

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

HOUSING ASSISTANCE FOR NEEDY FAMILIES

PROGRAM PERFORMANCE

STRATEGIC GOAL/OBJECTIVE	ESTIMATE 2002	ESTIMATE 2003	ESTIMATE 2004
Strategic Goal A: Promote decent affordable housing.			
Discretionary BA (Dollars in Thousands)	\$0	\$0	\$13,198,985
FTE			
Headquarters	...	...	203
Field	...	...	83
Subtotal	...	...	286
S&E Cost (Dollars in Thousands)			
Personal Services	...	...	\$27,771
Travel	...	...	1,970
Transportation of Things	...	...	0
Rent, Communications & Utilities	...	...	0
Printing	...	...	106
Other Services	...	...	800
Supplies	...	...	25
Subtotal	...	...	30,672
Strategic Objective A.1: Expand access to affordable rental housing.			
Indicator: The utilization of Housing Assistance for Needy Families vouchers increases by 1 percentage point from the fiscal year 2003 level.	[94%]	[95%]	96%
Strategic Objective A.2: Improve the physical quality and management accountability of public and assisted housing.			
Indicator: The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced. Provide error measurement studies from PD&R and PIH tracking system.	[Over 60% of rent calculations contain errors]	[Over 51% of rent calculations contain errors]	42%
Indicator: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.	[89%]	[90%]	91%
Strategic Objective A.3: Increase housing opportunities for the elderly and persons with disabilities.			
Indicator: The share of units of low-			

Housing Assistance for Needy Families

STRATEGIC GOAL/OBJECTIVE	ESTIMATE 2002	ESTIMATE 2003	ESTIMATE 2004
rent public housing and Section 8 programs that are occupied by families with children, elderly, and persons with disabilities.	NA	NA	Reporting Requirement Only.
Strategic Objective A.4: Help HUD-assisted renters make progress toward self-sufficiency.			
Indicator: The number of public housing and Housing Assistance for Needy Families households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases.	11,782; Escrow \$4,876 ^a	12,371; Escrow \$4,925 ^a	12,990; Escrow \$4,975 ^a
Indicator: Increase by 5 percent, the number of households whose predominant source of income is earned income.	NA	Baseline to be established in Hsg Cert Fund	FY 2003 baseline + 5%

NA = Not applicable.

NOTE: Fiscal years 2002 and 2003 performance information is reflected in the Project-Based Rental Assistance program Justification.

b/ Strategic Objective A3 Indicator: The number of public housing and Housing Assistance For Needy Families households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases. Reliability of data from PIC-50058 data system in fiscal year 2002 was poor with the result that FSS program enrollment and escrow activities are not accurately reflected. Therefore, the fiscal year 2004 goal of 12,990 is based on the questionable figure from the fiscal year 2002 PIC-50058. Corrective actions are being implemented.

SUMMARY OF BUDGET ESTIMATES

For the Housing Assistance for Needy Families program, the Department requests approximately \$13.2 billion in program funding and \$30.7 million in Salaries and Expenses for a total of \$13.2 billion in 2004 to support Strategic Goal A: Promote decent affordable housing.

Helping American families find safe, decent housing in a suitable living environment has been a central part of HUD's statutory mission for decades. While seeking to expand homeownership opportunities, HUD recognizes that homeownership may not be practical for all families, especially those with limited or unstable income. To help low-income families afford the high costs of rental housing, HUD will provide rental assistance to approximately 2 million households through the newly established Housing Assistance for Needy Families (HANF) account in fiscal year 2004. This program will replace the current tenant-based Housing Choice Voucher Program and will streamline funding, administrative, and reporting processes. Converting the current program to a block grant approach is necessary to improve the delivery of rental and homeownership subsidies for low-income families and eliminate the significant recapture and under-utilization problems that plague the current tenant-based program.

The Department is requesting \$11.554 billion for the renewal of approximately 1,935,649 expiring section 8 annual contribution contracts for rental and homeownership assistance including \$72 million for the Family Self-Sufficiency coordinators. The Hope VI tenant-based assistance, previously funded through HOPE VI account, will be renewed under this account upon expiration. In addition, the Department is requesting \$252 million for "tenant protection" activities to support approximately 43,300 new units, and \$609 million for a central fund. The central fund will be available for use to: (1) support leasing up to the Public Housing Agency's (PHA) authorized baseline; (2) fund additional incremental vouchers including up to \$36 million for non-elderly disabled families; and (3) fund up to \$100 million in cost associated with developing capacity in all the States which will assume the administration of the HANF program. In addition, approximately \$1.192 billion is requested for administrative and other expenses of public housing agencies in administering the Section 8 rental and homeownership program.

In the first year of implementation, HUD will provide renewal voucher funding directly to Public Housing Agencies (PHAs), and all the incremental voucher funding will be directed to PHAs through the States. In 2005 and beyond, the funding will be provided to the States who in turn will assume this function at the local level and report to HUD on a statewide basis.

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

Strategic Goal A: Promote decent affordable housing.

Strategic Objective A.1: Expand access to affordable rental housing.

Output Indicator: The utilization of Housing Choice Vouchers increases by 1 percentage point from the fiscal year 2003 level.

The public and assisted housing programs have suffered from a number of serious management weaknesses including under-utilization of Section 8 vouchers. Each year, many PHAs administering the voucher program are unable to utilize large sums of program dollars that are then unavailable to provide decent housing to low-income families. One of the causes of this chronic under-utilization of funds and the resulting annual recaptures is that the program is overly complex and difficult to administer to the different needs of local communities. Administering several subprograms with different variations or requirements creates administrative burdens and negatively impacts program utilization. The fiscal year 2002 Performance and Accountability Report (PAR) reflected a 94 percent utilization of housing choice vouchers, which is an increase of 2 percent from the fiscal year 2000 level. The attainment of the goal was the result of the following actions taken by HUD:

- Issuance of SEMAP scores to all PHAs resulted in a positive affect on utilization. A PHA with utilization of less than 95 percent cannot achieve "High Performer" status.
- Additional funding is only awarded to PHAs that have a 97 percent utilization rate. This serves as an incentive to high performing PHAs.
- HUD has implemented a new Fair Market Rent (FMR) policy to provide substantial targeted relief to high cost areas where low FMRs were preventing families from successfully using Section 8 housing vouchers. In fiscal year 2002, HUD began to see improvement in utilization in high cost markets.
- HUD also published a new regulation that allows any PHA that is not in an area covered by a 50th percentile FMR to request HUD approval of higher "success rate payment standard amounts" based on the 50th percentile rent. (Certain PHAs with low voucher-holder success rates in leasing housing have been able to request approval for higher "success rate payment standards amounts" since December 2000.)
- The increase in the fiscal year 2002 FMRs was almost double the amount of increase in recent years--on average 5.1 percent more than the previous year's FMRs. These higher rents have increased the availability of affordable rental units.
- The publication of the Federal Register notice on reallocation solidified our commitment to redistribute vouchers to high performing PHAs. The warning letters issued through this process placed poor performers on notice and resulted in improvement in many instances.

In fiscal year 2003, HUD will begin to see the outcome of the policy changes implemented in 2002. The emphasis on increased utilization continues to be a priority of the Department. To continue the improvement in voucher utilization, the Department is proposing the conversion of the tenant-based program to the HANF program in fiscal year 2004. Currently, HUD is responsible for overseeing voucher program activities of approximately 2,600 individual housing agencies. Under HANF, the responsibility of financial management and program administration will be given to the States. States will be responsible for administering the program directly or contracting with local housing authorities or other public, non-profit or private entities to administer assistance at the local level. Further, States will be given the authority to hold PHAs accountable for under-utilization of funds and will have the flexibility to commit otherwise unused funds for tenant-based vouchers, homeownership initiatives, and other rental assistance programs. At the national level, HUD will hold States accountable through performance standards and will provide incentives to the States based on performance.

HANF will offer States significant flexibility in determining program standards--on a local, regional and/or state level--subject to the broad parameters set forth in HANF. This flexibility will assist in creating a responsive and efficient system of administration that will increase housing opportunities for low-income families and allow for coordination with other state programs, including the Temporary Assistance for Needy Families (TANF) program.

Strategic Objective A.2: Improve the physical quality and management accountability of public and assisted housing.

Indicator: The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced. Provide error measurement studies from PD&R and PIH tracking system.

HUD's rental housing assistance programs--including Public Housing, Section 8 Tenant-Based Assistance and Multifamily Housing Project-Based Assistance--have been collectively designated as a "high risk" area by the U.S. General Accounting Office, with material management control weaknesses that contribute to erroneous payments, as reported by HUD's Office of Inspector General. These programs are HUD's largest appropriated program activity with over \$22 billion in expenditures in fiscal year 2002.

To address the high-risk status and longstanding material weakness issues, the Rental Housing Integrity Improvement Project (RHIIP) was established as a Secretarial Initiative in the spring of 2001. The project represents a shift from HUD's previous focus on back-end program error detection and recovery efforts to more proactive front-end program improvements and controls designed to address the root cause of errors and improper payments. The overall purpose of RHIIP is to ensure that the "right benefits go to the right persons" - enabling HUD's limited program funding to correctly serve as many eligible low-income households as possible. Core components of this multi-faceted strategy include more aggressive monitoring and quality control; education, guidance, and training for HUD field staff and POAs (Public Housing Agencies, Owners, and Agents); facilitating state wage matches and other up-front verification initiatives to obtain accurate independent verification of all tenant income; and simplifying program requirements, where feasible. In fiscal years 2003 and 2004, HUD will continue to implement RHIIP to meet performance targets and continue to strengthen HUD's capacity for proper oversight of the rental housing assistance programs.

Indicator: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.

The recipients of HUD housing assistance form one of the largest groups of direct customers of HUD. The Department influences resident satisfaction by demanding quality management from housing agencies and private multifamily developments. This indicator tracks the percentage of respondents who are satisfied or very satisfied with "overall living conditions." The goal is to increase the percent of households who express satisfaction from 89 percent in 2002, to 90 percent in 2003, and again to 91 percent in 2004.

Data regarding resident satisfaction is based on statistically valid samples of households. The response rate is well above average for similar survey instruments. Analysis of the results of a pilot survey showed good correlation between resident satisfaction scores and physical condition scores. Annual survey samples increase confidence in their statistical reliability.

Strategic Objective A.3: Increase housing opportunities for the elderly and persons with disabilities.

Indicator: The share of units of low-rent public housing and Section 8 programs that are occupied by families with children, elderly, and persons with disabilities.

This indicator is a tracking indicator. The fiscal year 2002 data is provided in the table at Footnote 1 in the Project-Based Rental Assistance program Justification.

Strategic Objective A.4: Help HUD-assisted renters make progress toward self-sufficiency.

Indicator: The number of public housing and Housing Assistance For Needy Families households that have accumulated assets through the Family Self-sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases.

In its effort to improve the quality of public and assisted housing and providing more choices for its residents, HUD plans to expand its efforts towards self-sufficiency by helping residents of public and assisted housing to increase their self-sufficiency to the point that they no longer need housing assistance and/or are able to become homeowners if they choose. The Department has several efforts underway to promote work participation among existing residents and admit higher income families in public housing.

Throughout the fiscal year 2002 performance period, the Department has been actively promoting work through its policies and PHA activities. These strategies included disregarding earned income when calculating rents, providing escrow accounts through the Family Self-Sufficiency program, and providing employment-related supportive services through the Resident Opportunities and Self-Sufficiency (ROSS) program.

Housing Assistance For Needy Families

The Family Self-Sufficiency (FSS) program is HUD's principal asset building tool. In fiscal Year 2004, the Department is requesting \$72 million for FSS coordinators. FSS provides participating families with opportunities for educational services, job training, counseling and other services while they are receiving housing assistance. As participants' earnings increase, an amount based on their increased earned income is deposited into an interest-bearing escrow account. The family claims the escrow funds upon successful fulfillment of its self-sufficiency contract if no member of the family is receiving welfare assistance. In FY 2002, the baseline for this goal was established using data reported to HUD's PIC-50058 system by PHAs. For fiscal year 2002, PIC reports showed that 11,782 FSS families had positive escrow account balances. The average escrow amount for graduates was \$4,876.

In fiscal year 2003, the Department's goal is to increase the number of families with positive escrow balances to 12,371, a increase of 5 percent above the fiscal year 2002 level and to increase the average escrow amount claimed by graduates by at least 1 percent to \$4,925. The funding requested to support FSS program coordinators is critical to achieving these goals. The FSS program coordinators assure that program participants are linked to the supportive services they need to obtain employment that will enable them to achieve economic self-sufficiency.

In fiscal year 2004, the Department's goal is to again increase the number of families with positive escrow balances by 5 percent to 12,990 and the average escrow of graduates to \$4,975. To accomplish this goal, it will be necessary to provide funding to renew existing coordinators and fund additional housing agencies to help them establish FSS programs or expand existing programs. These coordinators will also help families prepare to move from rental housing to homeownership. In fiscal year 2004, this initiative is requested to be funded under HANF.

Indicator: Increase by 5 percent, the number of households whose predominant source of income is earned income.

This is a new indicator for fiscal year 2003 which will replace the existing Indicator: "Average earnings increase by 5 percent from year to year among non-elderly, non-disabled households in public housing, Housing Assistance for Needy Families, and project based Section 8 programs." The baseline will be established in fiscal year 2003.

The Family Self-Sufficiency (FSS) program is one of the Department's most important tools for helping assisted families increase earned income. Through the program families receive training and services that enable them to obtain a job or find better employment. The requested amount for FSS program coordinators is critical to the success of families in the FSS program since the program coordinators link families to essential training and services. A baseline of families with wage income that exceeds 50 percent of total income will be established at the end of fiscal year 2003 using data submitted to HUD's PIC data system by PHAs.

To accomplish the goal of increasing the number of families with wage income that exceeds 50 percent of total income above the FY 2003 level, funding for FSS program coordinators will be essential. FSS coordinators work with the business community as well as public and private entities that provide training to enhance employment skills of participating families. Progress toward meeting this goal will be measured using data submitted to HUD's PIC data system by PHAs. In fiscal year 2004, this initiative is requested under HANF.

Resource Management Information

Performance Measure estimates provided in fiscal year 2002 and fiscal year 2003 were very raw numbers due to this being the first time these estimates were required. In fiscal year 2004, PIH has redefined and established new performance outcomes in the Housing Assistance For Needy Families program. The revised outcomes are different from the fiscal year 2003 APP performance outcomes and more accurately reflect PIH current objectives. Therefore, when comparing the 2 years, there may not be a correlation in the proration of resources. In addition, fiscal year 2004 is the first year in which the Department has attempted to assign all costs associated with individual programs to those programs. As a result, this is the first year in which overhead FTEs have been allocated to the specific program goals resulting in apparent FTE increases, which are not really true increases.