

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

PUBLIC HOUSING OPERATING FUND

PROGRAM PERFORMANCE

| STRATEGIC GOAL/OBJECTIVE | ACTUAL 2002 | ESTIMATE 2003 | ESTIMATE 2004 |
|---|--|---|--|
| Strategic Goal A: Promote decent affordable housing. | | | |
| Discretionary BA (Dollars in Thousands) | \$3,494,868 | \$3,530,000 | \$3,559,000 |
| FTE | | | |
| Headquarters | 138 | 141 | 137 |
| Field | 155 | 154 | 154 |
| Subtotal | 293 | 295 | 291 |
| S&E Cost (Dollars in Thousands) | | | |
| Personal Services | \$26,342 | \$27,300 | \$27,643 |
| Travel | 648 | 1,220 | 1,220 |
| Printing | 114 | 124 | 126 |
| Other Services | 100 | 100 | 150 |
| Supplies | 20 | 20 | 20 |
| Subtotal | 27,224 | 28,764 | 29,159 |
| 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. | 60% of rent calculations contain errors. | 51% of rent calculation contain errors. | 42% of rent calculation contain errors. |
| 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 families graduate escrow \$4,876 | 12,371 families average escrow \$4,925 | 12,990 families average escrow \$4,975 ^{a/} |

a/ For fiscal year 2004, the Department is proposing that the Family Self-Sufficiency (FSS) program no longer be funded as an add-on to the Public Housing Operating Fund. Instead, FSS will be considered an eligible activity that can be funded out of the ROSS program under the Public Housing Capital Fund.

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

For the Public Housing Operating Fund, the Department requests approximately \$3.6 billion in program funding and \$29.9 million in Salaries & Expenses for a total of \$3.589 billion in 2004 to support Strategic Goal A: Promote decent affordable housing. The Public Housing Operating Fund provides operating subsidy payments to approximately 3,050 PHAs with a total of over 1.2 million

units under management. Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses of their owned or managed dwellings in accordance with Section 9 of the United States Housing Act of 1937, as amended.

Strategic Goal A: Provide rental assistance to more than four million households through its public and assisted housing programs. HUD's increased emphasis on reducing the high incidence of program errors and improper payments in its rental housing assistance programs is consistent with the President's Management Agenda.

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. Error measurement studies from PD&R and the PIH tracking system will be provided.

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. HUD's Office of Inspector General also reports material management weaknesses that contribute to erroneous payments. These programs are HUD's largest appropriated program activity with over \$21 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.

Footnote 16 of the Department's Consolidated Fiscal Year 2002 Financial Statements, which are included in the Financial Performance section of this report, provides specific information on HUD efforts to establish a baseline rental housing assistance payment error estimate on year 2000 program activity. The combined effect of the estimated \$1.669 billion of overpayments and \$634 million of underpayments attributed to program administrator processing errors, plus the \$978 million of overpayments attributed to tenant underreporting of income, yielded a gross payment error estimate of \$3.281 billion. Offsetting the overpayment and underpayment error estimates yielded a net annual subsidy overpayment estimate of \$2.013 billion, which represented approximately 10.7 percent of the \$18.883 billion in total rental subsidies paid by HUD in fiscal year 2000. Additional error estimates attributed to program administrator billing issues are also being developed.

Under the President's Management Agenda, HUD's goal is to reduce rental assistance program errors and resulting erroneous payments 50 percent by 2005. HUD has established aggressive interim goals for a 15 percent reduction in 2003 and a 30 percent reduction in 2004. Updated error measurement studies will be performed on program activity in 2003 through 2005 to assess the effectiveness of efforts to reduce program and payment errors.

A multi-organizational RHIIP Advisory Group developed a comprehensive strategy for addressing the root causes of all known sources of subsidy payment error. The RHIIP strategy includes actions that seek to: (1) simplify overly complex program requirements that contribute to errors; (2) enhance the existing capacity to effectively administer the programs; and (3) establish the controls, systems, incentives and sanctions necessary to improve program performance and accountability on the part of the Department, HUD's program intermediaries, and the tenant beneficiaries. Accomplishments during fiscal year 2002 included the following:

- Provided program fact sheets and drafted updated program handbooks and guidelines to clarify current program requirements as a basis for effective program administration and monitoring;
- Provided basic occupancy training to HUD's monitoring staff and contracted resources for an expanded education and training initiative for program administrators and HUD staff to strengthen the understanding of program requirements;
- Increased program outreach efforts to housing industry and tenant advocacy groups on rental housing assistance program integrity and performance issues;
- Reinstated monitoring rental assistance program activity by: (1) launching the PIH Rental Integrity Monitoring (RIM) initiative to perform and track the results of income and rent reviews and (2) strengthening the efforts of the Office of Housing's outsourced performance-based contract administrator services;
- Developed rent calculation software and a corresponding tenant interview script and began pilot testing the process with program administrators in the fall of 2002;
- Developed a legislative proposal for statutory authority to enable HUD to conduct computer matching with the HHS National Directory of New Hires database and share the

results of such matches with HUD program administrators for use in correctly calculating rent subsidies;

- Initiated a nationwide State wage data sharing project at the PHA-State level;
- Initiated the development of systems improvements that would enable PHAs to perform automated tenant income verifications with available income data sources; and
- Developed and costed-out program simplification proposal options as a possible means of reducing program error.

Planned Initiatives

HUD will continue to implement its RHIP strategy in 2003 and 2004 to meet performance targets. This will include actions to:

- Provide a rent calculation software tool to better support program administrator processing of rent and subsidy determinations;
- Revise the front-end of HUD's tenant data systems (PIC/50058) to better standardize and automate the collection and validation of tenant information used in rent and subsidy determinations;
- Provide automated program administrator access to additional sources of Federal, State, and private income data to which HUD is authorized for upfront use in correctly calculating rents and subsidies to reduce improper payments;
- Improve HUD's systemic ability to identify problem performers for risk-based targeting of monitoring and enforcement efforts;
- Implement statutory and/or regulatory program simplification proposals;
- Provide increased program training and technical assistance to HUD field staff program administrators;
- Strengthen and enforce program incentives and sanctions to instill integrity and accountability; and
- Continue to strengthen HUD's capacity for proper oversight of the rental housing assistance programs.

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

Indicator: The number of public housing and Rental Assistance Block Grant households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases.

Fiscal Year 2002. The Family Self-Sufficiency (FSS) program is HUD's principal asset building tool. FSS provides participating families with opportunities for education, 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 fiscal year 2002, the baseline for this goal was established using data reported to HUD's PIH Information Center (PIC) system by PHAs. For fiscal year 2002, PIC reports showed 11,782 FSS families with positive escrow account balances. The average escrow amount for graduates was \$4,876.

Fiscal Year 2003. 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 for FSS program coordinators is an add-on to the Public Housing Operating Fund. FSS program coordinators ensure that the program participants are linked to the supportive services they need to obtain employment that will enable them to achieve economic self-sufficiency.

Fiscal Year 2004. 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, the Department is proposing the FSS program coordinators be funded as an eligible activity under the ROSS program proposed under the Public Housing Capital Fund in 2004, instead of under the Public Housing Operating Fund. The FSS program coordinators are vital to the success of the FSS program since they assure that families are linked to appropriate training, services and employment opportunities. FSS coordinators also help families prepare to move from rental housing to homeownership.

Resource Management Information

For fiscal year 2004, the Department is requesting 4 fewer FTEs for this strategic goal/objective than the number requested for 2003. The reason being that four additional FTEs are being requested under strategic goal/objective C.