

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**FISCAL YEAR 2004 INTEGRATED BUDGET AND
PERFORMANCE SUBMISSION**

In accordance with direction under the President's Management Agenda, the Department is submitting its budget and related budget justifications that reflect how performance considerations were integrated with budget decisions. These budget documents are a reflection of the Department's priority commitment to performance budgeting.

HUD's significant overall efforts to measure performance and, more importantly, produce documentable results, were furthered by focusing on high quality outcome and output measures; monitoring past, current, and projected program performance; and considering program costs and efficiency. Moreover, in pursuit of activity transparency and in following the guidance issued by the Office of Management and Budget to pursue "full cost accounting" methodology, the total costs are presented. Specifically, each performance justification--tied to applicable strategic goals--indicates program dollars, salaries and expenses, and the required FTE.

HUD's fiscal year 2004 Budget is tailored to the Department's revised fiscal year 2003-2008 Strategic Plan, which will be submitted within approximate time of the President's Budget submission to Congress. HUD's Strategic Plan is the guiding framework that links the policies, means and strategies, and specific Annual Performance goals with the respective program and salaries and expenses budget resources. HUD revised its Strategic Plan under the leadership of the Secretary and principal management, and incorporated additional guidance and comments received through an extensive consultation process with our partners. The six Strategic Goals guiding the formulation of the fiscal year 2004 President Budget are as follows:

STRATEGIC FRAMEWORK

- Strategic Goal H - Increase Homeownership Opportunities
- Strategic Goal A - Promote Decent Affordable Housing
- Strategic Goal C - Strengthen Communities
- Strategic Goal FH - Ensure Equal Opportunity in Housing
- Strategic Goal EM - Embrace High Standards of Ethics, Management and Accountability
- Strategic Goal FC - Promote Participation of Faith-Based and Community Organizations

Highlights of HUD's Strategic Plan Objectives, Fiscal Year 2004 Budget Proposals and Integration of Budget Resources to Produce a Performance Based Budget

Strategic Goal H - Increase Homeownership Opportunities

Homeownership is an underlying force in building strength and prosperity of our communities and nation. HUD's fiscal year 2004 Budget submission is a continuation of support and expansion for several programs proven successful in expanding homeownership, as well as new proposals.

HUD is committed to assisting the President in meeting his bold goal of adding 5.5 million new minority homeowners by the end of the decade, and to expanding homeownership opportunities. HUD programs, activities, and budget authority supporting these goals include: FHA mortgage insurance; Ginnie Mae securitization; the \$200 million American Dream Downpayment Fund; expanded HOME formula funding; increased funding of Housing Counseling to \$45 million; a proposed FHA mortgage product that rewards credit-risk borrowers who make timely mortgage payments; Housing Choice Voucher Homeownership; continued funding of \$65 million reflecting President Bush's commitment to the Self-Help Homeownership Opportunity Program (SHOP); the Low-Income Housing Tax Credit; expanded funding and efforts to reduce regulatory barriers to the development of expanding housing options, and oversight of Fannie Mae and Freddie Mac. Significant resources are provided also through FHA and Ginnie Mae mortgage insurance-related programs reflected in credit limitations and subsidy levels. Finally, the Department continues its very significant pro-consumer efforts to make the home buying process less complicated and less expensive, by reforming the Real Estate Settlement Procedures Act, which is expected to save American families \$8 billion annually.

Strategic Goal A - Promote Decent Affordable Housing

Homeownership may not be a universal choice and insufficient incomes may pose barriers for families desiring homeownership. Consequently, HUD subsidizes the operation, maintenance, and modernization of 1.2 million public housing units and provides rental subsidies to approximately 4.5 million households nationwide. More than \$23 million in new funds this year are provided by programs supporting these efforts, and account for approximately 74 percent of the Department's total budget authority for fiscal year 2004.

The Budget is focused on improving performance in this significant area and reflects an initiative - Housing Assistance for Needy Families (HANF). This initiative will allow for more flexibility to address problems in the underutilization of vouchers and allow states to better address local needs by giving responsibility to States to contract with Public Housing Authorities to operate HUD supported voucher activities. The fiscal year 2004 Budget proposes that the Project-Based Rental Assistance Account will retain funding for renewals of expiring project-based rental assistance contracts under Section 8, including amounts necessary to maintain performance-based contract administrators.

Affordable Public Housing is also supported by fiscal year 2004 Budget funding of the Public Housing Operating Fund and the Public Housing Capital Fund. A proposed Public Housing Reinvestment Initiative will leverage private-sector funds to address the backlog of capital needs in public housing, and encourage development-based financial management and accountability in PHAs. The Budget also continues to expand affordable housing opportunities through the FHA Multifamily Insurance Program, expansion of the HOME Investment Partnership Program, continued funding of the Native American Housing Block Grant, funding for the Native Hawaiian Housing Block Grant, and expanded efforts to reduce barriers to the development of affordable housing.

Strategic Goal C - Strengthening Communities

Secretary Martinez believes that communities flourish when they have the freedom to put local solutions to work solving problems. Consequently, the fiscal year 2004 Budget continues support for the largest community development program--the Community Development Block Grant (CDBG)--for improving the overall health of our nation's communities. The flexibility of a CDBG program allows locally designed choices and responses in the use of CDBG funds for economic development, housing, and other purposes. The Budget also includes a \$16 million Colonias Gateway Initiative to help one of the poorest areas of the country, the 1,500 miles stretch of the U.S. Mexico border.

Additionally, HUD is committed to the ambitious goals of ending chronic homeless in a decade and reducing the overall homeless level. HUD's commitment is reflected by increasing overall homeless funding, streamlining homeless programs, implementing the Samaritan Housing initiative, transferring of the FEMA Emergency and Shelter Program to HUD, and expanding funding for the U.S. Interagency Council on Homelessness.

Strategic Goal EH - Ensuring Equal Opportunity In Housing

HUD is committed to helping families find affordable and decent housing. The results of the National Housing Discrimination Study has given HUD the tools to expand equal opportunity in housing and advance the fight against discrimination. The Department is increasing resources for the Fair Housing Assistance Program to handle projected caseload increases more effectively and to reduce caseload backlogs. The Fair Housing Initiative Program reflects a significant increase in the Education and Outreach Component. The overall program is targeted to expanding fair housing coverage, increasing overall anti-discrimination efforts, and making significant progress on accessibility issues.

Strategic Goal EM - Embracing High Standards of Ethics, Management and Accountability

The Strategic Framework and integration of the Budget dovetails with the President's Management Agenda. The proposed funding addresses policies such as human capital resource development, information technology (IT) investment, and additional focus on specific management, financial and systems issue. The Budget reflects specific program, policy, and resource decisions that enable responses to eliminate the Department's material weaknesses and provide real results and high performance.

The Department's progress-to-date has been recognized and our original baseline scores have improved in all areas under the President's Management Agenda. The Budget reflects attention to human capital and IT with increased targeted strategic investments

in both areas. The Department is also focused on improving performance of housing intermediaries and has a major initiative that addresses that by converting the Section 8 Housing Choice Voucher program to the new state-run block grant, the Housing Assistance for Needy Families program (HANF). Another significant initiative underway is the streamlining of the Consolidated Planning Process in the Community Policy and Development area.

The Budget continues to support the Department's efforts to eliminate improper rent calculations and make further progress on FHA issues such as reducing fraud, combating predatory lending practices, and improving program controls with emphasis in both appraisal and credit aspects of mortgage insurance. Additional efforts focus on making further progress in FHA single family claims process reforms, expanding use of the TOTAL scorecard to assess default risks and facilitate approval of loans for insurance, and further efforts in the area of FHA loss mitigation.

Strategic Goal FC - Promote Participation of Faith-Based and Community Organizations

The Department is one of a few selected lead Departments that will guide the overall Federal effort to expand the participation of Faith-based and Community Organizations in Federal activities. These efforts are intended to capture the untapped resources residing in these organizations. The overall HUD effort reflects a cross-cutting effort involving all of HUD's programs and policy efforts and is focused on eliminating regulatory, contracting and other obstacles to the participation of faith-based and other community organizations in HUD programs. In fiscal year 2004, the Department's Center for Faith-Based and Community Initiative with coordination with the White House Office of Faith-Based and Community Initiatives, will pursue the following:

- Annual Departmentwide inventory to identify barriers to participation and remediation of barriers;
- Expanded opportunities for participation to widen the pool of grant applicants including expanded outreach and technical assistance efforts;
- Continued partnering with HUD program offices to establish pilot projects, mutual goals, and assist in their strategic plans and objects, particularly in regard to strengthening and expanding their faith-based and community partnerships; and
- Training and educating HUD personnel, including participation in HUD field conferences, training sessions, and seminars.