

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

PUBLIC HOUSING CAPITAL FUND

PROGRAM HIGHLIGHTS

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
(Dollars in Thousands)				
<u>Budget Authority</u>				
Enacted or Proposed	\$2,900,000	\$3,000,000	\$2,293,400	-\$706,600
Transfer from ACAH fund	\$52,048	...	...	...
Rescission	-\$16,134	-\$6,600	...	+\$6,600
Rescission/Other Authority				
Withdrawn	<u>-\$260,014</u>	<u>---</u>	<u>---</u>	<u>---</u>
Subtotal	\$2,675,900	\$2,993,400	\$2,293,400	-\$700,000
<u>Carryover</u>				
Carryover/Recaptures	\$2,732,012	\$1,535,563 <u>a/</u>	...	-\$1,535,563
Total Resources	\$5,407,912	\$4,528,963	\$2,293,400	-\$2,235,563
<u>Obligations</u>				
Obligations	\$3,872,295	\$4,528,963	\$2,293,400	-\$2,235,563
<u>Outlays</u>				
Outlays (net)	\$3,689,934	\$3,718,342	\$3,583,436	-\$134,906

a/ An accounting adjustment of \$53,664 was made in unobligated balance.

SUMMARY OF BUDGET ESTIMATES

The Budget proposes an appropriation of \$2.293 billion for the Public Housing Capital Fund in fiscal year 2002.

Of the budget request of \$2.293 billion, \$2.183 billion will assist housing authorities in carrying out capital and management activities and is sufficient to cover the accrual of additional capital needs which have been estimated at \$2.1 billion annually. Of the requested amount, up to \$41 million is designated for technical assistance and lease adjustments for Section 23 housing. In addition, up to \$54.7 million will be used for the development and maintenance of information technology systems related to public housing. Up to \$10 million of the budget authority available will be used to assess weaknesses in program administration of the housing choice voucher program and provide remediation where needed to correct and prevent poor performance by public housing agencies. Up to \$3 million of the budget authority available will be used to fund the Random Digit Dialing surveys that are used to calculate local fair market rent levels. Up to \$1.2 million of the budget authority available will be used for HUD's annual, comprehensive Customer Survey of Housing Choice Voucher Program to survey recipients as to the living and housing conditions of their homes. The decrease in the request for the Public Housing Capital Fund takes into account a substantial unexpended funding level and recognizes that this lower level more than meets the annual accrual of capital needs in the aggregate, as estimated in the latest study of public housing capital needs.

Public Housing Capital Fund

During 1999, the Department modified its formula for allocating capital subsidies to housing authorities through negotiated rulemaking with representatives of public housing authorities, public housing residents, and other stakeholders. The new formula was implemented in fiscal year 2000. Pursuant to P.L 106-74, all balances for debt service for Public and Indian Housing previously funded under the Annual Contributions for Assisted Housing account were transferred to the Public Housing Capital Fund in fiscal year 2000.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2002 budget authority reflects a decrease of \$700 million in appropriations. No rescissions are proposed in fiscal year 2002. Estimated obligations reflect a decrease of \$2.236 billion in fiscal year 2002 resulting from a slightly lower request and assumption that there will be no carryover into fiscal year 2002. Outlays are expected to decrease by \$135 million as a result of the diminishing levels of undisbursed funds existing for modernization and development purposes prior to establishment of the Capital Fund.

PROGRAM DESCRIPTION AND ACTIVITY

Effective in fiscal year 2000, the Public Housing Reform Act of 1998 authorized the Capital Fund which expands the scope of the predecessor Capital Fund by consolidating all public housing capital programs (except HOPE VI), and allowing greater local flexibility in decisions on major capital initiatives and management improvements undertaken by Public Housing Agencies (PHAs).

Designed to respond to the public housing capital and management improvement requirements, the Capital Fund is a comprehensive, formula-driven program. In conjunction with local officials and HA residents, the Capital Fund provides PHAs with optimum latitude in determining the most appropriate approaches to respond to local low-income housing needs. Patterned after the Comprehensive Grant program, it consolidated the following programs: public housing modernization; public housing development; Major Reconstruction of Obsolete Public Housing Projects; and public housing amendments.

Capital Fund grants can be used to support the following activities: (1) development, financing and modernization of public housing projects; (2) vacancy reduction; (3) deferred maintenance; (4) planned code compliance; (5) management improvements (including those which support resident participation); (6) demolition and replacement; (7) resident relocation; (8) capital expenditures for resident empowerment assistance and self-sufficiency; (9) capital expenditures for security and safety, and (10) homeownership. Targeted demolition and replacement housing will facilitate lower-density, mixed-income housing. Development of a locally prepared 5-year and annual plan, and improved accountability requirements are expected to ensure that capital improvement funds are utilized in a timely and focused manner.

Providing a steady stream of funding through a formula-driven system allows PHAs to carry out realistic plans for their long-term capital needs in a systematic and cost-effective manner. PHAs will also be able to leverage funds with other public and private partnership entities to meet their affordable housing goals. Non-troubled PHAs with less than 250 units have complete flexibility for the use of both capital and operating funds among eligible Capital Fund and Operating Fund activities. For large non-troubled PHAs, this flexibility is limited to 20 percent.

Reserve for Disasters and Emergencies. Under the Public Housing Reform Act of 1998, up to 2 percent of the total appropriations for both the Capital Fund and the Operating Fund may be used for emergencies and other disasters. This reserve will be maintained in the Capital Fund and is not expected to exceed \$75 million.

Technical Assistance and Intervention Funds. Pursuant to section 9(h) of the Public Housing Reform Act of 1998, the fiscal year 2002 Budget request includes up to \$41 million for public housing technical assistance, training, intervention and management improvement support, and annual physical evaluations of assisted properties. The requested technical assistance funding includes up to \$3 million for related travel to support and expedite the delivery of the technical assistance, physical inspections and intervention measures.

Full operation of the national Real Estate Assessment Center (REAC) and the Troubled Agency Recovery Centers (TARCs), as well as the monitoring/inspection contractual services administered by the REAC, requires a substantial level of funding support for unit inspections, along with recovery efforts by TARCs for troubled/substandard PHAs.

Funds are also required to support efforts to assist PHAs that are designated as troubled, or in breach of the Annual Contributions Contract/Memorandum of Agreement demonstrating substantial default. In addition to the physical inspections of the facilities, in accordance with the Public Housing Assessment System (PHAS), the Department measures the performance of PHAs in three other areas - financial condition, management operations, and resident services and satisfaction of every public housing development in the United States. As the Department begins to fully implement PHAS, the need for troubled agency support has increased. In contrast to the Public Housing Management Assessment Program (PHMAP), PHAS is more critical and detailed in the examination of PHAs. Because the assessment is more thorough, a greater number of agencies are identified as troubled or substandard performers thus increasing the need for technical assistance funding.

In order to reduce the incidence of agencies being designated as troubled, the Department continues to place a high priority on the implementation of preventive measures, notably training for near-troubled PHAs. The TARCs develop and implement an intervention strategy or technical assistance option to improve the PHA's performance to a passing level. This is consistent with Congress' and the Department's emphasis that troubled PHAs must bring their operations up to standard. The brief time-frame allowed under current legislation for PHA improvement prior to requiring receivership, together with the substantial task of assessing PHA performance, requires an intensive, aggressive recovery effort. Such a strategy may include:

1. selection or participation in the selection of an alternate entity to provide technical assistance or other services up to, and including contract management of all or any part of the public housing developments administered by the PHA;
2. assumption of the assets and operational responsibility for all or part of the PHA;
3. provision of technical assistance directly by HUD staff, including travel, training, workshops and conferences; and
4. any combination of the above.

Funds are also required for the provision of contract expertise, training, technical assistance and supportive systems required by the Department to support and enhance the oversight and management of public housing or tenant-based assistance, as authorized by Section 9(h) of the United States Housing Act of 1937, as amended. Among the activities included are the following: inspections and technical assistance for capital programs; resident surveys; data collection and analysis; training and technical assistance for HUD employees, PHA employees and residents; and the development of computer, management and financial systems to facilitate the fulfillment of Headquarters responsibilities relative to the management, review and oversight of information pertaining to the status or the provision of support for PHAs.

Program Support

Of the budget authority available, up to \$10 million will be used to assess weaknesses in program administration of the housing choice voucher program and provide remediation where needed to correct and prevent poor performance by public housing agencies. These funds will be provided through grants, contracts, or cooperative agreements to remediate voucher programs that are designated as troubled or at the risk of being designated as troubled under the Section Eight Management Assessment Program (SEMAP).

Of the budget authority available, up to \$3 million will be used to fund the Random Digit Dialing surveys that are used to calculate local fair market rent (FMR) levels. This represents an increase from previous years' funding levels for this purpose that have generally amounted to approximately \$1.5 million annually. The increased funding will allow HUD to conduct more frequent regional and local surveys to ensure the FMRs are

Public Housing Capital Fund

accurately calculated throughout the nation, particularly in light of recent fluctuations in housing costs as a result of rising energy and other costs. It is also critical to establish a permanent, stable source of funding for these critical functions. Of the budget authority available, up to \$1.2 million will be used for HUD's annual, comprehensive Customer Survey of Housing Choice Voucher Program recipients as to the living and housing conditions of their homes. The survey will allow HUD to better target monitoring and technical assistance where improvements may be needed. HUD is greatly encouraged by the preliminary results of its first comprehensive nationwide Customer Survey.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

The Capital Fund is essential to achieve HUD's Strategic Goal 1: Increase the availability of decent, safe and affordable housing in American communities, and specifically Strategic Objective 1.3-to ensure that America's housing is safe and disaster-resistant. Funding for the program supports Strategic Goal 2: Ensure equal opportunity in housing for all Americans, Strategic Objective 2.1, Housing discrimination is reduced. In addition, funding for this program supports Strategic Goal 3: Promote self-sufficiency and asset development by families and individuals, and specifically Strategic Objective 3.2, to enable poor and disadvantaged families and individuals to become self-sufficient and develop assets. Funding for the Capital Fund also contributes to Strategic Goal 4: Improve community quality of life and economic vitality, Strategic Objective 4.3-to ensure communities are safe, and to Strategic Goal 5: Ensure Public Trust in HUD.

SELCECTED PERFORMANCE MEASURES

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002
Strategic Goal 1: Increase the availability of decent, safe and affordable housing in American communities.			
Discretionary BA (Dollars in Thousands)	2,883,866	2,993,400	2,293,400
FTE	86	86	86
Strategic Objective 1.3: America's housing is safer, of higher quality, and disaster resistant.			
Outcome Indicator 1.3.3: The share of units that meet HUD-established physical standards increases by 3 percentage points to 73.9 percent of public housing units and 89.5 percent of assisted multifamily units (also appears as 5.1.7).	69.9% public housing units	70.9% public housing units	73.9% public housing units
Strategic Goal 2: Ensure equal opportunity in housing for Americans.			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE	9	9	9
Strategic Goal 3: Promote housing stability, self-sufficiency and asset development of families and individuals.			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE	9	9	9

Public Housing Capital Fund

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002
Strategic Goal 4: Improve community quality of life and economic vitality.			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE	29	29	29
Strategic Goal 5: Ensure public trust in HUD.			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE	27	29	29
Strategic Objective 5.1: HUD and HUD's partners effectively deliver results to customers.			
Outcome Indicator 5.1.4: The number of public housing units managed by troubled housing authorities as of October 1, 2001 decreases by 15% by September 30, 2002.	Not Available	5%	15%