation of things in the Executive Branch mandated by the Congress in P.L. 96-86	-1,155
Add October 1979 pay increase.....	+29,583
Less the transfer of functions and associated staff to other agencies...	-382
Less the cost of staffing changes due to revised workload requirements.....	-2,916
Less revised estimate for personal services costs.....	-9,003
Add revised estimate for support costs.	+8,473
Current 1980 estimate.....	575,290

Salaries and Expenses, Housing and Urban Development

The changes in funding requirements for 1980 are the result of the following:

--action by the Congress on the Department's 1980 Budget request for "Salaries and Expenses"--

	(Dollars in Thousands)
*a reduction of 50 positions.....	-$625
*a general reduction of $6,792 thousand which resulted in a reduction of 250 staff-years.....	-6,792
*travel funds reduction.....	-396
*space rental funds reduction.....	-1,000
*automated data processing (ADP) funds reduction.....	-2,000
*reduced funding for Communication Support Services.....	-1,000
Total.....	-11,813

--the Department's share, as determined by the Office of Management and Budget, of the $500 million ceiling reduction in obligations for travel and transportation of things mandated by the Congress on the Executive Branch (P.L. 96-86);

--the additional funds required to implement the pay increase for Federal employees which became effective during October 1979. Of the total amount, $11,972 thousand is anticipated from a supplemental appropriation, $12,881 thousand from an increase in the transfer of funds from the FHA fund, and $4,730 thousand is being absorbed through internal administrative actions. The latter includes the $1,555 thousand obtained through the reduction in obligations for travel and transportation of things as a result of P.L. 96-86;

--the transfer of 34 positions and related costs to the Department of Education consistent with the transfer of the College Housing Loan Program to that new agency in accordance with Public Law 96-88, Section 306;

--a reduction of 135 positions and 119 staff-years which resulted from a reassessment of the Department's staffing requirements for subsidized housing programs on the basis of more recent workload data;

--a revision of personal services cost estimates based on more recent average salaries and benefits data; and,

--a revision of other objects of expense on the basis of more recent cost and requirements data, which primarily reflects significant increases for the costs of goods and services which have occurred during the past year. Major increases are:

Salaries and Expenses, Housing and Urban Development

(Dollars in Thousands)

Communications	$2,790
Equipment rentals	1,635
Printing	1,282
Supplies	717
Training	633
Equipment	200
All other	1,216
Total	8,473

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$517,393	$575,290
Increased pay rates:		
October 1978 raise	+398	...
October 1979 raise	+29,583	+402
Additional cost of within-grade increases	+5,308	+5,930
Cost of two extra days' pay in 1980	+3,313	...
Less cost of one less day's pay in 1981	...	-1,703
Changes related to reorganization of field offices	-1,413	...
Changes in personal services costs, due to changes in average employment and average cost	+8,278	+5,015
Increase in payment to Employees' Compensation Fund, Department of Labor	+178	+279
Changes in travel costs	-243	+2,738
Changes in:		
Office space rental payment to GSA	+3,504	+600
Federal Telecommunications System payment to GSA	+480	+340
Penalty mail payment to the Postal Service	+1,275	+1,000
Changes in other communications costs	+612	+555
Changes in equipment rentals	+2,122	+1,005
Increased printing costs	+699	+700
Increased data processing services	+4,860	+8,404
Changes in special contracts	-900	+1,450
Establishment of a Housing Technical Assistance Program	...	+900
Changes in audit services	+95	+637
Changes in supply purchases	+446	+170
Changes in furniture and equipment procurement	-1,012	-1,320
All other changes	+314	+1,298
Total obligations	575,290	603,690

EXPLANATION OF INCREASES AND DECREASES

Increased pay rates:

	October 1978 Pay Increase	October 1979 Pay Increase
	(Dollars in Thousands)	
Cost in FY 1979.....	$20,620	...
Increase.....	+398	$29,583
Cost in FY 1980.....	21,018	29,583
Increase.....	...	+402
Cost in FY 1981 (full funding)..	21,018	29,985

As indicated above, the October 1978 (FY 1979) pay raise increased obligations by an estimated $398 thousand in 1980. The October 1979 pay raise results in increases of $29,583 thousand in 1980 and $402 thousand in 1981.

Within-grade salary increases for employees are estimated to cost $5,308 thousand in 1980 and an additional $5,930 thousand in 1981.

Fiscal year 1980 has 262 days for which salaries must be paid, as compared with 260 in 1979. The two additional days are estimated to require an additional $3,313 thousand in 1980.

Fiscal year 1981 has 261 days for which salaries must be paid, as compared with 262 days in 1980. The one less day is estimated to require $1,703 thousand less in 1981.

Funds for costs associated with the field reorganization completed during 1979, principally for the movement of staff to new locations, are no longer required. Thus, no funds for this purpose are included in this estimate.

An increase of $8,278 thousand in 1980 reflects the increased use of permanent full-time staff, as compared to temporary staff, to execute the Department's workload. The percentage of permanent staff utilized to meet staff-year requirements during 1979 was 88.9 percent of the total as compared to 94.1 percent in 1980. Since the benefits for permanent staff are greater than those for temporary staff and temporary staff are utilized for functions in the lower salary ranges, an increase in the average personal services cost occurs. The impact of such a shift--5.2 percent--results in a significant overall increase in personal services costs for a staffing level of this magnitude--an increase of approximately $6.3 million. The increase of $5,015 thousand in 1981 is principally related to the increased average employment.

Mandatory payments required to be made to the Employees' Compensation Fund of the Department of Labor for continuing job-related medical care for former employees increase by $178 thousand in 1980 and an additional $279 thousand in 1981.

The decrease of $243 thousand from 1979 for travel in 1980 reflects the impact of the general reduction imposed upon the Executive Departments by the Congress under P.L. 96-86, and it is not reflective of the Department's actual travel funding needs. The increase of $2,738 thousand in 1981 provides a total funding level consistent with the staff and program levels proposed and includes anticipated increases in the cost of travel. A detailed discussion of the Department's travel fund requirements and the manner in which they are calculated is included in a following part of this section of the Justifications.

Salaries and Expenses, Housing and Urban Development

Mandatory items of payment to the General Services Administration and the Postal Service are estimated to increase as follows:

	SPACE RENTAL	FEDERAL TELECOM-MUNICATIONS SYSTEM	PENALTY MAIL
		(Dollars in Thousands)	
FY 1979.....	$28,896	$5,180	$5,225
Increase.....	+3,504	+480	+1,275
FY 1980.....	32,400	5,660	6,500
Increase.....	+600	+340	+1,000
FY 1981.....	33,000	6,000	7,500

Estimates for these costs are based on data supplied by GSA and the Postal Service and primarily reflect rising costs in office space rental charges, telephone lines and postal rates.

The relatively large increases for Penalty Mail reflect audit findings by the Postal Service which determined that base volume data utilized for cost estimates in prior years were understated. The findings resulted in a requirement for additional reimbursements for prior year services and adjustments to the base data for 1980 and 1981.

Other communications costs, such as local and long distance commercial telephone service, are estimated to increase by $612 thousand in 1980 and $555 thousand in 1981, primarily as a result of the continuing increases in rates charged for those services.

The increases in equipment rental costs reflect the greater utilization of cost effective office equipment--such as word processing and microfilm equipment. The increase during 1980 reflects the full-year impact of equipment installed during 1979, as well as the installation of additional equipment. The additional increment in 1981 provides for the annualization of those costs and a modest expansion in usage.

Printing costs are expected to increase $699 thousand in 1980 and an additional $700 thousand in 1981. The increases generally reflect the continued increases in the basic costs of labor and material. The increase for 1980 excludes $68 thousand for the impact of the October 1979 Pay Raise for the printing services staff included under the Working Capital Fund (WCF). That amount is included above in the total increase related to increased pay rates.

Automated data processing services (ADP) are anticipated to increase $4,860 thousand in 1980 and $8,404 thousand in 1981. The increase for 1980 does not include $718 thousand for reduced pay costs for ADP staff included under the Working Capital Fund (WCF). That amount is included above in the total increase related to increased pay rates. ADP services are provided through a Working Capital Fund which charges the individual "customers" in HUD for the services utilized. The increases in both 1980 and 1981 reflect the continuation of the effort to improve the Department's ADP capabilities in support of the Department's program and management responsibilities. The additional funds provide for the installation and implementation of a new teleprocessing network (HTN II) and a newly configured central computer system. Additionally, funds are required to convert existing systems to the new network and computer to ensure maximum utilization of the advanced technology being employed, as well as the development of new systems and the maintenance, support and expanded use of current systems. The requirements and the Department's overall ADP program are discussed in detail in the Working Capital Fund Section of this volume of the Justification.

Changes in special contracts, as a result of changes in the "mix" of contracts from year-to-year, result in an decrease of $900 thousand in 1980 and an increase of $1,450 thousand in 1981. The reduction in 1980 is the net effect of the issuance of a one-time contract for evaluations of structural defects in Federally insured housing previously requested for payments under Section 518(b) of the National Housing Act. The contract totalled $1,907 thousand and was partially offset in 1980 by increases for other requirements. The principal increases are communications support services (+$594 thousand) and support for the development of integrated accounting systems (+$350 thousand). The funding for communication support services reflects the consolidation of the development and promulgation of materials about HUD programs under a single manager--the Office of Public Affairs--and is discussed in greater detail in the Departmental Management activity elsewhere in this volume of the Justification. The increase for accounting systems is for the development of the HUD Mortgage Accounting Program (HUDMAP), which is a multi-year effort designed to provide an integrated computerized accounting system for all HUD mortgage insurance programs. This effort is discussed in greater detail in the Administration and Staff Services activity elsewhere in this volume of the Justification. The increase in 1981 is almost exclusively for the 1981 phase of the HUDMAP effort.

An increase of $900 thousand in 1981 provides for establishing a program to provide technical assistance associated with removing barriers to the handicapped in Federal related structures. This program is being initiated under the requirements of Section 504 of the Rehabilitation Act of 1973 and is discussed in greater detail in the section on administrative expenses for Housing programs in Volume I of these Justifications.

The cost of audit services provided by the General Accounting Office, the Department of Health and Human Services and the Department of Defense are expected to increase $95 thousand during 1980 due to salary and other cost increases related to providing those services. A further increase of $637 thousand in 1981 is principally for providing technical support for HUD audit staff in conducting audits of automated data processing, engineering and architectural services. This latter requirement is addressed in greater detail in the section for the Office of the Inspector General included elsewhere in this volume of the Justification.

Increased costs for supplies in support of the proposed staffing levels result in increases of $446 thousand in 1980 and an additional $170 thousand in 1981.

Changes in the procurement of furniture and equipment reflect the phasing of a multi-year plan for the refurbishment and replacement of furniture and equipment in field offices. The decreases of $1,012 thousand and $1,320 thousand in 1980 and 1981, respectively, reflect completion of the plan and funding at a maintenance level.

Increases of $314 thousand in 1980 and $1,298 thousand in 1981 for all other items principally reflect the increased costs for various items such as health services for employees, training, equipment maintenance, credit reports, court reporter services, transportation and visual arts services.

Salaries and Expenses, Housing and Urban Development

OBLIGATIONS BY OBJECT CLASS

The following table displays total obligations by Object Class.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
		(Dollars in Thousands)		
Personal Services	$389,045	$425,355	$434,412	$444,335
Travel	18,695	19,950	18,452	21,190
Transportation of Things	1,128	667	614	700
Rent, Communications and Utilities	50,207	54,800	58,225	62,000
Printing and Reproduction	7,433	7,100	8,200	8,900
Other Services	42,006	47,233	47,072	59,400
Supplies and Materials	3,334	3,063	3,780	3,950
Equipment	5,512	4,300	4,500	3,180
Insurance and Indemnities	33	35	35	35
Total Obligations	517,393	562,503	575,290	603,690

EXPLANATION OF OBLIGATIONS BY OBJECT CLASS

This section of the Justifications discusses the request for each object class.

PERSONAL SERVICES

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Obligations	$389,045	$425,355	$434,412	$444,335	+$9,923

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. Such costs are affected by numerous factors including pay increases, changes in insurance plans, the number of working days in the fiscal year, and within-grade increases. However, the principal factors are (1) changes in the level of permanent staff and (2) changes in other staff. These two factors are discussed separately below.

1. Permanent staff. Estimates of full-time employment in permanent positions are set forth in detail in the individual staff expenses sections of the various parts of the Justifications. The following table summarizes the end of period full-time permanent positions for the various elements and is followed by a summary of changes in staffing since the 1980 Budget was submitted and an explanation of the staffing changes being requested for 1981.

Salaries and Expenses, Housing and Urban Development

PERMANENT FULL-TIME EMPLOYMENT

	END OF FISCAL YEAR				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Housing Programs:					
Washington.....	777	786	766	766	...
Field.....	7,678	7,699	7,413	7,145	-268
Total.....	8,455	8,485	8,179	7,911	-268
Government National Mortgage Association:					
Washington.....	45	50	53	61	+8
Community Planning and Development:					
Washington.....	366	357	376	376	...
Field.....	1,448	1,500	1,505	1,523	+18
Total.....	1,814	1,857	1,881	1,899	+18
New Community Development Corporation:					
Washington.....	66	66	61	40	-21
Neighborhoods, Voluntary Associations and Consumer Protection:					
Washington.....	199	230	225	225	...
Field.....	155	158	151	151	...
Total.....	354	388	376	376	...
Policy Development and Research:					
Washington.....	188	207	200	200	...
Fair Housing and Equal Opportunity:					
Washington.....	101	119	127	127	...
Field.....	384	414	433	555	+122
Total.....	485	533	560	682	+122
Departmental Management:					
Washington.....	136	159	160	160	...
Office of General Counsel:					
Washington.....	221	225	225	225	...
Field Legal Services:					
Field.....	331	315	315	315	...
Office of Inspector General:					
Washington.....	97	102	104	120	+16
Field.....	363	386	384	433	+49
Total.....	460	488	488	553	+65

Salaries and Expenses, Housing and Urban Development

PERMANENT FULL-TIME EMPLOYMENT

	END OF FISCAL YEAR				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Administration:					
Washington:					
Administration and Staff Services (S&E).....	1,231	1,257	1,257	1,257	...
Working Capital Fund.....	404	418	418	446	+28
Total.....	1,635	1,675	1,675	1,703	+28
Field Direction and Operational Support:					
Field.....	663	575	657	680	+23
Field Administration:					
Field.....	1,214	1,152	1,126	1,181	+55
Total full-time employment in permanent positions.....	16,067	16,175	15,956	15,986	+30
Other employment.....	1,350	1,185	1,185	1,225	+40
Total employment.....	17,417	17,360	17,141	17,211	+70
Recapitulation					
Permanent Full-Time:					
Washington.....	3,831	3,976	3,972	4,003	+31
Field:					
Regions.....	11,833	11,775	11,561	11,511	-50
Other.....	403	424	423	472	+49
Subtotal, field.....	12,236	12,199	11,984	11,983	-1
Total permanent full-time.....	16,067	16,175	15,956	15,986	+30
Less Working Capital Fund...	-404	-418	-418	-446	-28
S&E, HUD permanent full-time.....	15,663	15,757	15,538	15,540	+2

a. Changes since 1980 Budget. The following table summarizes 1980 staffing changes for the various activities since the Department's original 1980 request. The original 1980 request was for 15,757 positions (16,175 including the Working Capital Fund). Subsequent reductions by the Congress, transfers to other agencies and other reductions resulting from a reassessment of the Department's staffing needs based on more recent workload reduced that by 219 positions to 15,538 (the revised total, including the Working Capital Fund, is now 15,956). The effect of those changes and other internal adjustments to the distribution of staff among the Department's various activities are reflected in the following table. These changes are discussed in more detail in the sections of the Justifications for the various activities.

PERMANENT FULL TIME PERSONNEL
FY 1980 STAFFING CHANGES

	BUDGET ESTIMATE 1980	CONGRESSIONAL REDUCTION	TRANSFERRED TO THE DEPARTMENT OF EDUCATION a/	ESTABLISHMENT OF OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION b/	FUNCTIONAL TRANSFERS: SECTION 312 PROGRAM c/	FUNCTIONAL TRANSFERS: WAGE REQUIREMENTS CLERKS d/	WORKLOAD ADJUSTMENTS	CURRENT ESTIMATE 1980	NET CHANGE
Housing Programs	8,485	...	-34	-1	-40	-71	-160	8,179	-306
Government National Mortgage Association	50	...	...	...	...	...	+3	53	+3
Community Planning and Development	1,857	...	...	...	+40	-11	-5	1,881	+24
New Community Development Corporation	66	-5	...	...	...	...	...	61	-5
Neighborhoods, Voluntary Associations, and Consumer Protection	388	-12	...	...	...	...	...	376	-12
Policy Development and Research	207	-7	...	...	...	...	...	200	-7
Fair Housing and Equal Opportunity	533	...	...	...	...	...	+27	560	+27
Departmental Management	159	...	...	+1	...	...	...	160	+1
Office of General Counsel	225	...	...	...	...	...	...	225	...
Field Legal Services	315	...	...	...	...	...	...	315	...
Office of Inspector General	488	...	...	...	...	...	...	488	...
Administration and Staff Services	1,257	...	...	...	...	...	...	1,257	...
Field Direction and Operational Support	575	...	...	...	...	+82	...	657	+82
Field Administration	1,152	-26	...	...	...	...	...	1,126	-26
Subtotal S&E HUD	15,757	-50	-34	...	...	...	-135	15,538	-219
Working Capital Fund	418	...	...	...	...	...	...	418	...
Total, HUD	16,175	-50	-34	...	...	...	-135	15,956	-219

a/ Transfer of College Housing Program staff to the Department of Education in accordance with Public Law 96-88, which establishes that Department.

b/ This office established pursuant to the Small Business Act, as amended (P.L. 95-507).

c/ Provides for the consolidation of all Section 312 loan servicing activities under the Community Planning and Development activity.

d/ Provides for the consolidation of all wage determination activities under the Field Direction and Operational Support activity.

b. Changes in 1981. The total Departmental request is for a net increase of 30 permanent full-time positions in 1981, from 15,956 to 15,986. These totals include 418 positions under the Working Capital Fund in 1980 and 446 in 1981. Thus, the staffing level for "Salaries and Expenses, HUD" is 15,538 in 1980 and 15,540 in 1981 and, of the 30 position increase, a net of only 2 positions is requested for activities directly funded under "Salaries and Expenses, HUD." The changes for the individual activities are discussed in detail in their respective Sections of the Justifications. The various increases and decreases, briefly summarized, are:

-268 for Housing Programs as the net result of higher projected workload in subsidized housing programs (Section 8 and Public Housing) and lower single family mortgage insurance activity, including a reduction resulting from the maximum use of fee inspection and appraisal services in lieu of federal staff;

+8 for the Government National Mortgage Association, primarily to support increased workload and strengthen monitoring capacity in the Mortgage-Backed Securities Program;

+18 for Community Planning and Development which is the net result of increased workload for Urban Development Action Grants partially offset by decreases in other programs, principally Community Development Block Grants and categorical grants programs;

-21 for New Community Development Corporation which primarily reflects reduced administrative and program support requirements consistent with current workload levels;

+122 for Fair Housing and Equal Opportunity personnel in order to staff rapid response units in the Title VIII complaint processing area and to support increased review and monitoring activity in the Community Development Block Grant program;

+65 for the Office of Inspector General in order to carry out the provisions of the Inspector General Act of 1978, including increased monitoring of independent public accountant audits, performing in-depth reviews of HUD programs to identify areas susceptible to fraud, waste and mismanagement, and increasing the number of revolving fund and ADP-related audits;

+23 for Field Direction and Operational Support for additional economists to support increased and expanded workload in the area of economic and market analysis; and

+55 for Field Administration, principally to support higher program workload in accounting, management information, and claims collection activities.

2. Special Employment. A number of other employment programs are needed to complement the efforts of the regular staff and to develop staff resources. This includes special employment programs and overtime, as well as the use of temporary and part-time staff to assist in meeting workload peaks. A summary table and a more detailed description of other than permanent full-time employment follows:

STAFF-YEARS FOR OTHER THAN PERMANENT FULL-TIME EMPLOYMENT

ELEMENT	SPECIAL EMPLOYMENT PROGRAMS	TERMINAL LEAVE	OVERTIME	OTHER	TOTAL
Housing Programs:					
1979	246.6	61.2	191.8	290.2	789.8
1980	56.4	56.1	163.5	52.1	328.1
1981	67.9	56.1	163.5	54.6	342.1
Government National Mortgage Association:					
1979	1.7	...	.8	2.0	4.5
1980	2.0	.2	.6	4.8	7.6
1981	2.0	.2	.6	4.8	7.6
Community Planning and Development:					
1979	67.0	9.3	10.4	44.3	131.0
1980	50.8	8.0	10.0	20.5	89.3
1981	37.8	8.0	10.0	13.5	69.3
New Community Development Corporation:					
1979	1.1	...	.3	6.3	7.7
1980	.8	.1	.3	7.4	8.6
1981	.8	.1	.3	2.4	3.6
Neighborhoods, Voluntary Associations and Consumer Protection:					
1979	15.5	.9	4.0	15.1	35.5
1980	15.0	1.0	4.0	2.4	22.4
1981	9.0	1.0	4.0	2.4	16.4
Policy Development and Research:					
1979	9.6	1.9	3.5	42.2	57.2
1980	9.0	1.0	3.5	42.8	56.3
1981	5.0	1.0	3.5	42.8	52.3
Fair Housing and Equal Opportunity:					
1979	26.5	2.8	3.1	38.4	70.8
1980	19.1	2.3	3.0	15.0	39.4
1981	16.1	2.3	3.0	3.0	24.4
Departmental Management:					
1979	10.6	1.9	5.2	18.3	36.0
1980	7.7	1.3	5.0	10.4	24.4
1981	4.0	1.0	5.0	6.4	16.4
General Counsel:					
1979	14.6	.3	2.9	16.2	34.0
1980	10.6	.3	2.5	3.1	16.5
1981	10.0	.3	2.5	2.7	15.5

Salaries and Expenses, Housing and Urban Development

STAFF-YEARS FOR OTHER THAN PERMANENT FULL-TIME EMPLOYMENT

ELEMENT	SPECIAL EMPLOYMENT PROGRAMS	TERMINAL LEAVE	OVERTIME	OTHER	TOTAL
Field Legal Services:					
1979	14.5	1.8	1.5	11.7	29.5
1980	8.5	1.5	1.5	1.9	13.4
1981	10.0	2.0	1.5	10.9	24.4
Inspector General:					
1979	20.6	3.0	.3	1.4	25.3
1980	8.5	2.5	.3	.7	12.0
1981	2.0	2.5	.3	.2	5.0
Administration and Staff Services:					
1979	132.3	9.2	42.5	296.4	480.4
1980	120.0	9.0	42.0	147.7	318.7
1981	130.0	9.0	42.0	221.7	402.7
Field Direction and Operational Support:					
1979	37.7	3.7	3.8	29.8	75.0
1980	27.2	3.7	3.8	2.7	37.4
1981	27.0	3.0	3.8	4.6	38.4
Field Administration:					
1979	95.1	10.3	35.1	49.6	190.1
1980	54.0	9.0	35.0	9.8	107.8
1981	100.0	9.0	35.0	106.8	250.8
Total, Department of Housing and Urban Development:					
1979	693.4	106.3	305.2	861.9	1,966.8
1980	389.6	96.0	275.0	321.3	1,081.9
1981	421.6	95.5	275.0	476.8	1,268.9

SPECIAL EMPLOYMENT PROGRAMS

HUD's Special Employment Programs represent an approach to the recruitment and management of staff resources which balances direct outside hiring with expanded in-house opportunities for training employees. The various efforts included in that program are described in the following paragraphs:

1. PROFESSIONAL RECRUITMENT AND DEVELOPMENT

	NO. OF PARTICIPANTS	STAFF-YEARS
1979	717	387.7
1980	642	195.2
1981	616	210.4

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The goal of the Professional Program is the recruitment and development of qualified candidates to provide staff resources for demanding professional assignments, for example:

a. The HUD Intern Program is designed to recruit, train and place high quality college graduates, who are ultimately targeted for senior professional positions. (Participants: 1979, 164; 1980, 130; 1981, 152).

b. The College Co-op Program is a work/study program designed to encourage students to continue their education while working and preparing to assume a professional position with the Department. Students receive college credits for their work experience. (Participants: 1979, 113; 1980, 94; 1981, 100).

c. The Summer College Program is designed to provide summer employment and enrich the experience of graduate and undergraduate college students with the expectation that some will be attracted to the Department as full-time professionals after graduation. (Participants: 1979, 280; 1980, 144; 1981, 157).

d. The Executive Identification and Development Program is designed to identify, develop and advance currently employed GS-12 and above employees with exceptional managerial and executive potential. The program is based on the concept of conducting merit staffing in advance for anticipated managerial vacancies, so that those selected can be given appropriate training before assuming key positions. (Participants: 1979, 5; 1980, 7; 1981, 10).

Other programs included in this category are part-time employment of women in professional positions (Participants: 1979, 130; 1980, 106; 1981, 55), and the Federal Junior Fellowship Program (Participants: 1979, 25; 1980, 161; 1981, 142).

2. UPWARD MOBILITY PROGRAM

	NO. OF PARTICIPANTS	STAFF-YEARS
1979.....	120	53.9
1980.....	67	46.0
1981.....	109	49.7

The Upward Mobility Program is a para-professional recruitment and development program which provides the maximum opportunity for non-professional employees to enhance their skills through training and educational programs so that they may perform at their highest potential and advance in accordance with their abilities to new careers in positions of greater responsibility.

3. CLERICAL RECRUITMENT AND DEVELOPMENT

	NO. OF PARTICIPANTS	STAFF-YEARS
1979.....	414	175.6
1980.....	290	93.5
1981.....	228	102.1

The goal of the Clerical Recruitment and Development Program is to provide a versatile reserve of skilled clerks, secretaries, office machinists, etc., to replace clerical employees who leave the Department or move into technical jobs. For example:

a. The Worker-Trainee Opportunities Program is designed to develop office skills in persons considered otherwise unemployable. (Participants: 1979, 25; 1980, 48; 1981, 43).

b. The Secretarial Assistance and Vocational Office Training Programs serve as staff resources for clerks, clerk-typists, and secretaries for all HUD Washington offices. (Participants: 1979, 100; 1980, 70; 1981, 70).

c. The summer employment of disadvantaged youth in the Summer Aid Program (some of whom obtain part-time positions in the Stay-in-School Program) provides job training in basic skills needed by HUD. (Participants: 1979, 289; 1980, 172; 1981, 115).

4. VIETNAM READJUSTMENT

	NO. OF PARTICIPANTS	STAFF-YEARS
1979.....	39	36.4
1980.....	67	24.2
1981.....	29	26.2

Under this program, Vietnam veterans are given an opportunity to be productively employed while they are acquiring an education or training. Excepted appointments at the GS-3 level are given to veterans who have not had more than 14 years of education, on the basis of total experience, including military service, and are capable of performing the duties of the specific position. Following their appointment, they enter into a program of work, study and education tailored to their educational needs and personal development and the needs of the Department.

5. SELECTIVE PLACEMENT (HANDICAPPED)

	NO. OF PARTICIPANTS	STAFF-YEARS
1979.....	100	39.8
1980.....	71	30.7
1981.....	37	33.2

The goal of the Selective Placement Program is to open routine jobs in the Federal Government to mentally dysfunctional and physically handicapped, but occupationally qualified, persons. This training program, a one-year period for each participant, is intended to mutually benefit the Department and the handicapped individual.

6. OTHER TEMPORARY EMPLOYMENT

	NO. OF PARTICIPANTS	STAFF-YEARS
1979.....	2,585	861.9
1980.....	964	321.3
1981.....	1,430	476.8

Other temporary employees are utilized to deal with workload fluctuation during the course of the year and other specific requirements for which permanent full-time staff are not required. The following table indicates the anticipated end-year employment for such staff:

	EMPLOYMENT			
	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	1980 CHANGE
Office of Finance and Accounting	241	170	170	...
Policy Development and Research.	23	25	25	...
Program workload.....	507	392	392	...
Total.....	771	587	587	...

Office of Finance and Accounting employment is affected by the overall level of workload, such as acquired properties and assigned mortgages. It is difficult to establish an appropriate permanent level of staffing so long as that workload continues to remain heavy and is subject to market variations. Thus, temporary staff must be used to carry out the very substantial processing workload of this Office.

Due to the intended limited duration of individual projects, Policy Development and Research uses temporary staff to serve as project managers and in other short-term assignments. In order to assure the quality of such staff, visiting scholars and graduate students are utilized. This serves the dual purpose of obtaining high quality personnel and providing the opportunity for recruitment in the event that there is a requirement for full-time staff.

The balance of the temporary staff will be used for the various programs, principally in the field, to deal with fluctuation in program workloads as they occur. The reduced levels for 1980 and 1981, as compared to 1979, reflect both a relative balancing of program efforts and staffing levels which reduce the need for temporary staff.

7. OVERTIME

Overtime is a flexible supplement to the Department's staffing level. It is utilized for relatively short-term workload peaks and to meet short deadline requirements. In such instances, it is preferable for qualified staff, already on board, to work extra hours as compared to hiring additional staff. The following table identifies the level of overtime staff-years utilized in 1979 and estimated for 1980 and 1981 and the associated funding:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)			
Staff-Years.....	305	275	275	...
Obligations.....	$6,597	$6,467	$6,473	+$6

A reduced and level usage is anticipated during 1980 and 1981, as compared to 1979. The level utilized during 1979 reflects, in part, overtime workload by on-board staff during the employment freeze imposed by the President during 1979 and pending the achievement of approved staffing levels. The modest funding increase for 1981 reflects the full-year impact of the pay raise effected during October 1979.

Salaries and Expenses, Housing and Urban Development

8. TERMINAL LEAVE

Terminal leave is the unused earned annual leave due an employee when he leaves the Federal Service. In most instances, the maximum leave accrued at retirement, resignation or other termination is 30 days. The number of staff-years and the associated costs included in this request for terminal leave are based on historical data and estimates of the number of employees who will retire, resign or otherwise terminate and are summarized in the following table:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)			
Staff-Years.....	106	96	96	...
Obligations.....	$2,244	$2,175	$2,196	+$21

A slight decrease in the staff-years, as compared to 1979, is projected for 1980 and 1981. The modest increase in funding levels, as compared to 1979, results from the pay increase effected during October 1979.

The following table summarizes, by activity, the total staff-years--permanent full-time and other--discussed in the previous sections:

Salaries and Expenses, Housing and Urban Development

STAFF-YEAR SUMMARY

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Housing Programs:					
Washington.....	870.2	836.0	828.6	828.6	...
Field.....	7,823.3	8,129.0	7,863.7	7,600.7	-263.0
Total.....	8,693.5	8,965.0	8,692.3	8,429.3	-263.0
Government National Mortgage Association:					
Washington.....	47.0	56.0	57.6	65.6	+8.0
Community Planning and Development:					
Washington.....	399.4	371.0	388.5	388.5	...
Field.....	1,377.8	1,579.0	1,564.4	1,573.4	+9.0
Total.....	1,777.2	1,950.0	1,952.9	1,961.9	+9.0
New Community Development Corporation:					
Washington.....	79.3	77.0	72.6	57.6	-15.0
Neighborhoods, Voluntary Associations and Consumer Protection:					
Washington.....	218.9	240.0	232.4	232.4	...
Field.....	159.6	164.0	160.0	160.0	...
Total.....	378.5	404.0	392.4	392.4	...
Policy Development and Research:					
Washington.....	247.3	242.0	239.3	239.3	...
Field.....	4.9	13.0	13.0	13.0	...
Total.....	252.2	255.0	252.3	252.3	...
Fair Housing and Equal Opportunity:					
Washington.....	102.9	124.0	127.1	131.1	+4.0
Field.....	424.5	432.0	446.3	535.3	+89.0
Total.....	527.4	556.0	573.4	666.4	+93.0
Departmental Management:					
Washington.....	185.8	173.0	176.4	176.4	...
Office of General Counsel:					
Washington.....	236.7	240.0	240.5	240.5	...
Field Legal Services:					
Field.....	337.9	343.0	339.4	339.4	...
Office of Inspector General:					
Washington.....	93.9	106.5	106.0	117.0	+11.0
Field.....	381.6	384.5	385.0	418.0	+33.0
Total.....	475.5	491.0	491.0	535.0	+44.0

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Administration:					
Washington:					
Administration and Staff Services (S&E).....	1,707.8	1,570.0	1,566.7	1,659.7	+93.0
Working Capital Fund.....	415.5	414.0	429.0	451.0	+22.0
Total.....	2,123.3	1,984.0	1,995.7	2,110.7	+115.0
Field Direction and Operational Support:					
Field.....	732.8	620.0	701.6	714.6	+13.0
Field Administration:					
Field.....	1,349.2	1,267.0	1,293.8	1,413.8	+120.0
Total, Staff-Years	17,196.3	17,381.0	17,231.9	17,355.9	+124.0
Less Working Capital Fund.....	-415.5	-414.0	-429.0	-451.0	-22.0
S&E, HUD Staff-Years.	16,780.8	16,967.0	16,802.9	16,904.9	+102.0
Recapitulation (S&E, HUD):					
Direct Staff-Years:					
Washington.....	4,189.2	4,035.5	4,035.7	4,136.7	+101.0
Field:					
Regions.....	12,168.9	12,504.0	12,342.2	12,310.2	-32.0
Other.....	422.7	427.5	425.0	458.0	+33.0
Subtotal, Field	12,591.6	12,931.5	12,767.2	12,768.2	+1.0
S&E HUD Staff-Years	16,780.8	16,967.0	16,802.9	16,904.9	+102.0

TRAVEL AND TRANSPORTATION OF PERSONS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Travel.....	$18,695	$19,950	$18,452	$21,190	+$2,738

The current estimate for 1980 is $18,452 thousand, a reduction of $1,498 thousand compared with the Budget estimate of $19,950 thousand. The decrease is due to a reduction of $396 thousand made by the Congress in its enactment of the 1980 HUD-Independent Agencies Appropriation Act, plus a further reduction of $1,102 thousand as a result of the $500 million travel and transportation reduction made to the Executive Branch of the Government by Public Law 96-86 of October 12, 1979 (the 1980 "Continuing Resolution"). The combined effect of these two reductions has been to cut the Department's travel below the 1979 level at a time of rapidly inflating costs for per diem, vehicle mileage and air fares. As a result, the 1980 funding is seriously deficient.

The 1981 estimate of $21,190 thousand, an increase of $2,738 thousand, represents the level of funding needed to provide more adequate support to 1981 staff and workload, recognizing the realities of rising travel costs.

The double reduction made in 1980 has created a shortage in travel funds which has become one of the Department's major administrative and managerial problems. The two decreases totalling $1,498 thousand represent a reduction of 7.5 percent from the original Budget estimate of $19,950 thousand. The total of $18,452 thousand is less than was obligated in 1979. As indicated later in this section, travel is essentially a product of the Department's work measurement system and relates to work being performed. If there were no inflation in costs, it would be reasonable for travel to continue at a relatively constant level adjusted by staffing and program or workload changes. The real cause--and the prime factor in the need for higher travel costs--is the dramatic inflationary trend in all costs: air fares, vehicle mileage rates and per diem allowances.

During the entire 1978 calendar year, airline carrier tariffs increased only 10 percent. From January 1 through October 26, 1979, standard airline coach fares rose by 25.9 percent and 5.4 percent of that increase occurred from October 1 through October 26. Airline officials predict ticket prices will rise at least another 20 percent during 1980. This cost increase has been brought about by a rise in average aviation fuel costs which have increased from 39 cents a gallon in January 1979 to 65 cents a gallon in August. The reimbursement rate for use of privately owned vehicles was increased in September of 1977 from 15 1/2 cents per mile to 17 cents, and was raised again in July of 1979 to 18 1/2 cents--a total rise of over 19 percent; and another increase is expected to occur during this fiscal year. Overall costs for Interagency motor pool vehicles have increased twice during the past year. The inflationary trend in lodging and meals has required GSA to establish ninety-three new high cost areas since September 1977. The maximum daily allowance has been increased for many of these areas and more than once for some. Current subsistence allowances are not adequate to cover actual travel costs in many locations. GSA has developed proposed legislation which would permit adjustment of travel allowances commensurate with the rate of inflation.

The reduction of $396 thousand in 1980 was non-specific, across-the-board and not tied to any reduction in workload or responsibilities. This left the Department with a total of $19,544 thousand for 1980, or only 4.5 percent above 1979 at a time when costs are inflating by roughly 10 percent. On top of this, the $500 million government-wide reduction required by Public Law 96-86 of October 12, 1979, has further reduced our travel funds--from $19,544 thousand to $18,452 thousand. Therefore, the real reduction in 1980 is over 10 percent below the rate of obligation in 1979.

The 1981 request for $21,190 thousand would largely compensate for the damaging erosion of inflation. However, at the same time, travel requirements have been formulated in a careful, programmatic manner so that there is a logical explanation other than inflation for the estimates. In inflationary terms, perhaps the best perspective is obtained by comparing 1979, 1980 and 1981 as if no cuts had been made to the 1980 request:

	Dollars in Thousands	Percent Increase above Prior Year
1979 actual.....	$18,695	+7.6%
1980 original estimate.....	19,950	+6.7%
1981 request.....	21,190	+6.2%

While the increases of about 6 percent would not enable the Department to "stay even" with 10 percent annual inflation, it would at least have enabled continuation at a level which was, in "real dollars," somewhat below the previous year.

Given the certainty of continuing inflation, if travel funds are cut again in 1981, the Department will be unable to manage and administer its programs effectively, and this will impact virtually all areas of the Departmental activities:

Housing Programs - Housing is, of course, the Department's largest program. The types of travel that would have to be curtailed or eliminated would include a range of functions, such as: management reviews of troubled projects, management reviews of unsubsidized projects, Public Housing agencies and project visits, supervision of fee inspectors and appraisers, inspection of HUD-held homes under repair, etc. Property Disposition functions would be especially hampered through a reduction in funds necessary to visit HUD-owned projects. The resultant diminished control over HUD-acquired multifamily and single family properties would be reflected in increased maintenance and repair costs. The entire area of Housing Management, both insured and assisted, would bear the brunt of a travel reduction, particularly in the area of assisted housing management contacts with public housing authorities.

Community Planning and Development - Travel reductions in CPD programs would occur in such areas as grantee performance monitoring, compliance monitoring, providing technical assistance and categorical program close-outs. Since monitoring activities would be affected by curtailed travel, there would be an adverse impact, at a minimum, on the Community Development Block Grant and Rehabilitation Loan programs. In the case of CDBG, reduced monitoring and technical assistance may affect the overall quality of a locality's program. For Section 312, program execution may suffer in the quality of work performed and the number of loans submitted.

Fair Housing and Equal Opportunity - The Title VI/Section 109 Compliance review program and the Title VIII Compliance review program would be adversely affected. The projected number of CDBG communities, Title VIII Conciliation Agreements and Affirmative Marketing Plans to be reviewed would not be accomplished. The positive program effect of the reviews eliminated would be lost for the fiscal year.

The organization of Community Housing Resource Boards for all existing Voluntary Agreements and strengthening the evaluation process for each agreement would be hindered. To the extent that this workload is reduced by the travel curtailment, the objective will not be accomplished.

Neighborhoods, Voluntary Associations and Consumer Protection - Services to Public Housing Authorities, Counseling Agencies and Neighborhood Organizations would be curtailed. Residents of PHA's would not benefit from participating in Upward Mobility Programs such as Resident Employment. If denied participation in HUD's Neighborhood on-site and annual performance, reviews of Housing Counseling Agencies that are grantees could not be conducted.

Field Legal Services - Litigation responsibilities, including taking dispositions, attendance at court hearings, trials, etc., could not be discharged effectively. The substantial increase in the number of administrative hearings at which the Department requires representation, would be seriously hampered by a travel reduction.

Field Administration - Travel cutbacks would affect the performance of field administrative functions, including personnel recruitment, supervisory and performance appraisal training, and training for management information specialists and program managers. Adverse results would occur in the failure to meet affirmative action objectives in personnel recruitment; failure to train supervisors and managers in new practices under Civil Service Reform; and failure to train working level and managerial personnel in new computer systems, thereby negating many of the objectives of those systems.

Headquarters Program Offices - Housing, CPD, FHEO, and NVACP would be hindered, by a lack of contact with the field and shortgage of first-hand on-site experience, from carrying out their responsibilities of policy direction, management, supervision and technical guidance and assistance. These offices would not make sufficient field visits to properly monitor and evaluate regional and field office performance to assure that programs are being carried out consistently throughout the country and as effectively as possible. For example, the Office of Fair Housing and Equal Opportunity would not be able to conduct the planned number of large cities compliance reviews under the Title VI/109 Strike Force program.

In the case of Community Planning and Development, field visits to those Area Offices with a heavy remaining workload of open urban renewal projects and to those Regions with a poor closeout record would be curtailed.

The Office of General Counsel - OGC would be prevented from carrying out required travel in connection with litigation and administrative hearings. The Department's position would be jeopardized, with potential for decisions damaging to the Government.

The Office of Policy Development and Research - PD&R's technical staff make field inspection trips to provide oversight to the activities under PD&R's contracts and grants each year. During FY 1980, PD&R will administer approximately 350 major agreements with an aggregate value exceeding $300 million. Prior years' travel allocations had not been sufficient to permit more than a barely acceptable level of supervision and inspection. A further reduction will create substantial opportunities for fraud, waste, or mismanagement to go undetected.

The Office of Inspector General - This Office, by its very mission, requires extensive travel and would have to curtail its external audits, reduce the number of project site visits in connection with internal audits and reduce the number of administrative and personnel investigations which are of a non-criminal type nature. A reduction would result in a reduction of external audits, including audits of multifamily problem projects, Community Development Block Grants and Block Grant accounting system evaluations. Likewise, the over 300 non-criminal type investigations which are not mandated by statute to be processed will be subjected to delays or cancellation. Non-criminal type investigations include personnel misconduct, contract related matters and discrimination in employment.

The small travel economies that may be achieved by postponing audits would be more than offset by the potential losses that would result due to waste and inefficiency going unchecked for long periods of time. Also a reduction in external audits will result in less cash recoveries to the Department, i.e., funds returned to HUD as a result of improper expenditures, etc. Moreover, because of the recent adverse media publicity relative to HUD multifamily projects, a reduction in audit coverage in this area would subject the Government to further

criticism. A reduction in non-criminal type investigations would have an adverse impact on HUD's ability to manage programs effectively. Since these investigations involve HUD personnel or regulatory matters, they are often the cases of most importance to managers.

The detailed estimates and computations by program areas are shown in the following sections. The first table shows the estimated travel obligations for each of the Department's activities. For 1980, the distribution of travel by program area must be considered as tentative since the final decision on the allocation of travel reduction in 1980 had not been made at the time these justifications were prepared.

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in Thousands)			
Housing Programs	$8,619	$8,474	$8,933	+$459
Government National Mortgage Association	20	26	33	+7
Community Planning and Development	1,662	1,827	2,180	+353
New Community Development Corporation	48	50	41	-9
Neighborhoods, Voluntary Associations and Consumer Protection	731	591	894	+303
Policy Development and Research	176	175	208	+33
Fair Housing and Equal Opportunity	664	678	994	+316
Departmental Management	397	400	412	+12
General Counsel	191	161	212	+51
Field Legal Services	288	290	316	+26
Inspector General	1,329	1,269	1,770	+501
Administration and Staff Services	585	827	622	-205
Training Travel	1,902	1,700	2,250	+550
Field Direction and Operational Support	734	698	781	+83
Field Administration	1,349	1,286	1,544	+258
Total	18,695	18,452	21,190	+2,738

It should be noted that about 71 percent of the total travel is for the four key areas of Housing, Community Planning and Development, the Office of the Inspector General, and Training Travel. Because of their relative size, the bulk of any reduction would have to be in these important functions.

For 1981, estimates for the individual program areas were based on a calculation of travel factors applied to the staff-years produced by the Department's work measurement system. An analysis was conducted of the "travel intensity" of different program areas, with separate factors calculated for Headquarters and Field operations. For the Field, the travel factors developed represent an aggregation of different factors for each region. The travel factors are based on an historical analysis with judgments applied to special circumstances. The following table shows the travel factors, the staff-years of each area and the resultant calculation of travel estimates.

Salaries and Expenses, Housing and Urban Development

HUD - TRAVEL ESTIMATE
FY 1981

	FY 1979 Cost/SY	Revised Cost/SY	FY 1981 SY	FY 1981 Estimate ($000)
Housing:				
Headquarters.	$1,234	$1,461	828.6	$1,211
Field.....	960	1,016	7,600.7	7,722
Total.....	987	1,059	8,429.3	8,933
Government National Mortgage Association:				
Headquarters.	425	504	65.6	33
Community Planning and Development:				
Headquarters.	839	993	388.5	386
Field.....	963	1,140	1,573.4	1,794
Total.....	935	1,111	1,961.9	2,180
New Community Development Corporation:				
Headquarters.	605	716	57.6	41
Neighborhoods, Voluntary Associations and Consumer Protection:				
Headquarters.	1,745	2,066	232.4	480
Field.....	2,187	2,589	160.0	414
Total.....	1,931	2,278	392.4	894
Policy Development and Research:				
Headquarters.	698	826	252.3	208
Fair Housing and Equal Opportunity:				
Headquarters.	1,545	1,829	131.1	240
Field.....	1,190	1,409	535.3	754
Total.....	1,259	1,492	666.4	994
Departmental Management:				
Headquarters.	2,137	2,334	176.4	412
Office of General Counsel:				
Headquarters.	807	881	240.5	212
Field Legal Service:				
Field.....	852	930	339.4	316
Office of Inspector General:				
Headquarters/ Field.....	2,795	3,309	535.0	1,770
Administration and Staff Services:				
Headquarters.	343	375	1,659.7	622
Training.....	1,902	N/A	...	2,250
Total.....	N/A	N/A	1,659.7	2,872

Salaries and Expenses, Housing and Urban Development

HUD - TRAVEL ESTIMATE
FY 1981

	FY 1979 Cost/SY	Revised Cost/SY	FY 1981 SY	FY 1981 Estimate ($000)
Field Direction and Operational Support				
Field.....	$1,001	$1,093	714.6	$781
Field Administration:				
Field.....	1,000	1,092	1,413.8	1,544
Total HUD.....	1,111	1,254	16,904.9	21,190

Since 1980 data are neither final nor definitive, 1981 travel factors were computed using 1979 actual travel factors as a base. The following calculations were used in the development of the 1981 travel factors:

--For workload-based programs (such as Housing, Community Planning and Development, and Fair Housing) the estimates have been derived by using the 1979 actual factors for travel cost per staff-year increased by 18.4 percent for inflation. The 18.4 percent represents a general overall two-year price trend forecast, and is not specifically related to travel which appears to be exceeding that trend. Thus, a conservative and austere factor has been used.

In the case of Housing, the resultant travel factor was reduced by about 10 percent to recognize an adjustment brought about by the anticipated conversion to 100 percent fee inspections and appraisals. Since inspection and appraisal activity is highly travel intensive, a downward adjustment in the factor was appropriate.

--For programs which are more "administrative" in nature (such as General Counsel, Administration and Staff Services, Field Direction and Operational Support and Field Administration), the estimates reflect a 9.2 percent inflation factor. This is one-half the normal inflation factor and was used in recognition of a general desire to hold down travel not directly related to program operations. Thus, by applying only one-half the inflation factor, a real reduction in travel occurs.

Travel intensity variations among program areas relate directly to the volume of the work performed. Thus, a program involving on-site reviews of counseling agencies--as in NVACP--would involve a large number of trips and thus have a high travel intensity. Administration and Staff Services activities in Headquarters, at the other end of the scale, would require fewer trips and thus result in a low travel intensity.

The justification for each staffing activity includes a description of what is involved in travel for that activity. In every case, the amount is related by the travel factors to the staff-years of employment. Given the nature of HUD programs and the geographic dispersion of the offices, it should be noted that the travel dollars are essential if the staff provided is to do the jobs set out.

TRANSPORTATION OF THINGS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Bills of lading and other.	$738	$400	$347	$410	+$63
Transportation of household goods.....	390	267	267	290	+23
Total.....	1,128	667	614	700	+86
Bills of lading and other.	$738	$400	$347	$410	+$63

This represents the estimated costs of freight and express shipments on Government Bills of Lading and the estimated cost of local commercial transportation required in connection with procurement and contracting activities which cannot be accommodated on Government Bills of Lading. It includes the shipment of forms and publications from local printers to appropriate field offices as directed on regional printing contracts, and the shipment of household goods on Government Bills of Lading for employees transferred from one official duty station to another. The general reduction from the 1979 level reflects completion of staff relocations and other moving costs associated with the field reorganization initiated during the latter part of 1978, and is consistent with on-going Departmental requirements. The 1980 Current estimate of $347 thousand--a reduction of $53 thousand as compared to the Budget estimate--results from the general travel and transportation reduction imposed by the Congress upon the Executive Departments under P.L. 96-86. The increase in 1981 is principally related to anticipated cost increases for this service.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Transportation of household goods.....	$390	$267	$267	$290	+$23

This represents the estimated cost of the transportation of household goods and personal effects for employees transferred from one official duty station to another, as applicable under commuted rate schedules in those instances where Government Bills of Lading are not used. The general reduction from the 1979 level reflects completion of staff relocations associated with the field reorganization initiated during the latter part of 1978, and is consistent with routine Departmental experience. The increase for 1981 is for anticipated increased costs for this service.

RENTS, COMMUNICATIONS AND UTILITIES

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Telephone-Long Distance...	$470	$500	$515	$560	+$45
Telephone-Local.....	4,862	5,100	5,350	5,785	+435
Telephone-Federal Telecommunications System...	5,180	5,400	5,660	6,000	+340
Penalty Mail and Post Office Box Rental.....	5,225	4,600	6,500	7,500	+1,000
Other Communications Services.....	846	560	925	1,000	+75
Real Property Rental.....	28,896	33,400	32,400	33,000	+600
Real Property Rental of Training or Conference Facilities.....	100	125	125	150	+25
Copying Machine Rental....	2,526	2,650	2,750	3,000	+250
Other Equipment Rental....	2,102	2,465	4,000	5,005	+1,005
Total.....	50,207	54,800	58,225	62,000	+3,775
Telephone-Long Distance...	470	500	515	560	+45

This represents long distance telephone services other than those provided through the Federal Telecommunications System. The increase in the Current estimate for 1980, as compared to the Budget estimate, and the 1981 estimate primarily reflects the annualization of changes in rate structures.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Telephone-Local.....	$4,862	$5,100	$5,350	$5,785	+$435

This represents the estimated costs of local recurring (rental and additional message units) and non-recurring (installation, relocation, repairs and materials) telephone charges as billed by the servicing telephone company. These costs are variable due to usage, office moves, relocations, etc. The increase for 1981, as well as the change in the 1980 Current estimate, as compared to the Budget estimate, reflect the annualization of current rates and an anticipated increase in 1981.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Telephone-Federal Telecommunications System...	$5,180	$5,400	$5,660	$6,000	+$340

This represents HUD's share of the cost of the Federal Telecommunications System (FTS). The FTS cost to the Department is based on quarterly samplings made by the General Services Administration (GSA), with annual notification of the

amount to be billed. The funding levels are based on estimates provided by the GSA. The increase in the 1980 Current estimate, as compared to the Budget estimate, and the 1981 estimate are based on data provided by the GSA.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Penalty Mail and Post Office Box Rental.....	$5,225	$4,600	$6,500	$7,500	+$1,000

This represents the cost of quarterly payments for Department-wide mail services made to the U.S. Postal Service. The Postal Service has conducted an audit to validate the base data used for their projections and determined that it has been understated. As a result of these findings, additional reimbursements have been made for prior years from prior year funds and the 1980 estimate has been adjusted, consistent with those findings. The 1981 estimate reflects the revised base.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Other Communications Services.....	$846	$560	$925	$1,000	+$75

This represents the estimated costs of all communications services not shown elsewhere, and includes such items as teletype, radio and cable equipment, messenger services and commercial telegraph services. The increase in the 1980 Current estimate, as compared to the Budget estimate, reflects an adjustment based upon actual 1979 experience for these services. The additional amount requested for 1981 is for the annualization of rate increases and anticipated additional increases.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Real Property Rental.....	$28,896	$33,400	$32,400	$33,000	+$600

These funds are required for anticipated billings by the General Services Administration (GSA) for the rent and maintenance of leased or government owned space occupied by the Department. The charges include security and janitorial services, as well as utilities. The estimates are based on data provided by the General Services Administration, taking into account GSA's estimate of rates and square footage. The reduction in the 1980 Current estimate, as compared to the Budget estimate, reflects the Congressional reduction of $1 million for this purpose.

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Real Property Rental of Training or Conference Facilities.....	$100	$125	$125	$150	+$25

These funds provide space rental for short-term training or conference facilities where adequate government space is not available. The increase in 1981 reflects increased rates for such facilities and a slight increase in training conducted in the field. The increase in training in the field is primarily related to the installation of major new automated data processing systems.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Copying Machine Rental.....	$2,526	$2,650	$2,750	$3,000	+$250

This represents the estimated costs of office copying equipment (including rental, copy charges, etc.) located in Headquarters, Regional, Area and Service Offices. The 1981 request projects an increase resulting from the annualization of new rate structures and anticipated additional rate increases.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Other Equipment Rental.....	$2,102	$2,465	$4,000	$5,005	+$1,005

The funds requested are for the rental of specialized miscellaneous types of office equipment for limited, short-term use or--where determined to be more economical than outright purchase--a long-term lease arrangement. It includes such items as word processing equipment, magnetic-type and punch paper-type typewriter equipment, data transmission equipment, composer units, microfilm/microfiche readers and printers, and other types of specialized office equipment utilized in Headquarters, Regional, Area and Service Offices. The Department has initiated a program to increase the utilization of such equipment in those instances where it is determined to be cost effective and which permit the use of advanced technology. The increase in the 1980 Current estimate, as compared to the Budget estimate, reflects both the full-year impact of equipment acquired during 1979 and additional equipment being rented during 1980. The additional funds requested in 1981 reflect the annualization of those costs and a further increase in such capabilities.

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PRINTING AND REPRODUCTION

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Training Material.....	$29	$35	$35	$38	+$3
Departmental Publications..	355	610	426	470	+44
Quick Copy Reproduction....	850	690	925	1,025	+100
Other Printing and Reproduction.....	6,199	5,765	6,814	7,367	+553
Total.....	7,433	7,100	8,200	8,900	+700

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Training Material.....	$29	$35	$35	$38	+$3

This represents the estimated costs of printed training materials obtained through the Departmental printing plant. The estimates for 1980 and 1981 are based on the Department's training efforts and increases in the cost of printing.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Departmental Publications..	$355	$610	$426	$470	+$44

These costs are for printing of the Departmental Publications as listed in the following table. The reduction to the 1980 Current estimate, as compared to the Budget estimate, is primarily related to the overall $1.0 million reduction applied to the communication support services program which is administered by the Office of Public Affairs. The additional funds requested for 1981 are principally for anticipated increases in the costs of labor and materials.

Salaries and Expenses, Housing and Urban Development

DEPARTMENTAL PUBLICATIONS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
		(Dollars in Thousands)		
Periodicals				
HUD Challenge (monthly magazine)	$67	$70.3	$66	$72
HUD Newsletter (weekly).....	30	26.8	24	29
Housing and Planning References (bi-monthly).....	31	27.7	28	30
Housing and Urban Development Trends (quarterly).....	16	11.6	10	12
HUDDLE (monthly employee magazine)	18	12.8	12	14
Recurring Items				
Statistical Yearbook (annual)...	27	22.7	21	25
HUD Annual Report.....	23	17.7	16	19
Design Awards competition brochure	...	34.3	32	36
Programs of HUD (periodic updating).....	24	20.8	19	22
Housing and Urban Development Bibliographies.....	21	15.0	14	18
International Affairs materials on Housing and Community Development.....	19	29.4	27	31
Other Items				
Program-related folders and brochures (new titles covering new or modified programs).....	19	55.0	33	48
Program-related folders and brochures (reprints of high-demand titles).....	19	65.2	43	56
Consumer-related folders and brochures (new titles).....	21	113.2	41	29
Consumer-related folders and brochures (reprints of high-demand titles).....	20	87.5	40	29
Total.....	355.0	610.0	426	470

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Quick Copy Reproduction....	$850	$690	$925	$1,025	+$100

These funds are for quick copy services provided through self-service copy machine rooms located at Headquarters. The Current estimate for 1980, as compared to the Budget estimate, reflects the annualization of 1979 rates and incorporates 1979 rate changes. The increase in 1981 provides for the annualization of current rates and further anticipated rate increases.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Other Printing and Reproduction.....	$6,199	$5,765	$6,814	$7,367	+$553

This category includes the estimated costs of all other printing and reproduction produced by or through the Departmental printing plant. This consists of the printing cost of printing HUD related material in the Federal Register and the Code of Federal Regulations, new and revised manuals, handbooks, regulations, issuances, forms, etc., and provides for reprinting specialty type forms (multi-part, carbon interleaf, etc.) which cannot be accommodated under regional printing contracts. Funds are also included for printing provided by commercial firms under Government Printing Office (GPO) contracts and by other government agency facilities through HUD field offices. Regional printing contracts, established through the Government Printing Office, provide for local replenishment of operating forms, issuances, handbooks, etc., as required by Regional, Area and Service Offices.

The increase in the 1980 Current estimate, as compared to the Budget estimate, reflects increases in the cost of labor and materials experienced during 1979 and similar increases being experienced during 1980, and additional printing requirements. The additional requirements result from the initiation of a policy during 1979 to increase the promulgation of research and evaluation findings to the Department's constituent groups and the general public. The general areas for which increased data are being provided, and which have met with positive public response, are principally energy conservation, housing safety and consumer and equal opportunity information. The increased funding requested for 1981 generally annualizes the 1980 efforts consistent with increased costs.

OTHER SERVICES

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Alterations to Space.....	$2,227	$2,000	$2,000	$2,200	+$200
Repairs and Alterations to Equipment.....	355	400	400	425	+25
Health Services.....	534	600	600	650	+50
Training Enrollments.....	843	750	1,098	1,190	+92
Storage of Household Goods.	82	50	50	50	...
Security Investigations....	296	175	332	300	-32
Audit Services.....	348	340	443	1,080	+637
Credit Reports.....	388	360	425	460	+35
Housing Vacancy Surveys....	277	275	300	330	+30
Interagency Agreements.....	665	541	667	720	+53
Housing Technical Assistance	...	...	...	900	+900
Data Processing Services...	26,718	33,484	32,202	40,606	+8,404
Visual Arts Services.....	887	650	972	1,035	+63
Contractual Services-Training.....	1,656	1,315	1,600	1,725	+125
Contractual Services-Publicity.....	162	...	...	...	...
Special Contractual Services	5,200	5,050	4,300	5,750	+1,450
Other Contractual Services.	1,368	1,243	1,683	1,979	+296
Total.....	42,006	47,233	47,072	59,400	+12,328
Alterations to Space.....	$2,227	$2,000	$2,000	$2,200	+$200

This item funds space alterations, realignments, telephone and electrical outlet changes, etc., throughout the Headquarters, Regional, Area and Service Offices. These services are performed by or through the General Services Administration in Government-owned or leased space occupied by the Department. The additional funds requested for 1981 are principally for the increased cost of labor and materials associated with such activities.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Repairs and Alterations to Equipment.....	$355	$400	$400	$425	+$25

This item funds commercial maintenance contracts, and repairs and repair parts for Government-owned or leased office equipment. It also includes funds for refurbishing and repairing office furniture. Such services are generally provided under General Services Administration Federal Supply Schedule contractors. The estimated funding levels are consistent with the 1979 actual level adjusted for cost increases being experienced and increased requirements consistent with increased usage of office equipment throughout the Department.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Health Services.....	$534	$600	$600	$650	+$50

These funds are for health services for Headquarters, Regional, Area and Service Office employees through contracts or through agreements with other Government agencies. The services are provided by the U.S. Public Health Service (PHS) and, where PHS facilities are not available, by private medical facilities. The estimated funding levels are consistent with the 1979 experience adjusted for salary increases for PHS staff effected in October 1979 and other increases in costs related to providing medical services.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Training Enrollments.....	$843	$750	$1,098	$1,190	+$92

These funds are for fees and tuitions associated with HUD's Staff Training and Development program. Costs include tuitions and fees for special courses and after-hours study which are designed to improve employee job performance and to enhance potential for career advancement. The Current 1980 estimate is based on more recent cost and requirements data. The funding level provides for such programs in support of an emphasis on hiring professionals at the entry level and providing assistance in their professional development and for increased emphasis on enhancing supervisory and managerial skills.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Storage of Household Goods.	$82	$50	$50	$50	...

These funds are required for the storage of household goods and personal effects for employees being transferred from one official duty station to another. The reduced funding level, as compared to the actual 1979 obligations, results from the completion of the relocation of staff associated with the field reorganization initiated during late 1978. The lower funding level is more consistent with the planned staffing levels.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Security Investigations....	$296	$175	$332	$300	-$32

These funds are required for the conduct of security investigations of potential employees in selected critical positions. The investigations are conducted by the Office of Personnel Management, which advised us that the cost for such investigations has been increased from $850 each to $950, effective

October 1, 1979. The increase for the 1980 Current estimate, as compared to the Budget estimate, reflects the increased cost and anticipates that 350 such investigations will be required. The 1981 estimate provides for 300 investigations and assumes a cost of $1,000 per investigation.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Audit Services.....	$348	$340	$443	$1,080	+$637

This item includes funds for mandatory audits of the Federal Housing Administration (FHA) and the Government National Mortgage Association (GNMA), which are conducted by the General Accounting Office and billed to HUD. The total also includes funds for audit services performed on a reimbursable basis by other Federal agencies--such as the Department of Health and Human Services and the Department of Defense--which conduct audits for HUD in instances where it is more economical and efficient to do so.

The changes in the 1980 estimate and the 1981 estimate are based on more recent cost data provided by the agencies who provide these services, and includes the effects of the pay raise effected for Federal employees during October 1979. The 1981 request also includes $600 thousand to provide technical support for the staff of the Office of Inspector General in conducting audits and investigations in highly technical areas, such as automated data processing, structural engineering and architectural design. This new requirement is addressed in greater detail in the section on the Office of Inspector General found earlier in this volume of the Justification.

The following table identifies the funding for the various audit services included in the summary data above.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
GAO:					
FHA.....	$143	$90	$140	$150	+$10
GNMA.....	45	80	80	85	+5
Subtotal.....	188	170	220	235	+15
Other Agencies.....	160	170	223	245	+22
Audit Support.....	...	...	...	600	+600
Total.....	348	340	443	1,080	+637
Credit Reports.....	$388	$360	$425	$460	+$35

This represents the estimated cost for obtaining factual data credit report services (other than FHA Title I) as required by Headquarters, Regional, and Area Offices. The estimates reflect the most recent cost and requirements data.

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Housing Vacancy Surveys....	$277	$275	$300	$330	+$30

Housing Vacancy Surveys are conducted to identify the number, location and type of vacant housing units. The data are used primarily for market analyses utilized by HUD for both policy development and execution, and are also provided to interested parties, both government and private. The estimates are based on current cost and requirements information.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Interagency Agreements.....	$665	$541	$667	$720	+$53

Interagency Agreements are entered into with other Federal agencies to provide services and data in their respective areas of responsibility to support the programs of the Department. The increase in the 1980 Current estimate, as compared to the Budget estimate results principally from the participation by the Department in the newly established Rural Fellows Program. This program is administered by the Department of Agriculture on behalf of a consortium of Federal agencies, and is designed to increase the managerial talent available to deal with rural problems.

Salaries and Expenses, Housing and Urban Development

INTERAGENCY AGREEMENTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Office of Personnel Management Evaluation of Civil Service Reform	...	...	$45	...	-$45
Office of Personnel Management Discrimination Complaints	...	$20	15	$16	+1
Rural Fellows	...	...	100	110	+10
Management of FHA Home Mortgage Files by National Archives and Records Service GSA	...	42	42	46	+4
GSA Billings for the Operation of Federal Information Centers	$235	...	...	...	...
Small Business Administration Studies	5	...	...	...	...
Department of State, Interpreters	85	74	95	103	+8
Common Services (Seattle)	6	10	8	9	+1
Library of Congress Data Bank	13	18	18	20	+2
Regional Bureau of Standards, Foreign Information Retrieval System	...	25	...	...	...
Census Bureau Data	80	67	90	98	+8
Veterans Certificates	35	50	50	55	+5
GSA Billing for the Operation of the Consumer Information Center	167	192	192	250	+58
Council on Environmental Quality	8	...	...	...	...
Department of Defense for Files Conversion to Microfiche	...	12	12	13	+1
Corps of Engineers for Permafrost Cooperative Studies	31	31	...	...	...
Total	665	541	667	720	+53

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Housing Technical Assistance	...	...	...	$900	+$900

This category of funding is being established in 1981 to implement the provisions of Section 504 of the Rehabilitation Act of 1973. This Act provides that handicapped persons should have equal access to all Federally assisted programs and activities and further provides that a handicapped person cannot solely by reason of his/her handicap be excluded from participation in, or be denied the

benefit of, programs that receive Federal financial assistance. Furthermore, the Department is required by law to publish regulations which provide guidelines and procedures to implement the requirements of Section 504. In order that all affected parties may understand the requirements, the Department must provide expert guidance and assistance and develop and implement a comprehensive technical assistance program covering Section 504 provisions.

Technical assistance obtained from non-Federal sources is required to meet these requirements because the depth of expertise does not exist at this time in the Department. Also, technical assistance is needed to ensure compliance with Departmental policy. Due to the legislative mandate concerning Section 504, funds for this proposed technical assistance are essential in order to continue to be responsive to the housing rights and needs of handicapped individuals.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Data Processing Services....	$26,718	$33,484	$32,202	$40,606	+$8,404

These funds are required for automated data processing services provided through the Working Capital Fund. The 1980 Current estimate of $32,202 thousand is based on the original estimate of $33,484 thousand as adjusted by a reduction of $2 million by the Congress in acting upon the Department's 1980 request for this appropriation, partially offset by an increase of $718 thousand for the cost of the pay increase implemented during October 1979. The 1981 request of $40,606 thousand, an increase of $8,404 thousand, reflects the continuing phased program to expand and enhance the Department's ADP capabilities. The additional funds are principally for the conversion of current systems and programs to a new computer facility, the new and expanded telecommunications network being installed during 1980, the development of new systems, and the expanded usage of this service. A detailed justification of the Department's ADP activities is included in the Working Capital Fund section of this volume.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Visual Arts Services.....	$887	$650	$972	$1,035	+$63

These funds reimburse the Working Capital Fund for visual arts services, such as photography, graphics, and visual presentations. It also provides for minimal outside contractor services or assistance, as required. The 1980 amount is higher than the Budget estimate based on the 1979 experience and funds the pay raise implemented during October 1979. The 1981 estimate primarily provides for increased costs related to providing this service. A detailed discussion of visual arts services is included in the Working Capital Fund section of this volume.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Contractual Services-Training.....	$1,656	$1,315	$1,600	$1,725	+$125

The following table lists the various training contracts included in the above totals:

TRAINING CONTRACTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
HUD National Training Center:					
Basic Contract.....	$290	$500	$340	$375	+$35
Quick Copy Support.....	...	10	...	...	...
Miscellaneous Support....	24	20	30	30	...
Subtotal.....	314	530	370	405	+35
Miscellaneous Training Contracts:					
Federal Executive Institute	40	40	60	60	...
OPM Executive Seminar Centers	52	60	60	60	...
Brookings Institute.....	9	18	19	19	...
CS Training Technologies.	...	140	...	...	...
Alternative Instructional Methodologies Contracts	500	...	480	540	+60
Executive Development....	...	60	40	60	+20
Departmental Management Training Program.....	74	259	110	110	...
Contracts for Support of Assistant Secretaries..	55	55	76	76	...
Departmental Contract Assistance.....	38	60	50	60	+10
Presidential Management Intern Program.....	30	...	40	40	...
Field Contracts.....	116	93	110	110	...
Videotape Training Contracts.....	92	...	...	...	...
Field Counsel Training...	5	...	...	...	...
Masters Program.....	75	...	...	...	...
Employee Performance and Evaluation System (EPPES)	14	...	...	...	...
Performance Analysis Training.....	42	...	...	...	...
Identification & Development of Training for Key Housing Managers...	200	...	...	...	...
Intergovernmental Management Program.....	...	...	185	185	...
Subtotal.....	1,342	785	1,230	1,320	+90
Total, Training Contracts	1,656	1,315	1,600	1,725	+125

As indicated in the table, the Department's primary in-house training effort is conducted at the HUD National Training Center, which is located in Columbia, Maryland, and which was established as a permanent site in 1976. The Training Center contracts are primarily for classroom space and the lodging of attendees in lieu of providing per diem. Such an arrangement not only reduces the costs to the Government, but provides a "live-in" residential training atmosphere which is conducive to a better training experience.

The miscellaneous contracts are for small individual items covering a wide range of training activities such as the Office of Personnel Management Executive Seminars, the Federal Executive Institute, contractual assistance for Headquarters training and for the development and provision of training materials which can be distributed to Field offices for on-site and individual training.

The increase of $285 thousand in the 1980 Current estimate, as compared to the Budget estimate, reflects the changes in current training requirements. The increase is principally related to the addition of the Intergovernmental Training program which is a recently established work study program for HUD, and state and local government employees being conducted in Washington, D.C. by the University of Southern California. The program provides for the participants to work full-time at Headquarters while participating in studies related to housing and urban development. The purpose of the program is to develop a nation-wide cadre of employees who are knowledgeable in these areas and the interaction between and among the various levels of government in such matters.

The reduction in the 1980 Current estimate for the HUD National Training Center, as compared to the Budget estimate, reflects a reduction in the anticipated number of trainees attending the center. This reduction is the result of two considerations. The first is a planned reduction resulting from the increased utilization of alternative training methodologies. This mode of training provides for the packaging of various types of instructional materials in the form of video tapes, manuals, slides, etc. for individuals trained in their use to deliver training at field sites, where the subject matter permits, in lieu of bringing field staff to the Center. This mode of training was being phased-in and measured in terms of a cost effective means for the delivery of subject matter amenable to this mode. The second consideration--unplanned--is the impact of the severe reduction in the travel funds available to the Department as a result of P.L. 96-86, which imposed a reduction of the travel of the Executive departments. This action accelerated and intensified the efforts related to the alternative mode. In this regard, it should be noted that the item identified as "CS Training Technologies" has been retitled "Alternative Instructional Methodology Contracts" for presentation purposes. Additionally, the funding level for that purpose has been increased to implement the effort discussed above.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Contractual Services-Publicity.....	$162	...	...	...	...

Prior to 1980, these costs represented the contractual costs for spot announcements (radio and TV), filmstrips, movies, photographic services, graphics and slide presentations, exhibits, etc., as required to adequately support Departmental programs. The funds were for obtaining films for documentary and news coverage, the production of newsworthy materials for public service or for use by radio and TV outlets, and for emphasizing consumer interests through filmed materials and public service spot announcements. These costs have been merged into Special Contracts costs for the communication support services activity which was established during 1978 under the Office of Public Affairs.

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	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Special Contractual Services	$5,200	$5,050	$4,300	$5,750	+$1,450

Special Contracts funds are required for the administrative operations of individual activities within the Department. Detailed explanations for these various contractual services are included in the respective sections of the Justifications.

The $750 thousand reduction to the Current estimate for 1979, as compared to the Budget estimate, reflects in part, the $1.0 million reduction imposed by the Congress on the Communication Support Service during its consideration of the Department's 1980 Budget request. The increase of $1,450 thousand is primarily related to the 1981 phase of the multi-year program for the development of the HUD Mortgage Accounting Program (HUDMAP).

The following table summarizes Special Contracts funding by Budget activity and briefly describes the currently anticipated 1981 requirements:

Salaries and Expenses, Housing and Urban Development

SPECIAL CONTRACTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Housing Programs					
Actuarial and Air Courier Services, evaluation studies and technical support for Environmental Impact Statements.....	$2,510	$355	$355	$547	+$192
Community Planning and Development					
Technical support for Environmental Impact Studies and urban and regional policy activities and Block Grant data collection.....	175	357	357	400	+43
Neighborhoods, Voluntary Associations and Consumer Protection					
Microfilm services and consumer forums.....	152	90	90	160	+70
Fair Housing and Equal Opportunity					
Studies and technical assistance activities...	208	257	257	152	-105
Departmental Management					
Press and translation services and communication support services.....	399	1,767	1,037	1,075	+38
General Counsel					
Technical support for tax and financial matters.....	116	100	...	...	...
Inspector General					
Manual and guide for state and local authorities.....	...	...	...	50	+50
Administration and Staff Services.....	(1,640)	(2,124)	(2,204)	(3,366)	(+1,162)
Office of Organization and Management Information					
Management and information system analysis support.....	...	517	257	275	+18

SPECIAL CONTRACTS (cont'd)

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Procurement and Contracts					
Small Business conference...	$2	$50	$40	$5	-$35
Personnel					
Affirmative Action programs and performance appraisal support.....	167	140	75	130	+55
Office of Finance and Accounting					
Development of HUD Mortgage Accounting Program (HUDMAP)	1,465	1,400	1,815	2,939	+1,124
Office of Administrative Services					
Library card cataloguing services.....	6	17	17	17	...
Total, Special Contracts..	5,200	5,050	4,300	5,750	+1,450
Other Contractual Services..	$1,368	$1,243	$1,683	$1,979	+$296

Other Contractual Services represent those services, not identified above or in the special contractual services category, for Headquarters, Regional, Area and Service Offices. It includes a wide variety of services, such as stenographic and court reporter services, microfilming, binding periodicals, exhibit storage and handling, authorized registration fees not associated with training, and other miscellaneous expenses. The 1980 Current estimate is higher than the 1980 Budget estimate based on the 1979 experience, during which the costs of such services increased significantly. The 1980 and 1981 estimates anticipate continued cost increases for these various services.

SUPPLIES AND MATERIALS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Training Supplies.....	$91	$90	$105	$110	+$5
Library-Subscriptions, etc.	535	510	600	630	+30
GSA Store Supplies.....	833	1,100	950	1,000	+50
Other Supplies and Materials	1,875	1,363	2,125	2,210	+85
Total.....	3,334	3,063	3,780	3,950	+170
Training Supplies.....	$91	$90	$105	$110	+$5

This represents the estimated costs of training supplies and materials for Headquarters, Regional and Area Offices, and the HUD National Training Center. This estimate includes training materials used for "in-house" training courses, as well as books and supplies needed by individuals participating in authorized training courses at colleges and universities. The 1980 Current estimate and the 1981 Estimate are based upon 1979 experience, consistent with anticipated training levels and cost increases.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Library-Subscriptions, etc.	$535	$510	$600	$630	+$30

This represents the estimated costs for purchasing subscriptions to newspapers, periodicals, pamphlets, documents and other miscellaneous materials for use by or through the Headquarters library and for field office use. It does not include the cost of reference and law books, which are identified separately under equipment. The Current estimate for 1980 and the 1981 request maintain the 1979 level adjusted for known and anticipated cost increases.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
GSA Store Supplies.....	$833	$1,100	$950	$1,000	+$50

This represents the estimated costs of general office supplies obtained from local General Services Administration self-service stores or by requisition from a GSA Supply Depot. This estimate, based on current operating experience, includes supplies for Headquarters, Regional, Area and Service Offices. The reduced 1980 Current estimate, as compared to the Budget estimate, is based upon the actual 1979 experience and the increased staff level. The 1981 estimate provides for modest cost increases.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Other Supplies and Materials	$1,875	$1,363	$2,125	$2,210	+$85

This represents the estimated costs for expendable office supplies purchased through the General Services Administration Federal Supply Schedule sources and through contracts with commercial vendors for Headquarters, Regional, Area and Service Offices, and the purchase of film, flashbulbs, etc., by Regional and Area Offices as required for FHA appraisals of inner city properties. The Current estimate for 1980 and the 1981 estimate are based primarily on 1979 experience.

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EQUIPMENT

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Furniture, Fixtures and Equipment-Capitalized....	$3,650	$1,900	$2,100	$1,430	-$670
Other Equipment.....	1,198	1,570	1,590	1,090	-500
Training Equipment-Capitalized.....	36	20	40	40	...
Training Equipment - Non-Capitalized.....	13	10	15	15	...
Equipment - Non-Capitalized	428	550	550	380	-170
Library-Reference Law Books	187	250	205	225	+20
Total.....	5,512	4,300	4,500	3,180	-1,320
Furniture, Fixtures and Equipment-Capitalized....	$3,650	$1,900	$2,100	$1,430	-$670

These funds are required for the orderly replacement of furniture and fixtures and for the scheduled replacement of office equipment, such as typewriters, and desk top calculators, etc., in accordance with the established General Services Administration Federal Supply Schedule standards. Replacement of old, worn, and broken furniture with unitized furniture continues to improve HUD's space utilization and the general appearance of offices. The estimates reflect the execution of a planned multi-year, phased program for the replacement or refurbishment of furniture and equipment consistent with government-wide standards established by the General Services Administration (GSA). The 1980 Current estimate and the 1981 estimate anticipate completion of the program during 1980 and the continued replacement and refurbishment required to maintain the standard achieved.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Other Equipment.....	$1,198	$1,570	$1,590	$1,090	-$500

These funds are required for new or additional requirements, or the replacement of obsolete or wornout equipment used in mail rooms, addressograph equipment, and other speciality type equipment as required in Headquarters, Regional, Area and Service Offices. The estimates for 1980 and 1981 reflect requirements related to the phased replacement program being conducted on a Department-wide basis discussed in the preceding section related to furniture procurement.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Training Equipment-Capitalized.....	$36	$20	$40	$40	...

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This represents the estimated costs for providing new, additional, or replacement equipment used for "in-house" training programs, such as slide and movie projectors, screens, and tape recording equipment. The 1980 Current and 1981 estimates are consistent with the efforts to utilize current training aids technology at the HUD National Training Center and in Field Offices.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Training Equipment - Non-Capitalized.....	$13	$10	$15	$15	...

These funds are required for miscellaneous training equipment used for "in-house" training programs in Headquarters, Regional and Area Offices and include items such as books and training films. The funding levels proposed are consistent with actual 1979 cost and requirement experience.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Equipment - Non-Capitalized	$428	$550	$550	$380	-$170

These funds are requested for miscellaneous non-capitalized equipment on the basis of past experience and current requirements. Included are items such as carpeting, safety materials and area dividers for Headquarters, Regional and Area Offices. The proposed funding levels are consistent with the multi-year program for the refurbishing of the Department's facilities discussed under the section related to furniture procurement.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Library-Reference Law Books	$187	$250	$205	$225	+$20

This represents the estimated costs of reference and law books required for use in the Headquarters Library Facility and by the Regional and Area Offices. This estimate provides for new books, supplements, addenda, etc., consistent with the continual rising trend in the cost of such materials.

INSURANCE AND INDEMNITIES

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Insurance Claims and Indemnities:					
Indemnities for property damages or personal injuries....	$33	$35	$35	$35	...

Salaries and Expenses, Housing and Urban Development

These funds provide indemnification for property damages or personal injuries in Headquarters, Regional and Area Offices consistent with Federal policies and regulations.

ACTIVITY FUNDING SOURCES

The following three tables identify the source of funds for each Budget Activity for fiscal years 1979, 1980 and 1981:

DISTRIBUTION OF FUNDS BY BUDGET ACTIVITY - FY 1979

	BUDGET ACTIVITY	APPROPRIATION	FHA FUND TRANSFER	FEES	OTHER	BUDGET ACTIVITY TOTAL (OBLIGATIONS)
		(Dollars in Thousands)				
1.	Housing Programs.....	$61,458	$166,447	$1,230	...	$229,135
2.	Government National Mortgage Association	36 a/	...	...	$1,659 c/	1,695
3.	Community Planning and Development....	50,810	...	3,300	...	54,110
4.	New Community Development Corporation....	47 b/	...	...	2,976 d/	3,023
5.	Neighborhoods, Voluntary Associations and Consumer Protection	7,583	3,497	271	...	11,351
6.	Policy Development and Research.....	9,998	771	...	...	10,769
7.	Fair Housing and Equal Opportunity..	15,648	...	...	...	15,648
8.	Departmental Management.....	7,748	...	...	...	7,748
9.	General Counsel.....	5,132	2,601	...	...	7,733
10.	Field Legal Services.	7,442	2,784	...	...	10,226
11.	Inspector General....	10,869	2,488	990	...	14,347
12.	Administration and Staff Services.....	39,132	35,665	...	573 e/	75,370
13.	Field Direction and Operational Support	8,393	11,432	...	...	19,825
14.	Field Administration.	31,843	24,570	...	...	56,413
	TOTAL.....	256,139	250,255	5,791	5,208	517,393

a/ As of September 30, 1979. Subsequent action charges this amount to the Government National Mortgage Association.

b/ As of September 30, 1979. Subsequent action charges this amount to the New Communities Fund.

c/ Transfers from the various funds of the Government National Mortgage Association.

d/ Transfer from the New Communities Fund.

e/ Miscellaneous reimbursements and transfers.

Salaries and Expenses, Housing and Urban Development

DISTRIBUTION OF FUNDS BY BUDGET ACTIVITY - FY 1980

BUDGET ACTIVITY	APPROPRIATION	FHA FUND TRANSFER	FEES	OTHER	BUDGET ACTIVITY TOTAL (OBLIGATIONS)
		(Dollars in Thousands)			
1. Housing Programs.....	$70,306	$180,336	$1,313	...	$251,955
2. Government National Mortgage Association	...	...	...	$2,272 a/	2,272
3. Community Planning and Development....	61,963	...	3,524	...	65,487
4. New Community Development Corporation....	...	...	...	2,996 b/	2,996
5. Neighborhoods, Voluntary Associations and Consumer Protection	8,560	3,860	350	...	12,770
6. Policy Development and Research.....	10,473	935	...	...	11,408
7. Fair Housing and Equal Opportunity..	19,417	...	...	...	19,417
8. Departmental Management.....	8,771	...	...	...	8,771
9. General Counsel.....	6,499	1,983	...	...	8,482
10. Field Legal Services.	7,969	3,296	...	...	11,265
11. Inspector General....	11,624	3,611	1,057	...	16,292
12. Administration and Staff Services.....	46,088	35,348	...	...	81,436
13. Field Direction and Operational Support	10,040	10,583	...	...	20,623
14. Field Administration.	34,069	28,047	...	...	62,116
TOTAL.....	295,779	267,999	6,244	5,268	575,290

a/ Transfers from the various funds of the Government National Mortgage Association.

b/ Transfer from the New Communities Fund.

Salaries and Expenses, Housing and Urban Development

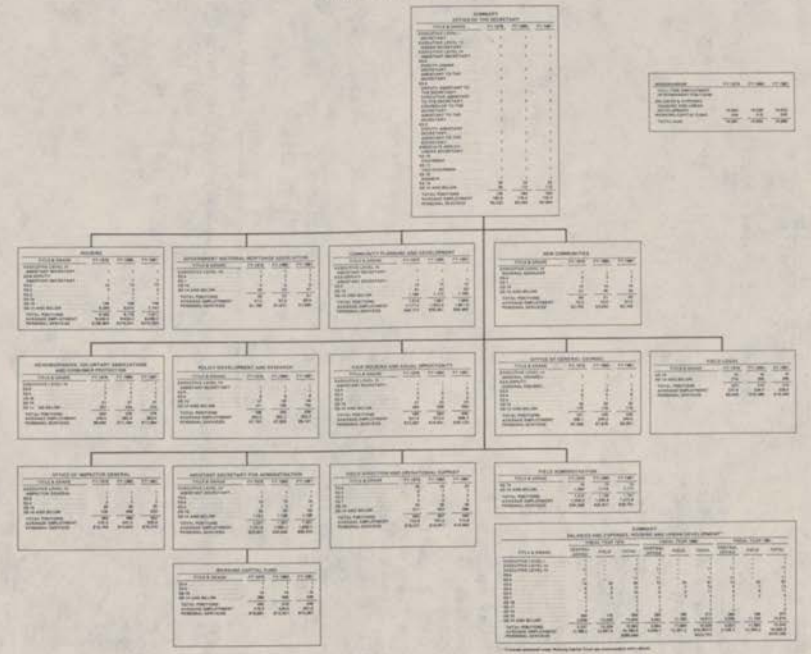
DISTRIBUTION OF FUNDS BY BUDGET ACTIVITY - FY 1981

BUDGET ACTIVITY	APPROPRIATION	FHA FUND TRANSFER	FEES	OTHER	BUDGET ACTIVITY TOTAL (OBLIGATIONS)
	(Dollars in Thousands)				
1. Housing Programs.....	$93,152	$158,861	$1,100	...	$253,113
2. Government National Mortgage Association	...	...	...	$2,668 a/	2,668
3. Community Planning and Development....	65,556	...	3,000	...	68,556
4. New Community Development Corporation....	...	...	...	2,568 b/	2,568
5. Neighborhoods, Voluntary Associations and Consumer Protection	10,568	2,548	350	...	13,466
6. Policy Development and Research.....	12,099	...	...	...	12,099
7. Fair Housing and Equal Opportunity..	23,195	...	...	...	23,195
8. Departmental Management.....	9,228	...	...	...	9,228
9. General Counsel.....	6,676	2,035	...	...	8,711
10. Field Legal Services.	8,636	2,700	...	...	11,336
11. Inspector General....	13,161	5,059	900	...	19,120
12. Administration and Staff Services.....	31,237	59,607	...	...	90,844
13. Field Direction and Operational Support	11,775	9,811	...	...	21,586
14. Field Administration.	55,599	11,601	...	...	67,200
TOTAL.....	340,882	252,222	5,350	5,236	603,690

a/ Transfers from the various funds of the Government National Mortgage Association.

b/ Transfer from the New Communities Fund.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WORKING CAPITAL FUND

REVISED BUDGET REQUEST

The Working Capital Fund is authorized by Section 7(f) of the Department of Housing and Urban Development Act of 1965 (79 Stat. 670) and was established in June 1968 with a transfer of $1,500,000 from the unobligated balances of the Revolving Fund for liquidating programs. No appropriation is requested for 1981. Operations during 1981 will be sustained through reimbursements from the Department's administrative expense fund for services provided.

This section describes the effect of the proposed amendment to the 1981 Budget request of $1,000 thousand.

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	ESTIMATE 1980 PREVIOUS	ESTIMATE 1980 REVISED	ESTIMATE 1981 PREVIOUS	ESTIMATE 1981 REVISED	REVISED ESTIMATES 1981 vs 1980
			(Dollars in Thousands)			
TOTAL FUNDING BY ACTIVITY						
Printing.....	$6,289	$6,992	$6,992	$7,516	$7,516	+$524
Visual Arts.....	998	987	987	1,046	1,046	+59
Automated Data Processing Services	26,929	32,218	32,218	40,615	39,615	+7,397
Total.....	34,216	40,197	40,197	49,177	48,177	+7,980
Permanent positions-End of Year.....	404	418	418	446	446	+28
Staff-Years.....	415.5	429.0	429.0	451.0	451.0	+22.0

SUMMARY OF REVISED BUDGET ESTIMATES (BUDGET AMENDMENT)

A reestimate of automated data processing funding requirements based on more recent cost and operational data, results in a reduction of $1 million--from $40,615 thousand to $39,615 thousand--for that purpose. The previous estimate was made prior to the competitive award for the planned replacement of existing computer equipment. The award has now been made and as a result the funding requirement for commercial computer services has be reduced in FY 1981.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WORKING CAPITAL FUND

The Working Capital Fund is authorized by Section 7 (f) of the Department of Housing and Urban Development Act of 1965 (79 Stat. 670) and was established in June 1968 with a transfer of $1,500,000 from the unobligated balances of the Revolving Fund for liquidating programs. An appropriation of $4,338,000 was received in fiscal year 1970 for the purchase of computer equipment.

ACTIVITY HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Total Budget Activity.....	$34,216	$40,076	$40,197	$49,177	+$8,980
Permanent Positions - End of Year.....	404	418	418	446	+28
Staff-Years.....	415.5	414.0	429.0	451.0	+22.0

The staff-years indicated on the above table, except for the 1980 Budget estimate, include overtime as well as direct staff-years. This is a change from the previous practice of excluding overtime. On a comparable basis, the figure would be 429.0 staff-years, or the same as the current estimate.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for 1981. Operations during 1981 will be sustained through reimbursements from the Department's administrative expense fund for services provided.

The 1981 request provides for an increase of 28 positions, as compared to the 1980 staffing level. All of the additional positions are for the Automated Data Processing (ADP) activity for systems consolidation efforts and to provide systems maintenance and operational support consistent with the expanded use of this capability.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

The current 1980 estimate varies from the 1980 Budget estimate as follows:

	(Dollars in Thousands)
Original estimate.....	$40,076
Less reduction by the Congress in the 1980 Appropriation Act.....	-2,000
Add October 1979 pay raise.....	+808
Increased printing and reproduction requirements	+1,115
Add revised estimate for support costs.....	+198
Current 1980 estimate.....	40,197

The changes in funding requirements are the results of:

— a Congressional reduction in the 1980 Appropriation Act of $2,000 thousand in the funding level for automated data processing;

Working Capital Fund

-- the additional funds necessary to implement the pay increase which became effective during October 1979;

-- increased requirements and costs in printing and reproduction; and,

-- a revision of other objects of expense on the basis of more recent cost and requirements data, principally related to printing costs.

ANALYSIS OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$34,216	$40,197
Change in printing and reproduction services	+703	+524
Change in visual arts services	-11	+59
Increased data processing services	+5,289	+8,397
Total estimated obligations	40,197	49,177

EXPLANATION OF INCREASES AND DECREASES

Printing obligations for 1980 increase by $703 thousand and in 1981 by an additional $524 thousand. The additional funds are principally for increased requirements for forms for the Computerized Home Underwriting Management System (CHUMS) and the HUD Mortgage Accounting Program (HUDMAP) which enter into operational phases during this time-frame and for increased cost of materials. In addition, the 1980 increase reflects $67 thousand for the pay raise enacted in October 1979.

A decrease of $11 thousand in 1980 and an increase of $59 thousand in 1981 in visual arts services reflect fluctuations in requirements and the costs for materials and labor.

The net increase of $5,289 thousand in 1980 for data processing services provides for continuation of the effort to improve the Department's ADP capabilities and to support expanded usage. The net increase consists of:

— $1,159 thousand for personal services to support the increased staffing level, including $720 thousand for the pay raise enacted in October 1979;

— $2,379 thousand for rental and communications costs in order to provide for the implementation of the new teleprocessing network (HTN II), including an increase for cluster terminals as existing terminals are phased out; support for leased telecommunications lines and 400 new network stations; and to support the replacement of HUD's UNIVAC 1108 Headquarters Computer System;

— $1,620 thousand for other services including contractor support for conversion of existing systems to the new computer configuration and initiation of an expanded effort in the area of system consolidation and integration; terminal maintenance; maintenance of the new computer system and present equipment; Teleprocessing Services Program computer service (acquired under the GSA Teleprocessing Services Program/ Multiple Award Schedule Contract) for The Computerized Home Underwriting Management System (CHUMS) and other field-oriented systems; increased data entry support; and to provide services for conversion of CHUMS and other single family insurance data to magnetic tape; and,

Working Capital Fund

— a net increase of $131 thousand for miscellaneous costs, such as travel, printing, and supplies.

The net increase of $8,397 thousand for data processing services in 1981 consists of the following changes:

— an increase of $916 thousand for personal services for the requested increase of 28 additional positions and the full-year cost in 1981 of the staffing level attained in 1980;

— an increase of $802 thousand for rents, communications and utilities for the Department's replacement computer, new word processors, and increased use of duplicating equipment;

— an increase of $6,590 thousand in other services which consists primarily of additional contractor support costs to satisfy all scheduled ADP commitments including the conversion of systems to the new computer configuration, full implementation of The Computerized Home Underwriting Management System (CHUMS), data entry services and equipment maintenance in support of these systems; and,

— a net increase of $89 thousand for miscellaneous costs, such as travel, printing and supplies.

STAFFING SUMMARY

The Working Capital Fund finances administrative support type services which can be performed more advantageously on a centralized basis. The activities are:

Printing and Reproduction which provides centralized services for all Departmental printing, reproduction and distribution.

Visual Arts which provides Washington-controlled photographic and design services and the preparation of visual presentations, displays, exhibits, illustrated visual aids, and graphics (charts, maps, diagrams, etc.).

Automated Data Processing Services (ADP) which provide ADP services in support of program operations and for administrative functions such as Departmental payroll, personnel, finance and accounting, nonexpendable property inventories, and related common services.

Working Capital Fund activities are funded by reimbursements from the appropriations and other staff expense funds available to the Department.

Employment and obligations for the individual services are summarized in the following table:

WORKING CAPITAL FUND

SUMMARY OF END-OF-YEAR EMPLOYMENT AND OBLIGATIONS
(Dollars in Thousands)

ACTIVITY	ACTUAL 1979		BUDGET ESTIMATE 1980		CURRENT ESTIMATE 1980		ESTIMATE 1981		INCREASE +/DECREASE - 1981 vs 1980	
	EMPLOYMENT	OBLIGATIONS	EMPLOYMENT	OBLIGATIONS	EMPLOYMENT	OBLIGATIONS	EMPLOYMENT	OBLIGATIONS	EMPLOYMENT	OBLIGATIONS
Printing and Reproduction....	42	$6,289	42	$5,856	42	$6,992	42	$7,516	...	+$524
Visual Arts Services.....	11	998	11	720	11	987	11	1,046	...	+59
Data Processing Services.....	351	26,929	365	33,500	365	32,218	393	40,615	+28	+8,397
ADP Systems Development....	(191)	(12,718)	(199)	(11,386)	(199)	(11,701)	(226)	(15,332)	(+27)	(+3,631)
ADP Operations.....	(160)	(14,211)	(166)	(22,114)	(166)	(20,517)	(167)	(25,283)	(+1)	(+4,766)
Total Working Capital Fund...	404	34,216	418	40,076	418	40,197	446	49,177	+28	+8,980

Working Capital Fund

An increase of 28 positions, all for ADP services, is requested for 1981. A separate discussion of the work program and associated staff under each activity in the Working Capital Fund follows:

1. PRINTING AND REPRODUCTION

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year	42	42	42	42	...
Staff-years	41.2	42.0	45.0	45.0	...

No change in staffing is requested.

This activity provides printing, reproduction and distribution services for all Washington Offices. These activities consist of four primary functions:

—Administration and Cost Control - responsible for maintaining production and cost records and carrying out divisional responsibilities in connection with cost distribution for printing services.

—Planning - responsible for planning the printing of all material for the Department in both Headquarters and Regional Offices. This includes scheduling, coordinating and monitoring production of HUD material printed by the Departmental Printing Plant, by or through the Government Printing Office or under contract, and for monitoring Regional Office printing contracts.

—Production - responsible for operating the Departmental printing plant, and "quick-service" duplicating and copying facilities, including maintaining quality and production controls, keeping necessary inventories of supplies and obtaining required equipment repairs and services.

—Distribution - responsible for maintaining authorized distribution lists for the issuances of HUD informational materials, for addressing and mailing such material on schedule as required for initial distribution and for providing assistance to HUD staff concerning distribution problems.

The cost of printing and reproduction is billed to each HUD customer who requests services. The following two tables show (1) actual workload materializing in 1979 and anticipated for 1980 and 1981 and the relationship of that workload to staff requirements, and (2) estimated billings to the various activities of the Department for Headquarters printing services which are included in the estimates and justifications for each of the organizations indicated. The workload for 1981 is expected to remain at approximately the 1980 level.

A summary of the workload for these services and related staff-year requirements follows:

WORKLOAD/STAFFING - PRINTING AND REPRODUCTION SERVICES

	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORKLOAD	W/L - S/Y a/	STAFF-YEARS	WORKLOAD	W/L - S/Y a/	STAFF-YEARS	WORKLOAD	W/L - S/Y a/	STAFF-YEARS
Printing requisitions received and assigned to:									
Departmental Printing Plant.....	3,270	1,308	2.5	3,870	1,548	2.5	3,870	1,548	2.5
Government Printing Office.....	1,420	710	2.0	1,700	850	2.0	1,700	850	2.0
Private contractors.....	7,730	1,288	6.0	7,730	1,207	6.4	7,730	1,207	6.4
Total requisitions.....	12,420		10.5	13,300		10.9	13,300		10.9
"In-House" production (pages).....	26,922,145	1,736,913	15.5	30,000,000	1,754,386	17.1	30,000,000	1,754,386	17.1
Quick-Copy Center servicing (pages).	32,794,000		3.0	40,000,000		3.0	40,000,000		3.0
Mailing Services/Distribution:									
First-class units.....	4,511,575	791,504	5.7	5,900,000	907,692	6.5	5,900,000	907,692	6.5
Bulk packages.....	7,800	3,120	2.5	7,800	3,120	2.5	7,800	3,120	2.5
Total mail.....	4,519,375		8.2	5,907,800		9.0	5,907,800		9.0
Administration and supervision.....			4.0			5.0			5.0
Total, staff-years.....			41.2			45.0			45.0
End of year employment in permanent full-time positions.....			42			42			42

a/ Workload per staff-year.

Working Capital Fund

COSTS FOR PRINTING AND REPRODUCTION SERVICES, FISCAL YEARS 1979-1981
(Dollars in Thousands)

CUSTOMER	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
Housing.....	$1,604	$1,310	$1,774	$1,934
Government National Mortgage Association.	71	53	79	88
Community Planning and Development.....	378	194	419	457
New Communities.....	2	7	2	8
Neighborhoods, Voluntary Associations and Consumer Protection..	103	67	114	124
Policy Development and Research.....	1,170	677	1,293	1,410
Fair Housing and Equal Opportunity.....	55	43	91	85
Departmental Management	416	597	466	564
General Counsel.....	119	131	132	144
Inspector General.....	64	78	72	80
Administration.....	2,337	2,675	2,588	2,686
Total billings to S&E, HUD Customers for costs of services.....	6,319	5,832	7,000	7,580

2. VISUAL ARTS SERVICES

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs. 1980
Permanent full-time positions, end of year	11	11	11	11	...
Staff-years.....	10.3	11.0	11.0	11.0	...

No change in staffing is requested.

The Visual Arts organization is responsible for: designing Departmental publications and printed materials; developing and recommending visual design solutions; producing artwork for reproduction; designing and preparing visual presentations, projection materials, displays, exhibits, charts, maps and diagrams and advising on their effective presentation; preparing original conference and briefing materials, data kits, etc.; reviewing and monitoring HUD

contracts for exhibits, visual aids and presentation art; providing photographic services for the entire Department; providing liaison with individuals, agencies and firms outside HUD on photographic matters; and maintaining a central file of HUD photographic material and documentation.

Workload is expected to remain relatively level.

A summary of the workload for these services and related staff-year requirements follows:

WORKLOAD/STAFFING - VISUAL ARTS SERVICES

	ACTUAL 1979			ESTIMATE 1980			ESTIMATE 1981		
	WORKLOAD	W/L - S/Y a/	STAFF-YEARS	WORKLOAD	W/L - S/Y a/	STAFF-YEARS	WORKLOAD	W/L - S/Y a/	STAFF-YEARS
Preparation of publications, and art work for publications and similar material-number of job requests	800	200	4.0	840	187	4.5	840	187	4.5
Preparation of charts, presentations, and exhibits:									
"In-house" preparation	1,480	528	2.8	1,600	533	3.0	1,600	533	3.0
Outside contractor preparation	1,600	3,200	.5	1,700	3,400	.5	1,700	3,400	.5
Photography (number of photographs/ slides)	5,300	2,650	2.0	5,600	2,800	2.0	5,600	2,800	2.0
Administration, supervision, miscellaneous uncountable workload			1.0			1.0			1.0
Total			10.3			11.0			11.0
End of year full-time employment in permanent positions			11			11			11

a/ Workload per staff-year

Working Capital Fund

- The following Object Class table summarizes obligations for Printing and Visual Arts Services and is followed by a discussion of the changes in those obligations.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Personal Services	$1,189	$1,277	$1,370	$1,390	+$20
Travel and Transportation of Persons	2	4	2	2	...
Rents, Communications and Utilities	581	535	520	556	+36
Printing and Reproduction	4,322	3,724	4,839	5,276	+437
Other Services	713	456	634	691	+57
Supplies and Materials	439	396	430	457	+27
Equipment	41	184	184	190	+6
Total obligations	7,287	6,576	7,979	8,562	+583

The increase of $1,403 thousand in the current estimate for 1980, as compared to the 1980 Budget estimate, results from:

— an increase of $93 thousand for personal services which consists of $90 thousand for the cost of the October 1979 pay raise--$68 thousand for Printing staff and $22 thousand for Visual Arts staff--, and a $3 thousand pricing adjustment;

— an increase of $1,115 thousand related to increased printing costs and increased requirements. The increased requirements primarily reflects a program, initiated during 1979, to expand the promulgation of research and evaluation fundings made by the Office of Policy Development and Research to public interest groups and the general public;

— and an increase of $195 thousand for all other support items, principally due to increased costs.

The increase of $583 thousand in 1981, as compared to the current estimate for 1980, consists of:

— an increase of $20 thousand for personal services for within grade increases;

— an increase of $437 thousand for printing services primarily for forms in support of the Computerized Home Underwriting Management System (CHUMS) and the HUD Mortgage Accounting Program (HUDMAP); and,

— a net increase of $126 thousand in increased costs for all other support items.

3. AUTOMATED DATA PROCESSING

The following table summarizes the staffing level for automated data processing functions and is followed by a detailed discussion of those activities.

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Working Capital Fund

The 1981 request provides for an increase of 28 positions as compared to the 1980 staffing level. These positions are needed to support the expanding requirements of the users of ADP services, large scale system consolidation efforts and major system overhaul projects. The requirement for additional staff is discussed in greater detail in the ensuing sections.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time positions, end of year:					
ADP Systems Development.....	191	199	199	226	+27
ADP Operations.....	160	166	166	167	+1
Total.....	351	365	365	393	+28
Staff-Years:					
ADP Systems Development.....	196	197	201	220	+19
ADP Operations.....	168	164	172	175	+3
Total.....	364	361	373	395	+22

The 1981 request provides for the continuation of large scale efforts, initiated in prior years, to improve ADP support for the Department's program through the utilization of state-of-the-art technological advancements. The 1981 increment will permit completion of substantive system development projects and the acquisition of the teleprocessing network and computer hardware required to fully support the Department's automated systems. These activities involve a major commitment of resources, and will provide a firm foundation for all foreseeable automation requirements through the mid 1980's.

a. Organizational Responsibilities. In general, HUD ADP policy is designed to achieve the best possible balance between "decentralization" and "centralization" of resources by delegating as much responsibility as is feasible to the user while retaining centralized support functions. The centralized functions are: computer center and network operations; ADP policy, planning, coordination, resource allocation and effectiveness evaluation; data management; advanced systems support; and central computer systems design and programming.

The offices responsible for supplying ADP services to Departmental users (HUD organizations which use ADP resources), both in Headquarters and field offices, are the Office of ADP Systems Development (ADPSD) and the Office of ADP Operations (ADPO).

The Office of ADP Systems Development (ADPSD) is the primary HUD resource for the specification, design, development, testing, implementation, and maintenance of HUD ADP systems. These responsibilities include the establishment of ADP programming standards and systems quality control. In addition, ADPSD has major responsibilities in providing input to the process for monitoring and reporting ADP system development resource utilization.

The Office of ADP Operations (ADPO) is responsible for the management, operation, and maintenance of ADP equipment resources utilized for processing the various ADP applications of the Department. The Office is also responsible for ADP hardware procurement and software technology, assisting Departmental ADP users in obtaining computer services from other agencies and private industry, computer performance measurement, and providing assistance to the users of the HUD Teleprocessing Network (HTN) in resolving problems and planning for their needs nationwide.

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b. Past-Year Accomplishments

(1) In 1979, the Department was able to substantially improve its operational efficiency by affecting a small number of software and hardware enhancements. Particularly significant achievements include:

(a) Computer Capacity Increase. A substantial increase to Departmental in-house computer capacity was obtained at no increase in cost to the government. HUD negotiated virtually a three-fold increase in capacity for teleprocessing applications. This resulted in dramatically improving response time to terminal users as well as a four-fold increase in memory capacity and increased reliability due to the incorporation of the latest technology in hardware design and automatic self-correcting features. Upgrading accomplished during this period has greatly reduced the need for overtime.

(b) Data Communications. The use of a Value Added Network for a large portion of HUD nationwide access to Headquarters computers for 1979 proved to be a significant decision. Not only did quality and flexibility improve over the previous Wide Area Telecommunications Service (WATS), but the net 1979 cost avoidance amounted to $290,000. It is anticipated that similar facilities will be proposed by vendors in the current procurement for the HUD Teleprocessing Network II.

(c) Interactive Graphics. HUD acquired and installed an Interactive Graphics system during 1979 to support the ongoing internal workload. The installation is expected to significantly reduce the costs of work performed.

(d) Off-Line Printing Capability. A faster, more sophisticated off-line printing system (Xerox 9700) was installed during the past year. The savings in preformatted and standard continuous form paper has constituted an annual recurring savings in excess of $100,000.

(2) In addition to hardware and software accomplishments, numerous technical and functionally-oriented modifications were made to individual programs or systems which either improved utilization of ADP equipment or saved either ADP or user resources. A few examples of these are:

(a) Modified the General and Administrative Accounting System (GAAS) to eliminate duplicative transmissions in cases where transmission of batches is indicated, at a savings of $10,000 annually in computer processing and operator time.

(b) Developed additional capability in GAAS to generate new reports, and transmit the results via the HUD Telecommunications Network, at a total savings of three staff-years.

(c) Automated the manually prepared Title I annual insurance report, on Home Improvement and Mobile Home Loans, at a savings of five staff-months per year - all development costs to be recouped in the first year.

(d) Upgraded the Weekly Multifamily Project Status and Control Report to permit preparation via a single program execution, at a reduction in elapsed processing time from 14 1/2 hours to 15 minutes.

(e) Optimized the Premimum Liquidation and Control System, using the COBOL Instrumentation Package, to reduce the amount of processing time by 45% for a potential savings of $45,360 per year.

(f) Developed major enhancements to the Computerized Underwriting Processing System (CUPS) using offline data entry and batch processing concepts and eliminating considerable interactive requirements. In a controlled pilot test, processing which would have required 135 hours of communication line connect time consumed only 45 minutes and also saved computer time by employing more efficient logic for file update and mass storage assignment.

(g) Revised several technical functions of the Home Mortgage Distributive Shares, Acquired Home Properties, and Critical Path Processing Systems, which reduced CPU usage by 32%, 30%, and 18% respectively and resulted in an annual savings of $50,288.

(3) Another accomplishment was an enhanced responsiveness in the form of several hundred special reports to quick-reaction user requirements, made possible by the establishment of a Data Service Facility, increased reliability of available data bases, and improved programming techniques. Some examples which indicate the range and scope of these requests follow. These are only a few of the several hundred such special reports produced.

(a) For the White House and Other Agencies - Several reports for the White House on Section 8 reservation activity between 1976-1978 and mean family income in 50 selected cities.

(b) For the Congress - Sixteen special reports on mortgage amount, sales price, loan-to-value ratio and borrower's income for 570,000 FNMA cases since 1970.

(c) For State and Local Government - A series of statistical tables for the state of New Jersey to assist in developing a resident profile of elderly people in the state who live in federally subsidized housing projects.

(d) For Private Organizations and Industry - A magnetic tape file for Ohio's Bowling Green State University, containing insurance data to be used in developing an urban mortgage loan flow model.

(4) While continuing this heavy stream of special reports, the Department continued work on several major long-range projects including HUDMAP, CHUMS, and MIDLIS. At the same time, a number of major development efforts were concluded in 1979, among which were:

(a) Terminally Operated Personel/Payroll System (TOPPS). This system combined all personnel and payroll data and associated processes into one common data base and three interacting subsystems. It replaced several obsolete and inefficient systems, and provides considerably more capability, and flexibility to respond to special requirements.

(b) Urban Development Action Grants Information System. This is a series of four subsystems which supports major management functions of the UDAG program by providing capability to assess the merits of candidate projects, as well as the tracking and evaluation of ongoing progress.

(c) Critical Path Processing System - Tax Management Subsystem. A major new capability was added to the existing system to automate the payment of taxes on HUD-held properties and reduce the intermittent additional cost of penalty payments encountered in the past.

(d) Office of Loan Management System. This system operates in support of the Loan Servicing function in HUD field offices. The output presents data for the most recent three fiscal years on a per-unit, per-month

basis. Trend data for income and expense are shown. "FLAGS" - indications of deviation from expected performance standards--are also provided. The system data base can support all multifamily programs requiring yearly financial statement analysis.

(e) FORMS/Community Planning and Development (FORMS/CPD). The system provides the Department with data concerning the status of applications and approved Community Development Block Grants. Data are used to meet monitoring, management information inquiry and statistical needs at all levels of the Department.

The CPD data originally included in the FORMS data base were removed and became a separate System 2000 data base, identified as FORMS/CPD. CPD and FHEO have mandated all the standard data elements and have prescribed standard reports for Headquarters and field offices. System capability has been supplemented in terms of areas of data collection.

(f) Consumer Network System. This system is used to record information pertaining to more than 15,000 groups and individuals. It enables NVACP to rapidly respond to groups and individuals having an interest in HUD programs and publications; to share information with survey respondents; to identify individuals who are interested in attending forums sponsored by NVACP/HUD; and to generally improve service to consumers.

(g) Loan Management Data System. Completed and partially installed in all field offices, this system assists the Department in evaluating the financial posture of management agents and identifies projects where special attention may be warranted.

(h) Complaint and Compliance Review. This automated management information and reporting system is designed to meet the major needs of the Assistant Secretary for Fair Housing and Equal Opportunity with respect to evaluation and management of the Complaint and Compliance Program. The system replaces manual procedures previously used for tabulation and report preparation. For each complaint processed and compliance review conducted, the system contains data necessary to track compliance activities through their critical stages, as well as descriptive information on the issues and programs involved.

c. Planned Future Activities. New technology acquired and in place by 1981 will support greater work automation and establish a computer resource with relatively stable year-to-year costs. Examples are:

(1) HUD Teleprocessing Network (HTN II). This is a key element in improved nationwide systems. It is being acquired to permit incremental installation and augmentation over a seven-year system life. The modular nature of the system will also permit growth with minimal disruption. Significant cost avoidance over the systems life may be obtained by purchasing some of the more technologically stable equipment in the system. It is estimated that purchases of $5.4 million in 1982 will reduce lease costs by approximately $2.4 million per year during the system's life.

(2) Replacement of the Headquarters Computer. This will provide a significant improvement over the previous equipment. It is expected that major portions of the system will be offered with significant purchase discounts for the system life. System technology and flexibility can be preserved while approximately $5.6 million of purchase options are exercised on the system. These early 1982 purchases should reduce lease costs by approximately $155,000 per month during the system life.

(3) Utilization of Commercial Computer Resources. The Department will make use of commercial teleprocessing services for the support of ADP systems where the benefits are operationally suitable or cost effective. These resources will be used in addition to the in-house computer facility, particularly for support of specialized requirements.

(4) Systems Under Development. In 1979, the emphasis was on keeping pace with the expansion of Departmental programs and associated demands for ADP support.

In addition to expanding ADP support into new areas of the Department having little or no prior ADP exposure, plans for 1980 include a management initiative to achieve greater system efficiency by beginning a program of system consolidation and integration. Historically, systems have evolved incrementally and independently, primarily driven by legislative program directives. Over a long period of time, this has created a series of disconnected systems, particularly in the housing area. Due to the unparalleled opportunity for systems integration and consolidation arising from the installation of the replacement computer, it is now possible to integrate systems which relate to the same program and rely on similar data. The potential for improvement in data quality, coverage, and accessibility as well as the savings that might result from greater efficiency in the data processing support for several housing programs was investigated. Based upon this initiative and the objective of accomplishing work processes and deriving information for management and policy concerns while at the same time containing staff growth, several integration projects were begun. These include the development of the PD&R Research Information System, Consolidation of Multifamily Data Processing Systems, and the Low Rent/Public Housing System. Descriptions of these systems are included in the following narrative of key activities for 1980.

(a) Consolidation of Multifamily Data Processing Systems. In the fall of 1978, the Multifamily Systems Consolidation Task Force produced its report on the potential for improvement in data quality, coverage, and accessibility, as well as the savings that might result from consolidation of the nine automated and two manual systems supporting the multifamily insured and direct loan programs in HUD. It recommended development of one Multifamily Insured and Direct Loan Information Subsystem, which would received all data via automated interfaces with two field processing-oriented subsystems, one serving the underwriting field staff and the other, the insured loan servicing and property management staff.

(1) Multifamily Insured and Direct Loan Information Subsystem (MIDLIS). This system, which was put into development in 1979 and is scheduled for completion in mid 1980, is a key element in the Department's overall plan for consolidating all multifamily data processing systems. MIDLIS is designed to support Housing's multifamily program management requirements, to supply data for the automated Regional and Field Operating Plan System, and satisfy selected data requirements of the Executive Management Report. Additional data elements will be added in 1980/1981 to accommodate the requirements of other Departmental users in addition to Housing. When the two feeder systems, described immediately below, are developed, it is estimated that there will be a net savings of $275,700 in multifamily loan servicing costs.

(2) Multifamily Production Processing Subsystem. This subsystem serves as a pre-endorsement processing and tracking system to meet information requirements throughout HUD relating to multifamily insured and direct loan programs. Definition of functional requirements will begin in 1980, and system development will follow by 1981. Estimated savings, for the subsystem, implemented as proposed, will be $370,000 per year.

(3) Multifamily Management Processing Subsystem. This system will support processing activities after endorsement of multifamily projects. At present, three automated systems (OLMS, MIMIS, and MHDS) and two manual systems exist to perform these activities. The final report of the Multifamily Systems Consolidation Task Force recommended that a new automated system be designed and developed to support these functions more effectively and efficiently. Definition of functional requirements and system development will be concurrent with the above-mentioned subsystem. Estimated savings, for this subsystem, implemented as proposed, will be $280,000 per year.

(b) Development of PD&R Research Information System. This is a new development effort to provide major ADP support to the Assistant Secretary of Policy Development and Research. A complete analysis of PD&R operations has been initiated with the objective of developing integrated data bases, associated inquiry capabilities and interrelated automated processes which are responsive to continuous research requirements as well as ongoing demands for timely and varied program information.

(c) Fair Housing Assistance Program. Several extensive systems are schedule for 1980 development to support a major new undertaking of the Assistant Secretary for Fair Housing and Equal Opportunity. The first of these, the Fair Housing Assistance Program Monitoring Evaluation System, is a comprehensive process for monitoring complaint processing, and ascertaining the extent and nature of alleged discrimination in each jurisdiction. This system will be provided each state and local agency lacking monitoring capability. A second system, the Fair Housing Assistance Program Accounting System, provides data related to financial assistance received by state and local agencies in support of automated data processing systems used in FHEO-related activities.

(d) Low Rent/Public Housing. This is a tracking and monitoring system operated by every HUD field office. Field office data bases are accessible for retrieval purposes by both regional and field offices. FORMS/PH relieves field offices of substantial workload by automatically generating standard Public Housing Reports.

(e) FORMS/CPD. FORMS/CPD is a grant (CDBG) tracking and monitoring system operated by every field office processing Community Development Block Grants. Preapplications and applications for grants as well as the grants themselves, are monitored as they proceed through the various processing stages until closeout. FORMS/CPD also tracks FHEO reviews, findings, equal opportunity in housing and employment by applicant, minority populations, and FHEO recommendations and resolutions. FORMS/CPD is also a feeder system for the automated Regional and Field Operating Plan System.

(f) Critical Path Processing. This system, which was developed in 1973, tracks the processing of acquired single family dwellings from acquisition through sale. The system operates at the field office level and has proven to be of enormous value in supporting realty specialists in

reducing the turn-around-time of the single-family inventory. A tax subsystem was added last year to assist in improving inventory management. This system is being re-engineered in 1980 to fully utilize the cluster terminal technology, thus making a highly successful system even more valuable to the Department.

(g) Title I Management Information System. This system will furnish management with current and historical data to support more effective Title I program management decisions.

(h) Conversion to New Computer Configuration. During 1980 and 1981 the Department will conduct a training and ADP system conversion for the operation of the new computer configurations at both in-house and outside (contractor) facilities. This requirement will absorb a staff-hour resource of more than 20,000 hours in 1980 by both in-house and contractor staff. At the same time, as each system is "opened up" for conversion purposes the opportunity will be fully exploited for implementation of other technical and functional enhancements.

(i) Development of Computerized Home Underwriting Management System (CHUMS). Although a considerable portion of the total single family insurance underwriting process has been automated, such as insurance in force processing and property disposition, processing of insurance applications in field offices has been a totally manual procedure. In response to the recommendations of a high-level task force which pointed out the significant potential for reduced cost and more effective processing, a decision was made by the Department in 1977 to proceed with the initial phases of a full-scale automation effort. In 1979 the initial phase of the system entered the pilot-operation stage. At the current time, ADPSD is heavily engaged in completing the remaining developmental requirements, getting the ultimate complement of projected system capabilities on-line, and providing assistance to the pilot site through the installation, testing, and operation stage. In 1980, extension of the initial phase of the system to other Field Offices will begin at regular intervals, while development of the remaining system segments continues under a two-phase installation plan.

(j) Assisted Housing Accounting. The Department has been required to implement mandated GAO controls for program accounting. In accordance with this requirement, the Assisted Housing Accounting System provides for (1) the recording and reporting of the assignments and subassignments of loan contract and budget authority and (2) the recording and reporting of the reservation of the loan, contract and budget authority for the Section 8 Housing Assistance Payments Program (Section 8 HAP), the traditional Public Housing Programs, and the Modernization Program. The system, in accordance with HUD policy, is the sole source for actual dollar and unit amounts relating to the reservation of loan, contract and budget authority. The system, which operates in an online real time environment, will achieve a cost containment of approximately 5 staff-years of regional accounting workload.

(5) Systems Scheduled for Future Development. In addition to the continuation and completion of development efforts for systems initiated prior to 1980, efforts will be directed toward the modification or development of additional projects as partially described below:

(a) Consolidation of Single Family Statistical Systems. At present, ten systems perform single family housing program data collection, storage, and processing functions. These systems are:

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Appraisal and Statistical Collection
Congressional Reporting
Filing Identification/County Code
Five-Year Statistical
Mortgagee Performance Monitoring System
Ratio and Actuarial
Single Family Housing Monitoring System
Single Family Insurance Activity
Single Family Statistical Reporting
Single Family Trends Data

In addition, four files maintained in other systems duplicate some or all data, although duplicate processing is not known to occur.

It has been determined that there would be little return on investment to upgrade the design of these systems individually or collectively, and further, that the substitution of a Consolidated SF Statisical System would not be significantly more costly than the effort to convert the ten systems for operation on the replacement HUD computer. These systems have evolved incrementally and independently, and there is a particularly acute lack of compatibility between data in Housing and OFA systems. There are gaps in data coverage among the ten systems and four files as a result of differing data input sources and data validation criteria. Moreover, with the enormous advances in computer technology, these systems are becoming increasing inefficient. As a measure of the inefficiency, it is estimated that consolidation of the existing system would result in a 40 percent reduction in resources required merely to valiate data.

With the installation of CHUMS, the opportunity presents itself to increase both utility and efficiency of statistical data collection, storage, and production. Integration of federal standard coding structures; comparability and reconciliation of data from the Housing CHUMS and the OFA MIAS; and development of interfaces with other single family processing systems such as the Critical Path Processing System (CPPS) will enable HUD to produce reliable, valid, and sophisticated information for program evaluation and monitoring.

Direct benefits to the users of the consolidated system will include:

- o Improved error detection and correction capability
- o Enhanced data quality and reporting information
- o Consolidation of output reports and statistical data
- o Faster system responsiveness and inquiry capability
- o Increased service to variety of additional users
- o Interface with, and access to CHUMS and HUDMAP data bases and processing capabilities

Actual benefits to be derived from resystemization and consolidation:

o Maintenance of a single system instead of 10 systems	$49,000
o Avoidance of modification requirements if no consolidation	197,000
o Elimination of conversion requirements for current systems	219,000
o Cost avoidance from speedier, more efficient computer process	64,000

(b) Upgrading of HUD Teleprocessing Network. In conjunction with the upgrading of the Teleprocessing Network, ADPSD will be required both to lend on-site assistance to field office users and to modify all HUD terminal-operated systems currently in operation or under development to provide compatibility with the new equipment. The following major systems will be affected, involving a staff-hour expenditure of from 1,000 to 3,000 hours per system:

Assisted Housing Accounting System (AHAS)
Comprehensive Planning Assistance System (CPADS)
Computerized Underwriting Processing System (CUPS)
Critical Path Processing System (CPPS)
Field Office Reporting Management System (FORMS)
General and Administrative Accounting System (GAAS)
Office of Loan Management System (OLMS)
Program Accounting System (PAS)
Single Family Default Monitoring System (SFDMS)
Target Project Program System (TPPS)
Treasury Check Writing System (TCWS)
FHEO Complaints and Compliance Review System (CCRS)
Housing Operating Plan System (HOPS)
Section 8 Management Information System
Terminally Operated Personnel/Payroll System (TOPPS)

(c) CDBG Entitlement Applications Analysis. This system will provide CDBG Entitlement Application analysis for use in the CDBG Annual Report to Congress. The system will assemble detailed data on entitlement applications which will permit involved analysis (requires use of statistical software such as SPSS) and comparison between years. Output will be used to make policy and management decisions.

(d) HAP/Housing Analysis. This system provides for the aggregation of Section 8 housing delivery data on an automated basis. The main function of this system is to aggregate and merge Section 8 housing delivery data with Housing Assistance Plans (HAPS) to support independent statistical analysis of the data. In addition, the system provides the analysis base of Section 8 delivery data. These analyses are directed towards Community Planning and Development needs and are not supported elsewhere in the Department. Benefits of this system include a cost-avoidance of $100,000 in manual data handling and improved housing evaluations.

d. Staffing and Funding. The following table summarizes the staffing and funding levels for automated data processing services. It is followed by detailed descriptions of the individual elements.

DATA PROCESSING SUMMARY
(Dollars in Thousands)

	ACTUAL 1979			BUDGET ESTIMATE 1980			CURRENT ESTIMATE 1980			ESTIMATE 1981			INCREASE + DECREASE -
	ADP-SD	ADP-O	TOTAL	ADP-SD	ADP-O	TOTAL	ADP-SD	ADP-O	TOTAL	ADP-SD	ADP-O	TOTAL	1981 vs 1980
Personnel													
No. of Permanent Full-Time Staff	191	160	351	199	166	365	199	166	365	226	167	393	+28
Staff-Years	196	168	364	197	164	361	201	172	373	220	175	395	+22
Funds													
Personal Services	$5,908	$3,894	$9,802	$6,284	$4,084	$10,368	$6,599	$4,362	$10,961	$7,347	$4,530	$11,877	+$916
Travel and Transportation of Persons	116	31	147	186	75	261	186	75	261	218	61	279	+18
Transportation of Things	...	4	4	12	4	16	12	6	18	20	6	26	+8
Rent, Communications and Utilities	63	4,963	5,026	53	8,561	8,614	75	7,330	7,405	102	8,105	8,207	+802
Printing and Reproduction	...	...	...	40	8	48	30	8	38	40	10	50	+12
Other Services	6,596	4,392	10,988	4,742	8,327	13,069	4,742	7,866	12,608	7,538	11,660	19,198	+6,590
Supplies & Materials	33	642	675	39	808	847	33	623	656	39	673	712	+56
Equipment	2	285	287	30	247	277	24	247	271	28	238	266	-5
Total obligations	12,718	14,211	26,929	11,386	22,114	33,500	11,701	20,517	32,218	15,332	25,283	40,615	+8,397

ADP-SD: Systems Development
ADP-O: Operations

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The reduction of $1,282 in the Current estimate for 1980, as compared to the Budget estimate consists of the $2.0 million reduction imposed on this function by the Congress, partially offset by a $718 thousand increase resulting from the pay raise effected during October 1979.

The increase of $8,397 thousand for 1981 is for the following purposes:

The $916 thousand increase in personal services cost is to support the increased staffing level and within grade increases.

The $18 thousand increase in travel funds principally reflects the increased cost of travel. The primary uses of the funds are for the implementation of the last phase of Computerized Home Underwriting Management System (CHUMS), major revisions to field-oriented systems, and conversion to the new computer.

The $8 thousand increase in transportation of things will provide for costs associated with hiring 28 additional staff, which will involve several government transfers.

The $802 thousand increase in rent, communications and utilities includes: a net increase of $775 thousand for the Department's replacement computer; $27 thousand for several new word processors, increased usage of duplicating equipment, and increased rental costs for FOCUS Conference facilities.

The $12 thousand increase in printing and reproduction will provide for the printing of circulars, bulletins, schedules, flow diagrams, and reference manuals associated with installation of the new computer configuration and associated user-oriented hardware devices.

The $6,590 thousand increase in other services includes: an increase of $2,625 thousand for contractor-support costs to satisfy all scheduled ADP commitments including the conversion of systems to the new computer configuration; an increase of $733 thousand in equipment maintenance; an increase of $1,165 thousand for the full implementation of CHUMS; an increase of $1,670 thousand for data entry services; an increase of $224 thousand for software and support services for the replacement computer; an increase of $7 thousand for visual arts services; and an increase of $166 thousand for the testing of new software packages in recognition of the expanded opportunities for software interfaces with the new computer configuration.

The $56 thousand increase in supplies and materials provides for increased workload and continually rising paper costs.

The $5 thousand decrease in equipment reflects reduced purchasing requirements.

(1) ADP Systems Development.

(a) Explanation of Staffing Requirements. As stated earlier, the Office of ADP Systems Development (ADPSD) is the primary HUD resource for the specification, design, development, testing, and implementation and maintenance of HUD ADP Systems. These responsibilities include the establishment of ADP programming standards and systems quality control. In addition, ADPSD has major responsibilities in providing input to the process for monitoring and reporting ADP system development resource utilization. The following table

indicates the distribution of the staff among the Office's various Divisions and is followed by a brief description of the office's function and a discussion on the need for additional staff, where applicable, as well as a description of the workload of each of the Divisions.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Office of the Director.....	4	4	4	4	...
Administration and Management Control Staff.....	8	9	8	8	...
Standards and Quality Control Staff.....	10	11	11	11	...
Administrative Support Systems Division.....	64	68	66	73	+7
Community Programs Systems Division.....	24	23	25	30	+5
Departmental Support Systems Division.....	20	19	22	31	+9
Housing Programs Systems Division.....	36	39	38	43	+5
Field Support Systems Division.....	25	26	25	26	+1
Total, permanent full-time positions, end of year.....	191	199	199	226	+27
Staff-years.....	196	197	201	220	+19

The increase of 27 positions in 1981, as compared to 1980, is primarily to support the rapidly expanding requirements of the users of ADP services and to provide realistic staff allocations for accomplishing the work in the budget year. More than 55 percent of the budgeted workload will be performed by contractors, which is an increase from 50 percent in 1980 and 36 percent in 1979. In order to exercise proper control and prudent technical oversight of these contractual efforts, the Department's capacity for monitoring must also be increased. The 27 positions represent a 12 percent increase in our monitoring capabilities and maintaining the minimum acceptable In-House to contractor staff balance entailed in this volume of development work.

The additional 27 positions are distributed as follows:

Administrative Support Systems Division (7)

— A commitment has been made to provide for the successful continuation of the HUD Mortgage Accounting Program (HUDMAP) by providing two additional staff years of assistance. Only In-House employees are acceptable for this particular assignment, and this requirement cannot be satisfied from current resources..... 2

— Employees currently assigned to the Personnel/ Payroll Systems Branch are largely engaged in maintenance, modification, and direct user

assistance functions. With several major new modules scheduled for development in 1981 and additional contract monitoring requirements, a minimum of two employees is needed..... 2

— The upgraded HTN concept will result in major modification and enhancement of the Program Accounting System (PAS), the General and Administrative Accounting System (GAAS), and the Assisted Housing Accounting System (AHAS). Staff support is required to augment the various project teams being planned for these efforts..... 3

Community Programs Systems Division (5)

— In 1981 nearly every system which supports the Assistant Secretary for Community Planning and Development will undergo a major redesign to provide for decentralized data input as part of the implementation of cluster terminal capability in the field. This project will require resystemization and extensive reprogramming. Teams will be formed to visit each field office and provide on-site training and implementation assistance. Staff are required for system development purposes and to lead each of the teams being formed for this project..... 5

Departmental Support Systems Division (9)

— Dedicated resources are not currently available to support the rapidly expanding requirements of the Assistant Secretary for Neighborhoods, Voluntary Associations and Consumer Protection and must be borrowed from other support activities. Not only are many new systems scheduled to become operational in 1980 and 1981 which require in-house maintenance support, but current projections indicate that this will be one of the fastest growing ADP users in the immediate future. A group of in-house personnel are needed to assist in the development of these requirements..... 2

— The Office of Legislation and Intergovernmental Relations has become increasingly active in the ADP area, and is expecting to launch several projects in 1980 that will require full-time development support and contract monitoring assistance in 1981. During 1980 staff assistance will be diverted on an as-required basis to support Departmental initiatives, but in 1981 at least one permanently assigned employee will become necessary to furnish the increased support required..... 1

— Beginning in 1980, support for the Assistant Secretary for Fair Housing and Equal Opportunity will increase from approximately 6,000 staff-hours to more than 20,000 staff-hours to develop such systems as the FHEO State Agency System and the

FHEO Program Accounting and Monitoring System. Additional staff is essential during various stages of these projects for contract management and control to assist in implementation, and to take over full-time maintenance responsibilities from the contractor upon completion..... 3

-- Between 1980 and 1981, the Office of the Inspector General will almost double its workload requirements, not only for development of new systems but for numerous smaller scale initiatives in futherance of its expanding mission. An increase of one position to augment increased contractor resources will provide the necessary project leadership to comply with these new requirements..... 1

-- Beginning in late 1979 and through 1980, ADPSD will be developing a major new system to support several main functions of the Office of Program Development and Research. Resources for this project are being provided primarily by contractor, with In-House staff assigned almost solely to project leadership and contract monitoring functions. In 1981, full-time day-to-day maintenance and modification support will become necessary for the newly operational system, while the previously assigned project leaders and monitors will begin work on other long-backlogged PD&R projects..... 2

Housing Programs Systems Division (5)

-- Two positions are required to lead the design and development of the Consolidated Single Family Statistical System..... 2

-- One position is required to assist in developing the Occupancy module of the Program Beneficiary System..... 1

-- Two positions are required to lead the design and development of the Multifamily Management Subsystem 2

Field Support Systems Division (1)

-- During 1981 a major effort will be underway in FSSD to convert the maximum number of field systems to the new configurations. This activity will not only be in the nature of a straight conversion, but will include significant modifications to take full advantage of new computer capabilities. A single position is required to help coordinate this major activity..... 1

(b) Workload. In 1981 ADP Systems Development will be engaged primarily in completing or furthering the great number of projects begun in 1980 and prior years while initiating a number of additional modification or development projects. The following details the anticipated workload for ADP Systems Development and includes a listing of staff requirements by individual ADP System.

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New System Initiatives. By the end of 1981 there will be a total of 115 systems operational, a decrease of 5 as compared to the 120 anticipated at the end of 1980. This is the net effect of the development and installation of 21 new or replacement systems during the 1980/1981 time-frame, resulting from new initiatives, major restructuring, or upgrading of old systems which is offset by the deletion of 26 systems, principally due to consolidations.

Conversion to New Computer Configuration. Through 1980 and 1981 ADPSD will accomplish training and ADP system conversion to operate on the new computer configurations at both in-house and outside (contractor) facilities. This requirement alone will absorb a staff-hour resource of more than 20,000 hours in 1980 by both In-House and contractor staff. At the same time as each system is "opened up" for conversion purposes, the opportunity will be fully exploited for implementation of other technical and functional enhancements.

Decentralization of Data Input. In 1981, nearly every field system will undergo a major redesign to provide for decentralized data input as part of the implementation of cluster terminal capability at field terminal facilities. This will require resystemization and extensive reprogramming, as well as detailing installation teams to each field office to provide on-site training and assistance during the implementation period.

Consolidation and Maintenance of Ongoing Systems. Due to the major consolidation efforts currently underway (i.e. CHUMS, HUDMAP), ADPSD will experience the first decline in total operational systems since the organization was first established, as indicated in the following summary of recent year totals:

Number of Operational Systems
Fiscal Years

Actual								Estimate	
1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
57	60	78	87	99	103	112	102	120	115

It is important to recognize, however, that the absorption of old systems by newly developed systems, and the consolidation of several existing systems within newly upgraded versions, has been an ongoing process since well before the advent of these major consolidation efforts, and will continue as a high-priority management objective in future years. In 1978, for example, 19 systems were either newly introduced or significantly upgraded. In conjuction with this effort, 10 old systems were either deleted, absorbed, or consolidated, resulting in a net increase of only 9 systems between 1977 and 1978. In 1979, 11 new or substantially revised systems were introduced. However, by consolidating or deleting 21 old systems, a decrease of 10 systems is reflected in the inventory. If this culling and consolidation of old systems did not take place, the total number of systems at the end of 1981 would stand well in excess of 260 instead of the projected 115.

Each of these ongoing systems requires a permanent allocation of professional resources as soon as operational status is achieved, and then thereafter, from year-to-year, to attend to routine technical requirements resulting from equipment or executive software modifications, to resolve problems that arise in the course of day-to-day use of the system, or to make various technical adjustments to improve operating or functional efficiency. Even though a reduction in systems will occur in 1981, the introduction of

several major new systems precludes any immediate corresponding reduction in maintenance resources due to "first-year" problems that inevitably arise on such new systems.

The following table identifies the actual number of additions and deletions to the HUD inventory of operational systems from 1972 through 1979 and provides estimates for 1980 and 1981:

	Fiscal Years									
	Actual								Estimate	
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Operational Systems, beginning of year..	61	57	60	78	87	99	103	112	102	120
Systems Added during year.....	10	14	20	31	19	21	19	11	29	21
Systems Deleted during year.....	-14	-11	-2	-22	-7	-17	-10	-21	-11	-26
Operational Systems, end of year.....	57	60	78	87	99	103	112	102	120	115
Actual and Projected Inventory if no deletions were made.....	75	89	109	140	159	180	199	210	239	260

As a result of the above process, the Department has an ADP inventory composed of systems which are far more effective and comprehensive than would otherwise be the case and is able to make better use of limited equipment and employee resources.

Workload Requirement Summary. The following listing identifies the Department's current and proposed ADP systems and indicates the estimated staff-hours of effort which will be required during 1981 for maintenance, enhancement or development activities for each of the systems.

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Working Capital Fund

ADPSD AUTOMATED ACTIVITIES AND SYSTEMS
TO BE MAINTAINED, ENHANCED OR DEVELOPED

NAME OF SYSTEM OR ACTIVITY	ESTIMATED DIRECT STAFF-HOUR REQUIREMENT
ADMINISTRATION	
Acquired Home Property -(Phase I)	1,152
Acquired Home Property -(Phase II)	3,050
Amortization Schedule	1,050
Annual Contributions	1,036
Assisted Housing Accounting	10,830
Budget Management Information	1,356
Congressional District Management Information File	1,754
Data Service Facility	864
Diversified Payments	550
Federal Information Exchange	1,754
Field Computer/Terminal Replacement	16,263
Field Support RO/AO/SO	11,514
FORMS Data Dictionary	518
Forms, Issuances and Publication Inventory Control	827
Fund Assignment Tracking	495
General and Administrative Accounting (GAAS)	3,630
GAAS/TCWS	820
HTN Conversion	952
HUD Master Locality File	246
HUD Mortgage Insurance Accounting (HUDMAP)	50,057
Insurance In Force - Coinsurance	1,950
Insurance In Force - Fee Collections	1,256
Insurance In Force - Fiscal Control	6,552
Insurance In Force - Home Mortgage Distributive Shares	1,152
Insurance In Force - Premium Liquidation and Control	5,418
Insurance In Force - Projects	1,050
Insurance In Force - Small Homes	5,418
Library 701 Control	1,902
Library Periodical Control	1,902
Low-Rent Housing Commitment Ledger	6,168
Mortgage Master File Maintenance	1,050
Mortgage Notes	3,134
Multifamily Interim Billing	550
Operating Plan	2,715
OPC Management Information	2,119
Personal Property Management	661
Program Accounting	16,174
Regional Employees Time Reporting	2,350
Replacement Computer	8,127
Single Family Mortgage Insurance Case Binder	827
Terminally Operated Personnel/Payroll (TOPPS)	32,813

Working Capital Fund

ADPSD AUTOMATED ACTIVITIES AND SYSTEMS
TO BE MAINTAINED, ENHANCED OR DEVELOPED

NAME OF SYSTEM OR ACTIVITY	ESTIMATED DIRECT STAFF-HOUR REQUIREMENT
ADMINISTRATION (CONT'D)	
Title I	2,935
Treasury Reporting	410
TSP Computer Services	9,430
Zero Base Budgeting	1,727
Subtotal-Administration	226,508
HOUSING	
AHP Disposition Summary	50
Appraisal and Statistical Collection	2,000
Bond Maturity Schedule	50
Computerized Homes Underwriting Management (CHUMS)	48,356
Computerized Underwriting Processing	1,727
Congressional Reporting	576
Conversion to New Terminals	2,000
Conversion to New TSP	1,000
Conversion to Replacement Computer	15,000
Critical Path Processing	864
Data Service Facility	3,010
Duration Reporting	100
File Identification and County Maintenance	500
Five Year Statistical	200
FORMS Public Housing	1,900
Low Rent Housing Occupancy	100
Low Rent Public Housing Management Information Accounting (HUDMAP)	4,908
Lower Income Assistance Program	1,727
Modernization Project Reporting	100
Mortgagee Performance Monitoring	2,000
Multifamily Default	100
Multifamily Housing Occupancy	100
Multifamily Insured Direct Loan Information (MIDLIS)	4,750
Multifamily Management	22,494
Multifamily Production	12,089
OLMS	389
PHA Directory	50
PHA Operating Statement	50
Program Beneficiaries	12,089
Ratio and Actuarial Reporting	200
Section 8 Management Information	5,799
Single Family Default Monitoring (SFDMS)	475

Working Capital Fund

ADPSD AUTOMATED ACTIVITIES AND SYSTEMS
TO BE MAINTAINED, ENHANCED OR DEVELOPED

NAME OF SYSTEM OR ACTIVITY	ESTIMATED DIRECT STAFF-HOUR REQUIREMENT
HOUSING (CONT'D)	
Single Family Housing Monitoring (SFDMS)	2,000
Single Family Insurance Activities	50
Single Family Statistical Consolidation	12,089
Single Family Statistical Reporting	400
Single Family Trends Data	200
Subsidized Housing Admission/Continued Occupancy (SHACO)	200
Tenant Application Profile	50
Title I Management Information	10,362
Subtotal - Housing	170,104
COMMUNITY PLANNING AND DEVELOPMENT	
CDBG Analysis Support	4,500
CDBG Discretionary Applications Analysis	4,200
CDBG Discretionary Grants Selection Criteria	4,000
CDBG Entitlement Application Determination	8,700
CDBG Grantee Performance	6,700
CDBG HAP/Housing Analysis	4,100
CDBG Housing Assistance Plan	5,800
CDBG Management	8,500
CDBG SC Applications Analysis	1,000
CDBG Secretary's Fund	6,500
CPA Fund Allocation	4,000
CPA Management Information	900
Data Service Facility	1,700
Evaluation Surveys	1,500
FORMS/CPD	7,200
Graphics Support	500
Land Acquisition/Relocation (LARS)	100
Rehabilitation Management and Information	8,300
RJE System Operation	2,080
Statistical Support	2,100
UDAG Information	14,000
Urban Homesteading	2,000
Urban Policy Indicator	4,000
Subtotal - Community Planning and Development	102,380
NEW COMMUNITIES	
Interaction Planning Analysis	1,152
NC Management Information	6,000
Subtotal - New Communities	7,152

Working Capital Fund

ADPSD AUTOMATED ACTIVITIES AND SYSTEMS
TO BE MAINTAINED, ENHANCED OR DEVELOPED

NAME OF SYSTEM OR ACTIVITY	ESTIMATED DIRECT STAFF-HOUR REQUIREMENT
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	
Commitment/Net Worth	1,727
Custodial Banks	1,008
Inquiry	1,440
Mortgage Backed Securities Pool Balances	1,727
1710 A and D Analysis	576
Pool Paydown Ability	250
Pool Payment Analysis	130
Subtotal - GNMA	6,858
NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS AND CONSUMER PROTECTION	
Consumer Complaints	1,368
Consumer Network	432
Contracts/IAA/Grants Management	3,762
Housing Counseling MIS	864
Interstate Land Sales Registration	720
Lead Based Paint Poisoning Prevention	2,375
Mobile Home Engr. Analysis	648
Mobile Home Standards	1,728
Neighborhood Information	3,742
PHA Social Service Coordination	2,300
Tenant/Neighborhood Crime Prevention	3,193
Subtotal - NVACP	21,132

Working Capital Fund

ADPSD AUTOMATED ACTIVITIES AND AUTOMATED SYSTEMS
TO BE MAINTAINED, ENHANCED OR DEVELOPED

NAME OF SYSTEM OR ACTIVITY	ESTIMATED STAFF HOUR REQUIREMENT 1981
POLICY DEVELOPMENT AND RESEARCH	
CPD and Census Data	864
Data Service Facility	1,368
Multifamily Data Inquiry	3,455
PD&R Management Information	33
PD&R-OFA-OPC-Interface	249
Single Family Data Inquiry	864
Software/Other Computer Assistance	864
Special Requests	864
Special Requests/Short Term	2,294
Technical Assistance	2,592
Unsold Inventory/New Homes	33
Subtotal - PD&R	13,480
OFFICE OF GENERAL COUNSEL	
Administrative Law Cases	1,000
Debarment	60
Subtotal - OGC	1,060
FAIR HOUSING AND EQUAL OPPORTUNITY	
Beneficiaries	720
Complaints and Compliance Review	720
FHAP Accounting	5,000
FHAP Monitoring/Evaluation	12,000
Minority Enterprises	720
Program Impact Analysis	288
Subtotal - FHEO	19,448
OFFICE OF THE INSPECTOR GENERAL	
Data Service Facility	4,102
OIG Audit Finding/Analysis and Tracking	1,728
OIG Audit/Invest Support	9,974
OIG Audit Reporting	1,728
OIG Investigative Reporting	1,296
OIG Management Information	1,441
Subtotal - OIG	20,269

Working Capital Fund

ADPSD AUTOMATED ACTIVITIES AND AUTOMATED SYSTEMS
TO BE MAINTAINED, ENHANCED OR DEVELOPED

NAME OF SYSTEM OR ACTIVITY	ESTIMATED STAFF HOUR REQUIREMENT 1981
OFFICE OF THE SECRETARY	
Congressional District Data	1,727
OIA: Foreign Information Request	1,727
OS: Special Request	1,152
Public Affairs Information	432
Sec. Corresp. Control	7,052
Subtotal - OS	12,090
TOTAL STAFF-HOUR REQUIREMENT	600,481
In-House	272,866
Contractor	327,615
Requirement for Staff-Hours Converted to Staff-Years	358
Overhead and Support	21
Total	379
STAFF-YEARS AVAILABLE	
Overhead and Support (ADPSD)	21
Direct Labor:	
ADPSD	199
Contractor	159
Subtotal	358
Total	379
(Total ADPSD)	(220)

Working Capital Fund

(2) ADP Operations.

(a) Explanation of Staffing Requirements. As stated earlier, the Office of ADP operations is responsible for the management, operation and maintenance of ADP equipment resources utilized for processing the various ADP applications of the Department. The Office is also responsible for ADP hardware procurement and software technology, for assisting Departmental ADP users in obtaining computer services from other agencies and private industry, and for providing assistance to the users of the HUD Teleprocessing Network (HTN) in resolving problems and planning for their needs nationwide.

The following table indicates the distribution of the staff among the various functional divisions of the organization and is followed by a discussion of activities:

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Office of the Director.....	5	5	5	5	...
Operations Evaluation and Quality Control Staff....	...	4	...	...	...
Computer Operations Division	...	48	...	...	...
Production and Data Control Division.....	56	57	57	57	...
Resource Management Division	...	28	...	...	...
Technology Support Division	...	24	...	...	...
Administrative and Management Control Staff.....	4	...	4	4	...
ADP Technology Management..	13	...	15	15	...
Computer Services Division.	56	...	57	57	...
Resource and Teleprocessing Management Division.....	26	...	28	29	+1
Total, permanent full-time positions, end of year...	160	166	166	167	+1
Staff-years.....	168	164	172	175	+3

The 1981 staffing request for ADP Operations is 167 permanent full time positions, an increase of one over 1980. This position is for the following:

Resource and Teleprocessing Management Division (1)

-- An increase of one position to train field ADP personnel and permit augmentation of the Teleprocessing Assistance Center to respond to increased workloads accompanying HTN II implementation.

Working Capital Fund

(b) Workload. Quantifiable workload estimates exclusive of software and operating systems maintenance, computer resource management, and hardware and procurement planning include:

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Computer Runs	435,000	521,500	661,200
Core Block SUP Hours	1,710,000	1,923,000	2,604,000

Core Block Standard Unit of Processing (SUP) Hours has replaced "Elapsed Hours" used in prior years budget documents. CBSUP hours are a more comprehensive unit of measurement for modern technology since it includes, in addition to the central processor, the peripheral devices as well as storage.

Customer Obligation. The cost of Automated Data Processing Services is billed to each customer who requests services. The actual cost of those services in 1979 and estimated costs for 1980 and 1981 for each of the Department's user organizations are included in the following table:

CUSTOMER OBLIGATIONS FOR ADP SERVICES FISCAL YEARS 1979-1981
(Dollars in Thousands)

CUSTOMERS	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
Housing	$8,632	$11,050	$10,440	$13,164
Government National Mortgage Association	309	352	374	472
Community Planning and Development	3,832	4,728	4,635	5,845
New Communities	147	409	178	224
Neighborhoods, Voluntary Associations and Consumer Protection	208	1,406	252	318
Policy Development and Research	1,071	1,537	1,295	1,633
Fair Housing and Equal Opportunity	555	660	671	846
Departmental Management	189	40	229	289
Administration	11,517	12,724	13,930	17,565
Office of General Counsel	9	5	11	14
Office of Inspector General	155	573	187	236
Total	26,624	33,484	32,202	40,606

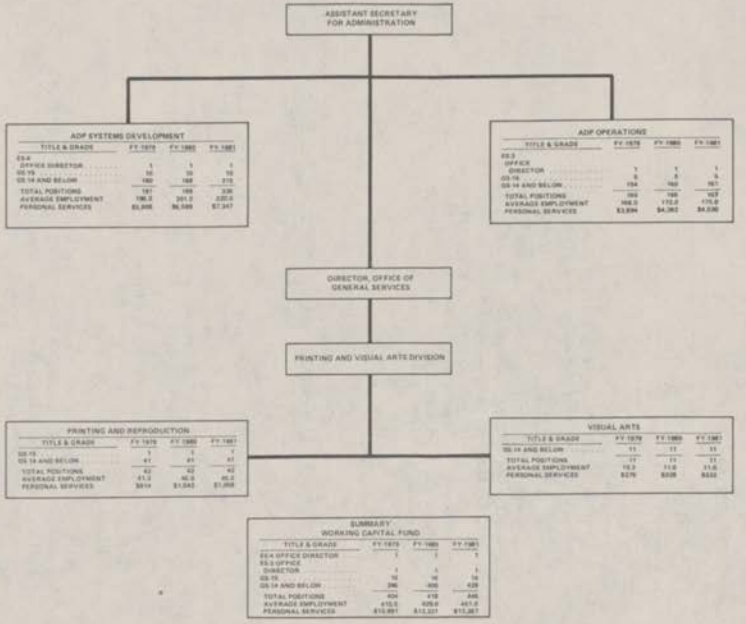
OTHER OBJECTS OF EXPENSE

The following table is a summary of other objects of expense for all the activities in the Working Capital Fund. The changes in the funding levels have been discussed in the previous sections on ADP services and the other services provided under the fund.

Working Capital Fund

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Travel and Transportation of Persons	$149	$265	$263	$281	+$18
Transportation of Things	4	16	18	26	+8
Rent, Communications and Utilities	5,607	9,149	7,925	8,763	+838
Printing and Reproduction	4,322	3,772	4,877	5,326	+449
Other Services	11,701	13,525	13,242	19,889	+6,647
Supplies and Materials	1,114	1,243	1,086	1,169	+83
Equipment	328	461	455	456	+1
Total Obligations	23,225	28,431	27,866	35,910	+8,044

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WORKING CAPITAL FUND
DETAIL OF FULL-TIME EMPLOYMENT IN PERMANENT POSITIONS
(PERSONAL SERVICES IN THOUSANDS)



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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROPOSED CHANGES IN APPROPRIATION LANGUAGE

This section discusses changes in the text of appropriation language other than changes in dollar amounts or fiscal year designations.

	Page Number in House Subcommittee Print
HOUSING PROGRAMS	
Subsidized Housing Programs	3
Language is proposed to change the appropriation title and to delete the limitation on the use of contract authority for Public Housing Modernization.	
The appropriation title has been changed from "Annual Contributions for Assisted Housing" to "Subsidized Housing Progams" to correspond with a change in the language for "Housing Payments" and "Rent Supplement" discussed below.	
In addition, the "not less than and not more than" limitation of $50 million on the use of contract authority for Public Housing Modernization is proposed for deletion to enable the Department to implement a "Comprehensive Modernization Program." An explanation of the "Comprehensive Modernization Program" is included in the "Annual Contributions for Assisted Housing" section in Part I of the Justification volumes.	
Rent Supplement	7
Delete the existing appropriation language and title and enact new language, to be combined with "Subsidized Housing Programs."	
The 1980 Appropriation Act included a rescission for that year of any recaptured Rent Supplement contract authority. The 1981 Budget amends the language to provide for the rescission of a specific amount of recaptured Rent Supplement contract authority in lieu of an indefinite amount. The proposal is more fully explained in the "Rent Supplement" and "Troubled Projects Operating Subsidy" sections in Part I of the Justification volumes.	
The proposal to include the Rent Supplement rescission language under the combined "Subsidized Housing Programs" title is to make the appropriation language consistent with the combined presentation used in the printed budget appendix.	
Housing Payments	8
Delete the appropriation language and title and combine new language with "Subsidized Housing Programs."	
The Budget proposes that the title "Housing Payments" and the appropriation language be deleted and new language be provided under the general heading "Subsidized Housing Programs." This would combine the appropriation to liquidate contract authority with the language providing or releasing the	

Proposed Changes in Appropriation Language

Page Number in House Subcommittee Print

authority. This combination facilitates the presentation in the Budget of the amounts required for subsidized housing contracts and the amounts required for annual payments during the year.

Because "Housing Payments" includes programs such as Section 235, Section 236, Rent Supplement, and College Housing debt service payments, the overall appropriation title is renamed to the more inclusive "Subsidized Housing Programs."

In addition, it is proposed to make the liquidation requirements appropriation "available until expended" instead of an annual appropriation. This is a technical change requested by the Treasury. Presently the Department commits the full amount of the first year payment for Section 8 projects in order to provide cash to fund the "project reserve." These balances are carried on our books of account and reflected as obligated balances in the budget appendix. This is a deviation from the normal Budget treatment of liquidation accounts which do not carry forward such balances. Both the Treasury and OMB believe that, from an accounting viewpoint, it would be desirable to recognize the obligated balance carryover situation with "available until expended" appropriation language. This would not change the ability of the Department to control the cash required to liquidate but is merely a technical accounting matter.

Housing for the Elderly or Handicapped Fund — 10

Language for this account has been modified to provide for implementation of Federal Credit Controls and to change commitments from a "net" to a "gross" basis.

The Federal Credit Control system proposed for implementation in 1981 would change the accounting for all loan programs from a net to a gross basis. The proposed changes recognize this change in concept but, to maintain continuity with enacted program levels in prior years, would reflect both a net loan level ($830 million) as well as an estimate of the gross loan level. Language is proposed to allow the use of up to $65 million of recaptures of prior year reservations, thereby putting gross loan commitments at a maximum $895 million to ensure that the change from a net to a gross basis will not result in a reduction of the net program level. Language currently allowing the use of any funds not administratively committed or becoming administratively uncommitted is proposed for deletion since the addition of the recapture language would serve the same purpose.

Congregate Services Program — 14

Deletion of the language is proposed.

Appropriations for the Congregate Services Program were enacted in FY 1979 and FY 1980. The 1981 Budget does not propose additional funding for this demonstration program and the language would,

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Proposed Changes in Appropriation Language

	Page Number in House Subcommittee Print
therefore, not be needed. Contracts out of the 1979 and 1980 appropriations are made for a period of three to five years, thereby assuring that funds will be available through 1985 to conduct the demonstration.	
Troubled Projects Operating Subsidy	17
Language is proposed to clarify the intent to transfer certain excess rental collections from the Rental Housing Assistance Fund.	
The FY 1980 appropriation language limits the transfer of excess rental collections from the Rental Housing Assistance Fund to any such collections made after September 30, 1977, which was consistent with the proposed and subsequently enacted changes in the 1980 authorizing legislation. This language clarifies the intent to transfer some $2.8 million in collections which have been held in the fund. The change, which is consistent with current authorizing legislation, proposes deletion of the date and would permit all current balances and future collections to be transferred.	
Low-Rent Public Housing-Loans and Other Expenses	19
Language is proposed to recognize the implementation of Federal Credit Controls.	
In 1981, the Budget proposes implementation of a Federal Credit Control system which would require release in appropriation acts of all loans, insurance, and guarantee authority not previously controlled.	
Since construction under the Low-Rent Public Housing program is financed by Federally guaranteed loans and, to a limited extent, with direct loans, the loan portion of the program would be subject to the new Federal Credit Control system. Loan amounts, however, are effectively controlled by the amount of subsidy funds made available in the Appropriation Act. The Budget proposes, therefore, that, to avoid possible mismatches of subsidy and loan authority, no specific limitation be placed on the guarantee commitments which are made.	
Federal Housing Administration Fund	24
Language is proposed to recognize the implementation of Federal Credit Controls in 1981.	
The Federal Credit Control system proposed for implementation in 1981 would apply to insurance written and to the payment of claims as well. In the case of the FHA Fund, the Budget recognizes the potential harm such limitations could cause in this demand program, especially with the current uncertainty in the housing market. The Budget also recognizes that claim payments are uncontrollable. The Budget, therefore, proposes "such amounts as may be necessary" to carry out the purposes of the National Housing Act within the resources available.	

Proposed Changes in Appropriation Language

	Page Number in House Subcommittee Print
Nonprofit Sponsor Assistance	27

Language proposed to implement Federal Credit Controls.

The program has operated in the past under authorizing legislation which permitted loans to be made without release in Appropriation Acts. The proposed language would implement the Federal Credit Control system by providing for the release of a specific amount for direct loans.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Special Assistance Functions Fund	31

Language is rewritten to recognize the Federal Credit Control System and new budget authority concepts.

The existing language would be deleted and replaced by new language. The old language was based upon the exclusive use of recaptured authority to provide authority for the proposed program level. To the extent that such authority would not be adequate, additional new budget authority would have to be requested. The new language reduces confusion over budget authority and under Federal Credit Control places an absolute ceiling on the amount of new commitments that can be made in 1981 while still authorizing any amendments to prior year commitments from resources available. The new language makes it clear that collections received may be used to finance the new commitments. Such collections are an offset to the budget authority requirements needed to finance the new commitments that can be made.

Emergency Mortgage Purchase Assistance	34

New language is proposed to recognize the implementation of Federal Credit Controls.

This new language would provide for the implementation of Federal Credit Controls. The language would authorize increases, within available resources, to prior year contracts as required under the contractual commitments and as is now done under existing authorities. No new commitments would be authorized.

Mortgage Assistance Grant Program	37

New language is proposed.

Language is proposed for this new experimental program of grants to mortgagees to compensate them for making below-market-interest-rate loans as an alternative to the current method of tandem financing.

Authorizing legislation is being proposed for this program, an explanation of which is included in Part I of the Justification volumes.

Proposed Changes in Appropriation Language

	Page Number in House Subcommittee Print
Guarantees of Mortgage-Backed Securities	40

New language is proposed to recognize the implementation of Federal Credit Controls.

New language is proposed, under the Federal Credit Control system, to provide, within resources available, and without a specific limitation, the authority to guarantee mortgage-backed securities issued by GNMA approved financial institutions. As with the FHA Fund, the Budget recognizes the potential harm a specific limitation could cause in this demand program and therefore proposes "such amounts as are necessary."

COMMUNITY PLANNING AND DEVELOPMENT

Community Development Grants	42

Deletion of the language for appropriation for Categorical Financial Settlement Fund. Additional language is proposed to implement Federal Credit Controls.

Appropriation language for the Categorical Financial Settlement Fund is deleted since no funding is proposed for this activity in 1981. In addition, under the Federal Credit Control system, new language is proposed to limit the amount of loan guarantees made to localities, pursuant to Section 108 of the Housing and Community Development Act of 1974, to $300 million in 1981.

Rehabilitation Loan Fund	47

The language would be amended to provide for implementation of Federal Credit Controls and allow use of recaptured authority.

The words "for fiscal year 1980" would be deleted since, with the addition of language limiting gross loan approvals during 1981, the current phrasing would no longer be necessary. In addition, the gross loan commitment authority language is added pursuant to the requirement of the new Federal Credit Control system to change the accounting for all loan programs from a net to a gross basis. The new language would allow up to $15 million in recaptures of prior year reservations to be used. This would allow gross loan reservations of up to $255 million so that the net program level will not be reduced during the transition from a net to a gross accounting basis.

Urban Homesteading	49

New language is proposed.

Proposed new language would authorize the Secretary of the Department of Housing and Urban Development to reimburse (out of amounts appropriated in 1979 for Urban Homesteading) the Veterans Administration and the Department of Agriculture for properties transferred under the Urban Homesteading program. This would implement legislation enacted in 1979 to authorize this additional use of the Urban Homesteading program.

Proposed Changes in Appropriation Language

	Page Number in House Subcommittee Print
Urban Renewal Programs	NA

New language is proposed to recognize the implementation of Federal Credit Controls.

Some limited loan activity is still possible under the terminated Urban Renewal program in connection with amendments to existing projects. As a loan activity, Urban Renewal comes under the requirements of the Federal Credit Control system. But since the amounts involved are indefinite and depend upon the recapture of previously released contract authority, no specific dollar limitation is proposed.

NEW COMMUNITY DEVELOPMENT CORPORATION

New Communities Fund	50

New language is proposed to recognize the implementation of Federal Credit Controls.

Although no new guarantee commitments are proposed, the payment of a guarantee is considered, technically, to be a direct loan and subject to the Federal Credit Control system. Language therefore is proposed to allow for the redemption of guarantees to the extent necessary. The language is for contingency purposes only since no redemptions are expected in 1981.

GENERAL PROVISIONS

Section 407	255

A technical change is proposed.

The words "for projects" are proposed to be deleted. This change will allow universities and colleges to certify their cost-sharing requirements for the total of all research projects and not require certification on a project by project basis. This is a paperwork reduction effort and is a government-wide change being proposed in all cases where the current "project" limitation exists.

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