

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

FLEXIBLE SUBSIDY FUND

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
	(Dollars in Thousands)			
<u>Program Level: (Regular Program)</u>				
Unobligated Balance, SOY	\$279,189	\$281,851	\$300,348	+\$18,497
Offsetting Collections, Net	\$14,736	\$20,000	\$20,000	...
Recapture from prior years:	\$1,503
Obligations	-\$13,577	-\$1,503	...	+\$1,503
Unobligated Balance, EOY	\$281,851	\$300,348	\$320,348	+\$20,000

SUMMARY OF BUDGET ESTIMATES

During fiscal year 2003, carryover from fiscal year 1995, the last year when authority was provided, will be used for new reservations. Recaptured funds from prior years that had used fiscal year 1995 carryover will also be used for new reservations. Activity will be restricted to structure and health and safety needs in projects that received Section 202 loans and capital advances. In addition, the refunding of excess rental income remitted to the Department could be made from either the Rental Housing Assistance Fund or the Flexible Subsidy Fund, as authorized by Section 532 of the fiscal year 2000 Appropriations Act and amended by Section 861 of the American Homeownership and Economic Opportunity Act of 2000.

EXPLANATION OF INCREASES AND DECREASES

Offsetting collections for fiscal year 2003 are expected to be the same as in fiscal year 2002. Funds from fiscal year 1995 are not anticipated to be available for obligation. The unobligated balance will only consist of excess rental income.

PROGRAM DESCRIPTION AND ACTIVITY

The Flexible Subsidy Fund was initially authorized by the Housing and Community Development Amendments of 1978, subsequently amended by the Housing and Community Development (HCD) Act of 1987, and further amended by the McKinney Homeless Assistance Amendments Act of 1988. The HCD Amendments of 1978 established the Flexible Subsidy Fund into which repaid funds would be credited along with any transfer from the Rental Housing Assistance Fund.

The projects eligible for Flexible Subsidy assistance originally included those assisted under the Section 236 interest reduction program, the Section 221(d)(3) below market interest rate program, and the Section 101 rent supplement program. Eligibility was expanded in 1983 to include projects converted from Section 236 or Section 101 to assistance under Section 8 of the 1937 Housing Act; and in 1987 to include certain projects which had received Section 202 loans for elderly or handicapped housing, and projects assisted under Section 23 of the 1937 Act (as in effect prior to 1975).

Projects under Sections 236, 221(d)(3), 101, and 202 which are acquired and subsequently sold by HUD with mortgage insurance and affordability restrictions also were eligible for Flexible Subsidy assistance.

Flexible Subsidy Fund

The original objectives of the Flexible Subsidy program were to: (1) reduce claims on the Department's mortgage insurance funds by aiding projects in financial distress where existing sources of financial relief are inadequate to cure the projects' problems, and (2) preserve and protect the existing supply of low- and moderate-income housing by upgrading the quality of management services and effecting short-term improvements which will enable projects to become self-sustaining and remain affordable.

The enactment of the Multifamily Assisted Housing Reform and Affordability Act of 1997 expands the tools available to address the needs of insured and HUD-held multifamily projects. The use of alternative funding for FHA-insured projects has eliminated the need for the Flexible Subsidy.

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

The Flexible Subsidy Fund supports the Department's Strategic Goal #3, "Improve the quality of public housing and provide more choices for its residents" by providing activities related to health and safety needs in projects that received Section 202 loans and capital advances.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	\$0	\$0	\$0
FTE			
Headquarters	0	0	0
Field	13	13	13
Subtotal	13	13	13
Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.			
Indicator: The share of public housing and assisted multifamily units meeting HUD physical standards increases 1.5 percentage points.	Assisted MF 92.5%	Assisted MF 95.5%	Assisted MF 97%
Indicator: Share of HUD assisted properties observed with exigent health and safety or fire safety deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage point for assisted multifamily housing.	Assisted MF 39.6% anticipated	Assisted MF 39%	Assisted MF 38.4%
Indicator: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.	71%	72%	73%
Indicator: The share of units that have functioning smoke detectors and are in	Assisted MF 90.8%	Assisted MF 91.5%	Assisted MF 92.2%

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.	anticipated		
FTE Total	13	13	13