

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

LOW-RENT PUBLIC HOUSING ASSISTANCE

PROGRAM HIGHLIGHTS

	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004	INCREASE + DECREASE - 2004 vs 2003
(Dollars in Thousands)				
<u>Program Level:</u>				
Direct loan obligations	\$7,053	\$40,000	\$30,000	-\$10,000
PHA Loan Write-Offs pursuant to				
P. L. 99-272	7,053	40,000	30,000	-10,000
<u>Net Budget Authority</u>				
Mandatory	25,000	40,000	30,000	-10,000
<u>Net Budget Outlays</u>				
Mandatory	19,706	40,297	30,239	-10,058

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2004 Budget assumes that \$30 million of permanent indefinite authority will be used to provide funding for remaining Public Housing development and modernization activities in the pipeline that were reserved under the "Annual Contributions for Assisted Housing" (ACAH) appropriations through 1986. No discretionary appropriation is required.

EXPLANATION OF INCREASES AND DECREASES

The budget authority and outlay estimates for fiscal year 2004 are projected to be significantly lower than the fiscal year 2003 levels because past experiences show that the expected acceleration of loan drawdowns for pipeline projects have not materialized. For fiscal year 2004, mandatory budget authority is estimated at \$30 million, \$10 million lower than fiscal year 2003. Outlays are projected at \$30.2 million. Direct loan obligations to PHAs/IHAs and loan write-offs also are affected by the slower activity and are estimated to decrease to \$30 million in fiscal year 2004.

PROGRAM DESCRIPTION

The Low-Rent Public Housing Assistance Fund has not received new appropriation since fiscal year 1986. The account is now in a liquidating status with permanent indefinite borrowing authority and is classified as mandatory. The Department borrows from Treasury each year to close pipeline loan commitments. Once the commitment is closed, both the Department and the Treasury forgive the loan.

The program was established for three reasons. First, the program was to provide direct Federal loans (capital funds) to support the completion of Public and Indian Housing construction, acquisition, and modernization activities. Second, the Fund was also used as a repository of appropriations provided in prior years to make interest differential payments to the Federal Financing Bank (FFB). Budget authority was obligated in the Loan Fund to provide payments to the FFB to fund the difference in interest payments between what would have been charged if tax-exempt bonds had been sold to the public and the interest that actually was charged when instruments were sold to the FFB at a Federally taxable interest rate. A third purpose of the account, as a Corporate Fund, was closed during the first quarter of 1997 pursuant to Section 507 of the Congressional Budget Act of 1974.