

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
2005 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING CERTIFICATE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2003 Appropriation	\$17,223,566 ^a	\$3,548,554	-\$1,285,659	\$19,486,461	\$16,007,025	\$20,949,631
2004 Appropriation/Request	19,371,482 ^a	3,779,435 ^b	-2,958,291	20,192,626	20,008,929	22,250,352
2005 Request	<u>18,465,804^a</u>	<u>1,557,000^c</u>	<u>-1,557,000</u>	<u>18,465,804</u>	<u>18,465,804</u>	<u>22,194,660</u>

a/ Includes \$4.2 billion in advance appropriations from the prior year's appropriation act.

b/ Includes \$300 million in anticipated recaptures.

c/ Includes \$184 million in carryover funds and \$1.373 billion in estimated recaptures.

Summary Statement

A total of \$18.466 billion is expected to be available for the Housing Certificate Fund in fiscal year 2005. The fiscal year 2005 request represents a net overall increase of \$495.6 million from the fiscal year 2004 enacted level of \$16.413 billion after rescission.

Of the total amount requested, \$16.92 billion is requested for the renewal of expiring Section 8 contracts, \$1.176 billion for administrative fees for tenant-based and moderate rehabilitation programs, \$163 million for tenant protection needs, \$101.9 million for contract administrators, \$100 million for a central reserve, and not less than \$4.9 million is requested for the Working Capital Fund for development of and modifications to information technology systems that serve or are related to the programs or activities of this account.

The net increase of \$495.6 million in budget authority above the fiscal year 2004 enacted level is due to several factors. Central among these factors is the Department's proposal to replace the current Housing Choice Voucher program with the Flexible Voucher program for the tenant-based and moderate rehabilitation portion of the Housing Certificate Fund. As a result, for contract renewals, \$16.9 billion is requested in new budget authority, which is a decrease of \$611.1 million to renew existing contracts. In fiscal year 2005, \$1.2 billion is requested for administrative fees to administer the tenant-based section 8 program; this is a decrease of \$58.7 million from the 2004 enacted level. \$100 million is requested for a central reserve, which is a reduction of \$36 million from the fiscal year 2004 level. Additionally, the Department is not requesting a separate appropriation for Family Self Sufficiency Coordinators, which is a decrease of \$47.7 million from the fiscal year 2004 enacted level. Further, the Department is requesting \$163 million for tenant protection activities, which is \$42.3 million less in budget authority; \$101.9 million is requested for contract administrators, an increase of \$2.5 million above the prior year's level. In addition, \$4.9 million is requested for the Working Capital Fund, which is an increase of \$1.9 million. Finally, the Department is proposing a rescission of \$1.56 billion from prior year unobligated balances which is a \$1.287 billion increase in budgetary resources above fiscal year 2004 levels.

Initiatives

In fiscal year 2005, the Department proposes to replace the existing tenant-based Housing Choice Voucher program with a new Flexible Voucher Program. Implementing Congressional directives included in the 2004 Act, the Flexible Voucher program provides timely reforms that will greatly simplify and stabilize the program and allow PHAs to work with localities to design their programs to best address their local needs. The Flexible Voucher program will complete the reforms begun by Congress in the 2004 Appropriations Act.

Housing Certificate Fund

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Contract Renewals	\$15,167,711	\$410,303	\$15,578,014	\$14,614,016	\$17,531,084	\$2,451,446	\$19,982,530	\$16,920,000
Administrative Fees ...	1,072,257	...	1,072,257	713,112	1,234,672	359,145	1,593,817	1,176,000
Section 8 Rental Assistance	234,017	128,489	362,506	180,840	205,277	181,665	386,942	163,000
Central Reserve	391,922	...	391,922	105,334	136,039	286,588	422,627	100,000
Contract Administrators	194,726	93,064	287,790	170,121	99,410	117,668	217,078	101,900
Section 8 Amendments ..	...	22,553	22,553	218,530	...	33,286	33,286	...
Working Capital Fund ..	2,981	...	2,981	2,981	2,992	...	2,992	4,904
Incremental Vouchers ..	...	271	271	...	...	271	271	...
Non-Elderly Disabled ..	...	3	3	...	...	...	...	...
Section 8 Preservation Amendments .....	...	1,762	1,762	...	...	...	...	...
Welfare-to-Work .....	...	1	1	...	...	...	...	...
Section 8 Counseling ..	...	1,857	1,857	991	...	866	866	...
Family Self-Sufficiency Coordinators	48,000	...	48,000	...	47,717	48,000	95,717	...
Jobs Plus Demonstration	...	5,618	5,618	1,100	...	500	500	...
Other .....	...	2,024	2,024	...	...	...	...	...
Preservation .....	...	93	93	...	...	...	...	...
Recaptures .....	...	2,882,516	2,882,516	...	...	300,000 ^a	300,000	...
Rescission.....	<u>-1,173,707</u>	<u>...</u>	<u>-1,173,707</u>	<u>...</u>	<u>-2,844,000</u>	<u>...</u>	<u>-2,844,000</u>	<u>...</u>
Subtotal Housing Certificate Fund ...	15,937,907	3,548,554	19,486,461	16,007,025	16,413,191	3,779,435 ^a	20,192,626	18,465,804
Proposed Rescission...								<u>-1,557,000</u>
Net Budget Authority								16,908,804
FTE								
Headquarters			442				477	478
Field			<u>760</u>				<u>854</u>	<u>857</u>
Total			1,202				1,331	1,335

a/ Fiscal year 2004 carryover includes \$300 million in estimated recaptures.

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Program Offsets
(Dollars in Thousands)**

Contract Renewals	<u>Amount</u>
2003 Appropriation	\$15,167,711
2004 Appropriation/Request	17,531,084
2005 Request	<u>16,920,000</u>
Program Improvements/Offsets	-611,084

Proposed Actions

Contract renewals provide funding to renew expiring Section 8 tenant-based and project-based rental assistance contracts covering vouchers, moderate rehabilitation, Loan Management, New Construction/Substantial Rehabilitation, Property Disposition, and Preservation. All contracts are proposed for a renewal term of up to 1-year. See attached Table 1 for detailed activity.

The Section 8 tenant-based Housing Choice Voucher program is the Federal Government's major program for assisting low-income families to rent decent, safe, and sanitary housing in the private market. Since the rental assistance is provided on behalf of the family or individual, participants are able to find and lease privately owned housing and are not limited to units located in subsidized housing projects.

The Section 8 project-based program provides a subsidy that is tied to specific properties so that the properties themselves remain subsidized.

Between the two types of subsidies, Section 8 assistance provides federal housing assistance to approximately three millions families in each and every State around the country-in urban centers and rural farmland, in high rise apartments, and single family homes. For program activity, see the attached Table 2 for amounts and units.

Project-Based Rental Assistance

The Department is requesting \$5 billion in new budget authority in fiscal year 2005 to renew expiring contracts for an estimated 895,943 project-based, including Moderate Rehabilitation SRO, units.

Under the Department's Mark-to-Market (M2M) initiative, it is anticipated that approximately 2,273 projects and 188,633 units will have completed restructuring and/or Section 8 rent reduction by the end of fiscal year 2005. In many cases this involves writing off a portion of the multifamily project's mortgage debt so that its charges (and HUD's subsidy) can be brought into line with comparable rents for other projects in the same geographic area.

In addition, there are many multifamily projects whose rents are far below area market rents for comparable multifamily projects. This is resulting in owners opting-out of the programs, causing a loss of affordable rental units available to low-income families. The Department has taken two steps in rectifying this situation. First, funding is included in the HCF program to provide vouchers for tenants living in projects whose owners decide to leave the program. Secondly, the Department will continue its efforts to retain

low-income projects through its Mark-Up-To-Market Initiative, which allows the project owner to adjust rental charges up to the level of comparable multifamily projects in the area.

Tenant-Based Rental Assistance

In fiscal year 2005, the Department is proposing a new Flexible Voucher Program. The rationale for moving to a flexible voucher grant is precipitated by the fact that the current voucher program has grown into a complex, overly prescriptive, and at times extremely difficult program to administer. For years, the voucher program was unable to utilize large sums of program dollars that are then lost to the program, even while the demand for the housing assistance is high. Moreover, the current program is dictated by laws and regulations that cover the administration of more than a dozen different types of vouchers. It is no wonder that housing authorities often find it difficult to lease their vouchers.

Further, the Department has been criticized HUD for not doing more to reform the program. In fact, the fiscal year 2003 Senate VA-HUD Appropriations Bill report stated that the Committee had "ongoing concerns over the effectiveness of tenant-based vouchers" and "urged HUD to make voucher reform a priority for the Department." The fiscal year 2004 VA-HUD Appropriations Bill report states, "the Conferees are concerned about the spiraling increase in the cost of providing assistance under the voucher program. The Conferees are aware that the national average cost per voucher has increased at a rate of more than double the average increase in the private rental market in each of the last 2 years. At the same time, the rental housing market has softened."

This new program will replace the Housing Choice Voucher Program and improve the delivery of rental and homeownership subsidies for low-income families in a fiscally responsible manner, thereby ensuring cost efficiency and effectiveness for long-term sustainability of the tenant-based voucher program. The objectives of the Flexible Voucher Program are:

- Simplify program requirements and provide PHAs with greater administrative flexibility for PHAs and local communities to meet the overall program objective of assisting low-income families to find suitable temporary housing.
- Increase the effective utilization of funds to assist additional low-income families.
- Control program costs by converting from a unit-based system to a dollar-based system.
- Reward PHAs that are good managers through performance-based incentives while holding PHAs accountable for poor performance.
- Increase HUD's ability to effectively monitor the program; HUD will focus on results as opposed to bureaucratic processes.

As is current practice, the Flexible Voucher Program will be administered by State and local PHAs, and the two basic premises of the current program, choice and portability, are preserved. PHAs with overlapping jurisdictions and PHAs with small Section 8 programs are encouraged to consolidate or enter into cooperative arrangements to promote administrative efficiencies and accomplish cost savings. The Flexible Voucher Program includes administrative costs as part of the total grant. PHAs will only be able to use grant funds for housing assistance payments or administration of the Flexible Voucher Program. High performing PHAs that meet national objectives, such as increasing the number of participants that use the voucher assistance on a transitional (not permanent) basis, increasing homeownership and efficiently assisting families, will be eligible for performance and incentive bonuses. A more detailed explanation of the proposed fee structure can be found in Sec. 223(1) of the administrative provisions.

The current formula for providing funding under the Housing Choice Voucher Program does not promote cost containment because it does not require PHAs to practice significant financial restraints (see Chart 1 that shows a cost comparison between the current program and the proposed Flexible Voucher program). Currently, funding is provided annually for a guaranteed number of units at whatever cost levels PHAs approve. There is no incentive for fiscal responsibility and true, market-based rent setting by PHAs to use taxpayer dollars in a cost efficient manner. In fact, PHAs have been incentivized to maximize leasing without regard to the cost of vouchers because many vouchers went unused for years. Within only the confines of the payment standards or exceptions to those standards, the funding formula is based on actual per-unit costs experienced by the individual PHAs for units leased. Those PHAs that set higher

Housing Certificate Fund

payment standards, which result in increased costs, receive funding based on the higher costs, whether or not more modest costs would have been sufficient to operate the program. In addition, setting higher payment standards has resulted in per voucher cost increases outpacing the actual rental market, especially as rents have softened and declined in many markets. This creates the possibility for both a waste of taxpayer funding for subsidizing higher-than-market rents as well as distorting the actual rental market for unsubsidized families. It also creates a difficult budgeting process and leaves the program vulnerable to funding shortfalls.

The renewal funding approach under the new program will determine a set dollar amount for housing assistance payments for the initial program year. In subsequent fiscal years, the funding amount is adjusted for inflation and increased for any new allocations awarded to the PHA. A dollar-based system will provide a predictable funding level with annual inflationary increases for PHAs, and assist the Department with accurate and stable budget estimates. This also creates a true incentive for PHAs to be responsible for and more sensitive to managing the rents they subsidize within their grant amounts.

PHAs will receive a fixed dollar amount proportional to their current voucher funding but will have the freedom to adjust the program to the unique and changing needs of their community, including the ability to set their own rents based on local market conditions rather than having HUD predict and set rents for every market in the nation. PHAs will also have the ability to simplify and design tenant rent policies that will incentivize work, save money and allow them to serve even more families. HUD will also reward PHAs that are good managers with performance and incentive bonuses, while holding PHAs accountable for poor performance. These changes will provide a more efficient and effective program and help low-income families more easily obtain decent, safe, affordable housing.

PHAs are currently required to administer several subprograms under the umbrella of the Housing Choice Voucher Program. This includes "enhanced vouchers", service-oriented programs such as the Family Self-Sufficiency program and the Family Unification program, as well as family specific programs such as the mainstream program for families with disabilities. Under the Flexible Voucher Program, there will be no federally mandated subprograms. "Enhanced vouchers" will be converted to "regular vouchers" after 1 year. However, the unduly complicated "enhanced voucher" tenant minimum rent requirements will be eliminated immediately, along with the current owner rent requirements that result in instances of extremely high contract rents. The Flexible Voucher Program provides PHAs with reasonable flexibility to design their voucher programs to meet local housing needs and ensure full use of funds. Under the Flexible Voucher Program, PHAs may opt to run a local project-based voucher program, a Family Self-Sufficiency program and a homeownership program designed to address local needs rather than federal rules.

The Flexible Voucher Program simplifies Federally mandated program requirements and avoids the "one size fits all" program design by providing local and State PHAs with greater administrative flexibility to meet the overall program objective of providing temporary and transitional housing assistance for low-income families to select suitable private market housing at their choice. The Federal focus of the voucher program will be redirected to ensuring that the "right" families (low-income families) are assisted in the "right housing" (non-luxury housing meeting the housing quality standards) at the "right subsidy amounts" (correctly calculated tenant rents and reasonable rents to owners based on market comparables). Instead of spending an inordinate amount of time attempting to comply with a myriad of complicated (and sometimes contradictory) Federal rules and objectives, PHAs will be able to streamline the subsidy design and implement local policies to meet local housing needs.

The current Housing Choice Voucher Program requirements ensure that the program is difficult to administer and leads to errors and management problems. For example, PHAs must ensure that not less than 75 percent of the families admitted to the voucher program during the PHA fiscal year are extremely low-income families (incomes less than 30 percent area median income). The law also requires that PHAs disapprove a unit for leasing initially by a family if the family would be required to pay more than 40 percent of its adjusted monthly income for rent, but does not impose this same limitation on families at lease renewal.

PHAs complain that the existing statutory income targeting criteria and the 40 percent rent burden limitation have a major negative impact on both utilization of voucher funding and their ability to serve families. Eligibility under the Flexible Voucher Program would be simplified. Eligible families must be low-income families (families with incomes not exceeding 80 percent of area median

Housing Certificate Fund

income). This would permit PHAs more flexibility to design their programs to meet local needs such as families transitioning from welfare to work, families experiencing housing emergencies, first time homebuyers, and families on the PHA waiting list for prolonged periods of time.

Subsidy errors have also plagued the Section 8 program due to complicated rules, deductions, exclusions, and calculations. Rent policies that penalize income have also resulted in underreporting of income by some tenants. The Flexible Voucher Program will allow PHAs to establish their own rent policies that should dramatically reduce, if not eliminate, calculation errors and underreporting of income. This elimination of errors will result in more subsidy going to house more families.

PHAs may use state and local housing quality standard requirements to determine that a unit is suitable for tenants. A unit must be inspected to determine that it meets the PHAs housing quality standards within 60 days of initial occupancy. Thereafter, PHAs will be required to inspect annually at least 25 percent of the inventory.

Under the Housing Choice Voucher Program, incremental funding is awarded to PHAs through a complex competition. The new program would eliminate this procedure. Incremental funds provided by Congress will be awarded on a formula basis to well-performing PHAs that demonstrate a clear capacity to effectively utilize Flexible Voucher Program funding.

In cases of poor performance, HUD will work with the PHA to correct program deficiencies and improve program administration. Alternately, HUD may require the PHAs to subcontract one or more administrative duties or transfer program administration to another PHA.

In summary, the Flexible Voucher Program (FVP) provides timely reform that will greatly simplify and stabilize the program and allow PHAs to work with localities to design their programs to best address their local needs. Many of these reforms have been granted to and successfully implemented by PHAs under the popular Moving to Work demonstration.

Language authorizing the Flexible Voucher Program can be found in the HUD chapter of the fiscal year 2005 President's Budget, and under the "Proposed Changes in Appropriations Language" section of this Justification.

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Program Offsets
(Dollars in Thousands)**

Administrative Fees	<u>Amount</u>
2003 Appropriation	\$1,072,257
2004 Appropriation/Request	1,234,672
2005 Request	<u>1,176,000</u>
Program Improvements/Offsets	-58,672

Proposed Actions

In fiscal year 2005, as part of the Flexible Voucher Program, the Department seeks to shift away from the existing administrative fee structure and establish a new fee structure that rewards PHAs that are good managers through performance-based incentives while holding PHAs accountable for poor performance. PHAs will be provided a base administrative fee of up to 7 percent of the annual subsidy amount for administrative purposes. PHAs can earn additional performance-based bonus fees for attaining high performance in categories such as the following:

- Effective funding utilization - The PHA is using grant funds to effectively serve low-income families in their communities.
- Reasonable owner rents - The rents for assisted units are reasonable in relation to rents for comparable units in the same market.
- Decent, safe, and sanitary units - The assisted units meet or exceed the housing quality standards pursuant to state, local, and federal standards.
- Self-sufficiency initiatives - Assisted families participate in self-sufficiency programs in order to graduate from the program altogether.
- Homeownership initiatives - PHA implements and facilitates homeownership programs for families.

A more detailed explanation of the proposed fee structure can be found in the HUD chapter of the Fiscal Year 2005 President's Budget, section 223(1) of the administrative provisions, and under the "Proposed Changes in Appropriations Language" section of this Justification.

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Program Offsets
(Dollars in Thousands)**

Section 8 Rental Assistance	<u>Amount</u>
2003 Appropriation	\$234,017
2004 Appropriation/Request	205,277
2005 Request	<u>163,000</u>
Program Improvements/Offsets	-42,277

Proposed Actions

The Housing Certificate Fund serves a dual role in both replacing units of housing assistance that are lost from the assisted housing inventory as a result of changes in the status of privately owned assisted housing projects and protecting the families who live in those projects. The Department has requested appropriations language that permits both uses in the Housing Certificate Fund. Housing authorities will be allocated vouchers sufficient to assist all eligible families who are affected by HUD's management of the multifamily inventory or by owner choices to leave assisted and subsidized housing programs and to replace all lost project-based Section 8 units with tenant-based assistance.

Funds appropriated in fiscal year 2005 will provide tenant-based rental assistance for the relocation of residents affected by Property Disposition, Opt-Out/Termination including opt-out and termination in the Moderate Rehabilitation SRO program, portfolio re-engineering, preservation prepayment, replacement/relocation vouchers for Section 202 Mandatory Conversion, HOPE VI, and Section 33 of the U.S. Housing Act of 1937, as amended. A portion of the funds will also be used for the Family Unification Program, witness relocation and for conversion of Section 23 projects to Section 8 assistance and other types of project-based rental assistance to Section 8 assistance.

The fiscal year 2005 proposal requests less funding than in previous years. The use of this account is on-demand as changes in housing actions occur in public housing and/or project-based dwellings. For the past several years, the demand has been limited, resulting in large carryover balances from year to year. The Department is requesting a reduced funding level, appropriate to serve the fiscal year 2005 needs in this account.

See attached Table 2 for new tenant protection units and associated budget authority.

Housing Certificate Fund

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Program Offsets
(Dollars in Thousands)**

Central Reserve	<u>Amount</u>
2003 Appropriation	\$391,922
2004 Appropriation/Request	136,039
2005 Request	<u>100,000</u>
Program Improvements/Offsets	-36,039

Proposed Actions

In fiscal year 2003, the central fund was created to provide PHAs with additional funding required for increased per unit costs and increased leasing, up to the authorized level.

In fiscal year 2004, the central fund will be limited for the purpose of increased leasing, up to the authorized level. The Congress and HUD are concerned with the escalating per unit cost of the program and as a necessary cost containment measure, are holding the cost to the fiscal year 2003 level, adjusted for inflation.

In fiscal year 2005, the Department introduces the Flexible Voucher Program that provides a fixed grant amount to PHAs. The program allows for flexibilities in program administration and operation that will permit PHAs to serve essentially the same number of families, or more. Therefore, there is no need for a large central fund.

The funding requested in the central fund will be used to cover the cost of unforeseen emergencies experienced by PHAs, such as temporary housing resources needed as a result of natural disasters, or sudden changes in the economic condition of a locality, requiring additional housing resources, such as a major plant closing.

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Program Offsets
(Dollars in Thousands)**

Family Self-Sufficiency Coordinators	<u>Amount</u>
2003 Appropriation	\$48,000
2004 Appropriation/Request	47,717
2005 Request	<u>...</u>
Program Improvements/Offsets	-47,717

Proposed Actions

FSS coordinators assure that families participating in the FSS program are linked to supportive services in the community that help families achieve employment goals, accumulate assets, and receive training and counseling that will enable them to succeed as homeowners.

In fiscal year 2005, under the Flexible Voucher Program, the Department is not requesting a separate appropriation for this purpose. The salaries of a coordinator are an eligible use of the administrative fees provided to the PHAs. Included in the new program is a performance-based fee structure that provides incentive bonuses to PHAs that are determined to be good managers in specific performance criteria. One such criterion is the promotion of self-sufficiency. Those PHAs that are working with assisted families participating in programs to attain economic self-sufficiency will be eligible to receive a performance-based fee. This allows individual PHAs the opportunity to shape their programs to best address local needs.

Family Self-Sufficiency Program Activity Fiscal Years 2003 - 2005

	2003	2004	2005
Number of FSS Coordinators	1,140	1,090	N/A
Number of participating PHAs	1,138	1,138	N/A

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Program Offsets
(Dollars in Thousands)**

Contract Administrators	<u>Amount</u>
2003 Appropriation	\$194,726
2004 Appropriation/Request	99,410
2005 Request	<u>101,900</u>
Program Improvements/Offsets	2,490

Proposed Actions

The Administration has taken steps to improve the oversight of HUD's project-based program. The Department currently administers approximately 20,000 Section 8 Housing Assistance Payments (HAP) contracts executed between HUD and private owners of multifamily housing developments. These developments are financed by HUD-insured, HUD-held or direct loans. Many of the duties that used to be performed by HUD staff are now be performed by Contract Administrators. These include conducting annual physical inspections, reviewing project financial statements, conducting management and occupancy reviews, reviewing management agents, reviewing insurance draws and releases from replacement reserves, reviewing owner verification of tenant income and eligibility, and pre-validating monthly subsidy payments.

Activity in the program has been increasing as more contracts are transferred to Contract Administrators for oversight activities. As of January 5, 2004, there are approximately 11,412 Section 8 contracts with 718,489 units under the Contract Administrator Program. There are presently 46 PHAs under contract to manage the assigned contracts. It is expected that an additional 9 geographic areas will be awarded in fiscal year 2004 (District of Columbia, Connecticut, Arkansas, Virginia, Northern California, Florida, Illinois, Utah and Nebraska). The remaining geographic areas that will be added to the program and the total portfolio transferred to Contract Administrators will grow to 18,445 contracts and 1,211,714 units by fiscal year 2005.

The Department proposes funding the fiscal year 2005 expected level of program activity of \$275 million through a combination of new budget authority, carryover funds and the use of recaptures.

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Program Offsets
(Dollars in Thousands)

Section 8 Amendments	<u>Amount</u>
2003 Appropriation
2004 Appropriation/Request
2005 Request	<u>...</u>
Program Improvements/Offsets

Proposed Actions

The need for Section 8 amendment funds results from insufficient funds provided for long-term project-based contracts funded primarily in the 1970's and 1980's. During those years, the Department provided contracts that were for terms of up to 40 years. Estimating funding needs over such a long period of time proved to be problematic, and as a result, many of these Section 8 contracts were inadequately funded. The current practice of providing contracts for a 1-year term helps to ensure that the problem of inadequately funded contracts is not repeated. However, older long-term contracts must still be provided additional funds to maintain the current inventory of assisted project-based rental housing. In fiscal year 2005, carryover and recaptures from prior year balances will be used to fund Section 8 amendment needs.

Housing Certificate Fund

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Program Offsets
(Dollars in Thousands)**

Working Capital Fund	<u>Amount</u>
2003 Appropriation	\$2,981
2004 Appropriation/Request	2,992
2005 Request	<u>4,904</u>
Program Improvements/Offsets	1,912

Proposed Actions

The funds requested under this set-aside will be used for the development of and modifications to technology systems that serve or are related to the programs or activities under this account.

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Performance Measurement Table**

Program Name: HOUSING CERTIFICATE FUND					
Program Mission: The Housing Certificate Fund is the federal government's major program for assisting very low-income families afford decent, safe, and sanitary housing.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2003 Plan	2003 Actual	2004 Enacted	2005 Plan
The number of households who have used Housing Choice/Flexible Vouchers to become homeowners increases by 20 percent.	PIC, MTCS 50058, Tenant Characteristics	637	1395	1630	1957
The utilization of Housing Choice/Flexible Vouchers increases by 1 percentage point from the fiscal year 2004 level.	2002 PAR SEMAP	95%	97.4%	96%	97%
By 2008 Increase the proportion of those entering HUD's public housing assistance program who "graduate" from assistance within five years (or receive continuing assistance as homeowners) because their income is sufficient to pay for adequate housing.	PIC	NA	Not reportable in FY 2003.	Baseline will be determined based on FY 2004 actuals	To be determined from FY 2004 baseline
The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced.	RHIIPS PDR&R	15% reduction.	27.3% reduction.	30% reduction	50% reduction
The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.	REAC	RASS Survey	Public Housing: 90%; Multifamily: NA	Increase by 1%	Increase by 1%
The share of assisted and insured privately owned multifamily properties that meet HUD established physical standards are maintained at no less than 95% percent.	REAC	94.7%	93.9%	94.70%	95%

Housing Certificate Fund

For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 95 percent.	REAC	95%	95%	95%	95%
The percentage of public housing and private subsidized multifamily units with exigent health and safety violations is reduced from the current 16 percent to 15 percent.	REAC	Decrease by 0.6%	Increase by 4.4%	Decrease by 1%	15%
The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.	REAC	Increase By 1.2% and 0.70%	Increased by 0.4% and Decreased by 0.6%	Increase By 1.2% and 0.70%	Increase By 1.2% and 0.70%

Explanation of Indicators

The number of households who have used Housing Choice/Flexible vouchers to become homeowners increases by 20 percent.

The Department's Section 8 homeownership option is available to eligible families and uses voucher funding to make monthly homeownership expenses instead of making monthly payments on behalf of the family to assist with rent. The subsidy can be used for eligible expenses such as principal and interest on the mortgage debt, real estate taxes and insurance, PHA established allowances for utilities, routine maintenance, and major repairs and replacements, thereby making homeownership both affordable and providing an incentive to participate. Additionally, in lieu of the monthly homeownership assistance payments, an eligible family may elect to take a one-time single grant to use towards the down payment on the purchase of a home. HUD has also provided PHAs with flexibility on establishing the minimum income requirement for family eligibility, thereby increasing the pool of available families eligible for the program. These regulatory changes support the goal to increase national homeownership opportunities while also accomplishing the reduction of meaningless compliance burdens on program recipients, a HUD goal in support of the President's Management Agenda.

Because the program is completely voluntary, it is difficult to project the increase in the number of households that will participate in the voucher homeownership program in a given year. However, in fiscal years 2004 and 2005, the goal remains as in increase in homeownership of 20 percent each year. The department will reward PHAs that participate in homeownership activities through performance-based fees, providing a bonus amount for each closing that occurs in the year, and a lesser amount for each family participating in homeownership activities leading to a closing.

The utilization of Housing Choice/Flexible Vouchers increases by 1 percentage point from the fiscal year 2004 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 satisfy the different needs of local communities. Administering several subprograms with different variations or requirements creates administrative burdens and negatively impacts program utilization.

The enactment of the fiscal year 2003 Omnibus Appropriations Act brought about changes in the way funding is provided to PHAs. Funding is provided only for the number of units leased by a PHA. As a result of this change in methodology, in fiscal year 2004 the goal is being adjusted to reflect the actual lease-up level as the measurement tool. Since the Department only provides funding for

Housing Certificate Fund

units leased, budget authority for PHAs will almost always be fully utilized; therefore a measurement of budget authority will not correlate to improved PHA performance. The corresponding adjustment will also be made to the SEMAP utilization definition in fiscal year 2004.

In fiscal year 2005, the Department will make a further revision to the utilization goal to measure performance based on "effective" utilization of funds. The goal will measure how effectively a PHA uses its funds to serve the low-income population, with an emphasis on cost containment and fiscal responsibility. The shift to a cost containment approach will be implemented through a performance-based bonus used to reward PHAs that maintain steady costs, or decrease per unit cost. This bonus will be facilitated through the numerous flexibilities provided to PHAs in the Flexible Voucher Program proposal.

By 2008, increase the proportion of those entering HUD's public housing assistance program who "graduate" from assistance within five years (or receive continuing assistance as homeowners) because their income is sufficient to pay for adequate housing.

In its effort to improve the quality of public and assisted housing and provide 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.

In fiscal year 2005, the Department's goal emphasizes the outcome of the self-sufficiency efforts. The goal will measure the changes in the number of households no longer needing assistance, with an increase in the number of FSS families whose predominant source of income is work. PHAs will be rewarded for achieving these objectives through an incentive bonus. The bonus funding can be used by PHAs for a variety of activities, including but not limited to:

- Payment of FSS staff salaries to ensure coordination with state agencies, faith-based, and non-profit providers of supportive services.
- Job training, vocational, and educational activities.
- Counseling services.
- Homeownership activities.

The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced

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. To address the high-risk status and longstanding material weakness issues, the Rental Housing Integrity Improvement Project (RHIP) was established as a Secretarial Initiative in the spring of 2001. The overall purpose of RHIP 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.

Under the President's Management Agenda, HUD established a goal for a 50 percent reduction in both the frequency of subsidy component and processing errors, and the corresponding portion of the \$2 billion in estimated net annual subsidy overpayments, by 2005. HUD set interim error reduction goals of 15 percent for fiscal year 2003 and 30 percent for fiscal year 2004. Based on a study of program activity in the first half of fiscal year 2003, HUD exceeded its interim fiscal year 2003 goal of a 15 percent reduction in estimated program administrator errors in income and rent determinations. The fiscal year 2003 study used the same methodology, sampling

Housing Certificate Fund

procedures, and sample sizes as the baseline 2000 study. However, PHAs that had been placed under "Moving to Work agreements were excluded in the 2003 study because they are subject to special agreements that are similar to block grant funding and they have discretion to alter program rules, thereby invalidating application of standard error measurement procedures. These PHAs were also taken out of the 2000 baseline results for comparison purposes. Approximately 2 percent of all assisted housing is under such agreements. Whereas the adjusted baseline results showed 54 percent of cases in error, the 2003 study found only 43 percent of cases in error, a 20 percent reduction. The 2003 study also found a significant reduction in erroneous payments attributed to program administrator income and rent determinations.

Additional initiatives in fiscal year 2005, which will contribute to further improvements in reducing the high incidence of program errors and improper payments, are as follows:

- Implement rent simplification strategies enacted into legislation, including the provision of appropriate training and technical assistance.
- Continue full implementation of the Up-front Income Verification System (UIV) with state wage agencies, while phasing in the Directory of New Hires, when approved by HHS.
- Continue oversight and monitoring of selected PHAs as necessary and sanction those PHAs for rental subsidy errors, especially those overpayments attributed to failure to use up-front income verification tools.
- Continue measurement of rental subsidy errors in accordance with the Improper Payments Act.
- Assure that HUD's rental subsidy systems are in place to track and control accurate payments.

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

Helping American families find safe, decent housing in a suitable living environment has been a central part of HUD's statutory mission for decades. The Department recognizes that homeownership may not be practical for all families, especially those with limited or unstable income. Even with its new and expanded homeownership initiatives, the Administration recognizes that many families will have incomes insufficient to support a mortgage in the areas where they live. HUD is committed to improving the quality of HUD-assisted housing and ensuring that all subsidized families live in units that meet basic quality standards.

Aside from physical improvements, progress toward achieving improvement in the assisted housing stock will be assessed by focusing on the reliability of financial record keeping, the quality and responsiveness of management, and the results experienced by the customers--the residents. The recipients of HUD housing assistance form one of the largest groups of direct customers of HUD. Resident surveys are utilized to assess and track over time resident satisfaction and the Department's success in providing quality service to America's families.

During fiscal year 2002, 89 percent of public housing residents and 87 percent of a stratified sample of multifamily residents reported that they were satisfied or very satisfied with their "development/building." During fiscal year 2003, 90 percent of public housing residents were satisfied or very satisfied with their "overall living conditions." The survey of assisted multifamily renters was not conducted during fiscal year 2003. The satisfaction level in fiscal year 2002 was 87 percent. The fiscal year 2005 goal is to increase the percentage of households who express satisfaction by 1 percentage point from fiscal year 2004 levels.

The share of assisted and insured privately owned multifamily properties that meet HUD established physical standards are maintained at no less than 95 percent.

Improving the performance of housing intermediaries in meeting HUD's physical standards for public and multifamily housing is a high priority for this administration and was, therefore, included in the President's Management Agenda. In it, HUD set fiscal year 2005 goals of 84 percent for public housing and 92 percent for multifamily assisted housing. In 2002, the Department far exceeded that goal with 93.2 percent of multifamily housing meeting HUD's physical standards. The Department will continue to seek improvements in the percentage of multifamily housing units that meet established physical standards. by increasing the 2005 level to 95 percent.

HUD is committed to improving the quality of HUD-assisted housing and ensuring that all subsidized families live in units that meet basic quality standards. The Department has several current tools and is developing others to improve the physical quality of public and assisted housing. HUD plans to:

- Continue to monitor privately assisted multifamily housing through Section 8 contract administrators who perform management and occupancy reviews, and through physical inspections on 100 percent of their portfolios.
- Use the Mark-to-Market program to ensure that management of HUD-assisted, privately owned housing meets its operating obligations, resulting the ongoing maintenance of proper physical standards at these properties. To date, repairs and rehabilitation of over 45,000 units have been accomplished with over \$60 million in repair escrows funded through the Mark-to-Market program.
- Use data from the Real Estate Assessment Center (REAC) on the financial soundness of providers assisted multifamily housing, physical quality of stock, and satisfaction of the residents to refer substandard properties to the Departmental Enforcement Center (DEC). The DEC is responsible for working with multifamily properties that have been identified as substandard in one more areas by REAC. For some noncompliant multifamily development owners, the DEC makes civil referrals to the Department of Justice or criminal referrals to HUD's Inspector General.
- HUD has recently instituted a system of referrals the DEC for multifamily properties with REAC scores between 30 and 60. For those properties, HUD will require repairs to be completed within days. If property conditions do not meet HUD requirements, HUD will force compliance or take appropriate enforcement action.

For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 95 percent.

REAC is evaluating the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. REAC performs Quality Assurance Reviews of the audited financial statements of multifamily property owners submitted by Independent Public Accountants. The QAR provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. FASS incorporates extensive data checks and both targeted and random review by independent auditors.

Multifamily project managers in the field offices are responsible for resolving all compliance issues or findings identified by REAC. In addition, owners not submitting their audited financial statements in a timely manner are referred to the Departmental Enforcement Center. In fiscal year 2001, an estimated 94 percent of the properties reviewed ended the year free of unresolved compliance issues. The proportion increased to 95 percent of properties at the end of fiscal year 2002 and was kept in fiscal year 2003. The fiscal year 2004 and 2005 goals are to maintain high compliance and successful resolutions so that at least 95 percent of the properties submitting audited financial statement either have no compliance issues or audit findings or have such issues or findings closed (resolved) by September 30, 2004 and 2005.

The percentage of public housing and private subsidized multifamily units with exigent health and safety violations is reduced from the current 16 percent to 15 percent.

This indicator measures the reductions in EHS/FS nationwide as HUD applies its physical inspection protocol, Uniform Property Condition Standards (UPCS), to properties inspected. The use of physical inspections by REAC has effected a reduction in exigent health and safety hazards. Exigent health and safety hazards include but are not limited to 1) air quality, gas leaks; 2) electrical hazards, exposed wires/open panels; 3) water leaks on or near electrical equipment; 4) emergency/fire exits/blocked/unusable fire escapes; 5) blocked egress/ladders; and 6) carbon monoxide hazards. Fire safety hazards include 1) window security bars preventing egress; and 2) fire extinguishers expired. (Smoke detectors are excluded from EHS/FS for this measure because they are covered separately.) This trend is likely to continue. However, this indicator is based on identification of such conditions when inspected. The Office of Multifamily Housing's project managers in the field require owners to certify the correction of such deficiencies within 72 hours. With an aging portfolio and high occupancy rates, such conditions are likely to continue to be observed. A Multifamily Housing management plan goal is to have at least 95 percent of such conditions corrected and owners certifying to such corrections in a timely manner.

The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.

Protecting HUD assisted low-income renters from fire hazards is a crucial part of HUD's goal to improve the quality of public and assisted housing. REAC's physical inspections of public and assisted housing include checks of fire safety features including the presence of operational smoke detectors in housing units, common areas and utility areas of buildings. Inspections are conducted independently and are representative of the entire HUD stock.

As of the end of fiscal year 2003, 91.8 percent of public housing units and 92.8 percent of assisted multifamily units had functioning smoke detectors and were in buildings with functioning smoke detection systems. Although the targets were not met for fiscal year 2003, these results show that the share of HUD-assisted households who are adequately protected with smoke detectors exceeds the three-quarter share of all U.S. households who are protected. Through the use of management tools that track the housing quality of public and assisted housing, such as REAC inspections, the Department will continue to work with its partners toward meeting this objective. The fiscal year 2005 goal is to continue to improve from fiscal year 2004 levels.

**PUBLIC AND INDAIN HOUSING
HOUSING CERTIFICATE FUND
Justification of Proposed Changes in Appropriations Language**

The 2005 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

**HOUSING CERTIFICATE FUND
(INCLUDING TRANSFER AND RESCISSION OF FUNDS)**

For activities and assistance under the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.) ("the Act" herein), not otherwise provided for, [\$19,371,481,762] \$18,465,800,000, and amounts that are recaptured in this account, to remain available until expended: *Provided*, That of the amounts made available under this heading, [\$15,171,481,762] \$14,265,800,000 and the aforementioned recaptures shall be available on October 1, [2003] 2004 and \$4,200,000,000 shall be available on October 1, [2004] 2005: *Provided further*, That amounts made available under this heading are provided as follows:

(1) [\$17,635,130,745] \$16,920,000,000 for expiring or terminating section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for amendments to section 8 project-based subsidy contracts, for contracts entered into pursuant to section 441 of the McKinney-Vento Homeless Assistance Act, for the renewal of section 8 contracts for units in projects that are subject to approved plans of action under the Emergency Low Income Housing Preservation Act of 1987 or the Low-Income Housing Preservation and Resident Homeownership Act of 1990, and for renewals of expiring section 8 tenant-based annual contributions contracts (including amendments and renewals of enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act (42 U.S.C. 1437f(t))): *Provided*, That notwithstanding any other provision of law, the Secretary shall renew expiring section 8 tenant-based annual contributions contracts for each public housing agency, (including for agencies participating in the Moving to Work demonstration, unit months representing section 8 tenant-based assistance funds committed by the public housing agency for specific purposes, other than reserves, that are authorized pursuant to any agreement and conditions entered into under such demonstration, and utilized in compliance with any applicable program obligation deadlines) based on [the total number of unit months which were under lease as reported on the most recent end-of-year financial statement submitted by the public housing agency to the Department, or as adjusted by such additional information submitted by the public housing agency to the Secretary as of August 1, 2003 (subject to verification), and by applying an inflation factor based on local or regional factors to the actual per unit cost: *Provided further*, That none of the funds made available in this paragraph may be used to support a total number of unit months under lease which exceeds a public housing agency's authorized level of units under contract] a set dollar amount for housing assistance payments determined in fiscal year 2004 adjusted as warranted;

(2) [\$136,846,017] \$100,000,000 for a central fund to be allocated by the Secretary for [amendments to section 8 tenant-based annual contributions contracts for such purposes set forth in this paragraph: *Provided*, That subject to the following proviso, the Secretary may use amounts made available in such fund, as necessary, for an increase in the total number of unit months under lease as compared to the number of unit months under lease as of August 1, 2003, provided for by the annual contributions contract] emergencies such as natural disasters and for unforeseen and validated market changes: [*Provided further*, That if a public housing agency, at any point in time during their fiscal year, has obligated the amounts made available to such agency pursuant to paragraph

(1) under this heading for the renewal of expiring section 8 tenant-based annual contributions contracts, and if such agency has expended fifty percent of the amounts available to such agency in its annual contributions contract reserve account, the Secretary may only make available amounts as are necessary from amounts available from such central fund to fund additional leased units under the preceding proviso within thirty days of a request from such agency: *Provided further*, That none of the funds made available in this paragraph may be used to support a total number of unit months under lease which exceeds a public housing agency's authorized level of units under contract:] *Provided further*, That the Secretary shall provide quarterly reports to the Committees on Appropriations of the

Housing Certificate Fund

House and the Senate on the obligation of funds provided in this paragraph in accordance with the directions specified in the report accompanying this Act;

(3) [~~\$206,495,000~~] \$163,000,000 for section 8 rental assistance for relocation and replacement of housing units that are demolished or disposed of pursuant to the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134), conversion of section 23 projects to assistance under section 8, the family unification program under section 8(x) of the Act, relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to a request from a law enforcement or prosecution agency, enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act (42 U.S.C.1437f(t)), and tenant protection assistance, including replacement and relocation assistance; and for assistance to families in units that are demolished or disposed of pursuant to section 24 of the United States Housing Act of 1937 or to other authority for the revitalization of severely distressed public housing;

[(4) \$48,000,000 for family self-sufficiency coordinators under section 23 of the Act;]

[(5)] (4) not to exceed [~~\$1,242,000,000~~] \$1,176,000,000 for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program, [of which up to \$50,000,000 shall be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs: *Provided*, That not to exceed \$1,192,000,000 of the amount provided in this paragraph shall be allocated on a pro rata basis to public housing agencies based on the amount public housing agencies were eligible to receive in fiscal year 2003 without regard to the reduction required for excess administrative fee balances: *Provided further*, That, amounts under this paragraph shall be distributed according to the requirements of this paragraph and notwithstanding any other provision of law: *Provided further*, That none of the funds provided in this Act or any other Act may be used to supplement the amounts provided in this paragraph] and for performance-based fees and incentive bonuses: *Provided further*, That all such administrative fee amounts provided under this paragraph shall be only for activities related to the provision of rental assistance under section 8[, including related development activities];

[(6) \$100,000,000] (5) \$101,900,000 for contract administrators for section 8 project-based assistance; and

[(7)] (6) not less than [~~\$3,010,000~~] \$4,904,000 shall be transferred to the Working Capital Fund for the development of and modifications to information technology systems which serve programs or activities under ``Public and Indian Housing``: *Provided* That the Secretary may transfer up to 15 percent of funds provided under paragraphs (1), (2), [or (5)] (3) or (4), herein to paragraphs [(1) or (2)] (1), (2) or (3), if the Secretary determines that such action is necessary because the funding provided under one such paragraph otherwise would be depleted and as a result, the maximum utilization of section 8 tenant-based assistance with the funds appropriated for this purpose by this Act would not be feasible: *Provided further*, That prior to undertaking the transfer of funds in excess of 10 percent from any paragraph pursuant to the previous proviso, the Secretary shall notify the Chairman and Ranking Member of the Subcommittees on Veterans Affairs and Housing and Urban Development, and Independent Agencies of the Committees on Appropriations of the House of Representatives and the Senate and shall not transfer any such funds until 30 days after such notification: *Provided further*, That incremental vouchers previously made available under this heading for nonelderly disabled families shall, to the extent practicable, continue to be provided to non-elderly disabled families upon turnover: *Provided further*, That, hereafter, the Secretary shall require public housing agencies to submit accounting data for funds disbursed under this heading in this Act and prior Acts by source and purpose of such funds: *Provided further*, That [~~\$2,844,000,000~~] \$1,557,000,000 is rescinded from unobligated balances remaining from funds appropriated to the Department of Housing and Urban Development under this heading or the heading ``Annual contributions for assisted housing`` or any other heading for fiscal year [2003] 2004 and prior years, to be effected by the Secretary no later than September 30, [2004] 2005: *Provided further*, That any such balances governed by reallocation provisions under the statute authorizing the program for which the funds were originally appropriated shall be available for the rescission: *Provided further*, That any obligated balances of contract authority from fiscal year 1974 and prior that have been terminated shall be cancelled.

SEC. 223. FLEXIBLE VOUCHER PROGRAM.

(a) AUTHORITY.-

(1) The Secretary is authorized to make grants to public housing agencies to provide tenant-based rental, project-based voucher, and homeownership housing assistance and to carry out activities related thereto in accordance with the provisions of this section.

(2) Beginning in fiscal year 2005 and thereafter, and subject to the availability of appropriations, each public housing agency receiving a grant under this section is authorized to provide tenant-based rental, project-based voucher, and homeownership housing assistance to families served by such public housing agency during its previous fiscal year by the Housing Choice Voucher program authorized under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437t), including those families receiving enhanced voucher assistance authorized under section 8(t) of the Act.

(3) Any family that is receiving homeownership assistance under section 8(y) of the Act shall continue to receive such assistance subject to the terms and conditions of that Act, from amounts made available for assistance under this section.

(4) Any units covered by a housing assistance payments contract under the project-based voucher program or project-based certificate program under section 8 of the Act shall continue to receive assistance subject to the terms and conditions of that contract, from amounts made available for assistance under this section.

(b) DEFINITIONS.-For the purposes of this section:

(1) the term "public housing agency" or "PHA" shall mean any State, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) or "other entity," which is authorized to engage in or assist in the development or operation of low-income housing. An "other entity" may be a private or nonprofit organization designated by the Secretary to administer the program where (i) no public housing agency has been organized, or (ii) the Secretary determines that a public housing agency is unable or unwilling to administer the program;

(2) the term "base administrative fee" shall mean the fee paid by the Secretary to a public housing agency for the administration of programs under this section and the United States Housing Act of 1937, pursuant to subsection (m);

(3) the term "performance-based fee" shall mean a fee paid by the Secretary to a public housing agency, in addition to the base administrative fee, which shall reflect the public housing agency's performance of administrative tasks, as measured by performance standards determined by the Secretary in accordance, with subsection (c);

(4) the term "tenant-based rental housing assistance" means assistance that provides for the eligible family to select suitable housing within an administering public housing agency's jurisdiction;

(5) the term "project-based voucher assistance" shall mean rental assistance that a public housing agency may attach to a specific property under subsection (e);

(6) the term "gross income," is the amount of income that includes income from all sources for each family member of the household, without deductions or exclusions, notwithstanding any other provision of law;

(7) the term "first-time homebuyer" means a family, no member of which has had a present ownership interest in a principal residence during the 3 years preceding the date on which the family initially receives assistance for homeownership under this section;

(8) the term "median income for the area" means the median family income for a jurisdiction, county or metropolitan area as determined by the Secretary, with adjustments for smaller and larger families.

(9) the term "family" means a person or group of persons, as determined by the public housing agency, approved to reside in a unit with assistance under this section.

(10) the term "household" means the family and any public housing agency-approved live-in aide.

(11) the term "Secretary" means the Secretary of the Department of Housing and Urban Development.

(c) PERFORMANCE. -

(1) PERFORMANCE STANDARDS. - The Secretary shall establish such performance standards for public housing agencies receiving grants under this section as the Secretary determines to be appropriate, including effective budget utilization, financial management,

Housing Certificate Fund

and the effectiveness of voucher assistance in helping families, including the elderly and disabled, move toward independent living, economic self-sufficiency and homeownership.

(2) EVALUATION OF PERFORMANCE. - The Secretary shall develop a performance assessment system to measure, on at least an annual basis, the performance of each public housing agency. The Secretary may also require each public housing agency to provide general reporting on information that may include:

(A) the number of families and individuals receiving rental and homeownership housing assistance under the program, including the number of families with children, elderly families, and disabled families and for each household, general demographic information, and income levels relative to median income for the area;

(B) the average subsidy value of housing assistance received per family;

(C) amounts spent on administration; and

(D) other information on the use of federal assistance as the Secretary may prescribe.

(3) PERFORMANCE REPORTS.-The Secretary shall require performance reports of information gathered from the performance assessment system that will be made available to the public on at least an annual basis on the Internet. -

(4) ALTERNATIVE ADMINISTRATION.-

(A) If any public housing agency receives a failing score for two consecutive public housing agency fiscal years under the performance assessment system, as, described in subsection (c)(2), the Secretary shall determine how best to administer the grant, which may include administration of such grant by one or more other public housing agencies or other entities or extending the deadline for improvement if the Secretary determines that significant improvements have and will continue to be made.

(B) If, pursuant to subparagraph (A), grant amounts under this section are administered by one or more other public housing agencies or other entities, all provisions applicable to public housing agencies administering funds under this section shall be applicable to such other public housing agencies or other entities.

(d) ELIGIBLE FAMILIES.-

(1) INITIAL ELIGIBILITY.-To be eligible to receive rental and homeownership housing assistance under this, section, a family that is not assisted under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437t) shall have a gross income that does not exceed 80 percent of the median income for the area, as determined by the Secretary, with adjustments for smaller or larger families, except that on an individual basis, the Secretary may establish income ceilings higher than 80 percent of the median for the area for elderly and disabled families. Further, to be eligible to receive rental and homeownership housing assistance under this section, all families must satisfy the following two requirements: (1) a family shall not own an interest in any residential property (including a primary home); and (2) a family shall not have assets exceeding an amount established by the Secretary.

(2) CONTINUED ELIGIBILITY. - Subject to paragraph (4), continued eligibility for housing assistance pursuant to this section shall be determined in accordance with standards established by the public housing agency.

(3) PREFERENCES.-Each public housing agency receiving a grant pursuant to this section may establish a fair system for making housing assistance pursuant to this section available on behalf of eligible families that provides preference for such assistance to eligible families that meet the public housing agency's criteria for preferences. Notwithstanding any other provisions of law, a public housing agency may establish a preference for persons with a specific disability.

(4) REVIEW OF FAMILY INCOME.-Each public housing agency administering a housing assistance grant pursuant to this section shall, not less frequently than every other year, conduct a review of the family income of each family receiving such assistance to determine continued eligibility, except that the public housing agency shall review the income of elderly families not less frequently than every three years.

(5) CRIMINAL ACTIVITY AND ALCOHOL ABUSE.-The owner may terminate tenancy, and the PHA may deny or terminate assistance, if there is reasonable cause to believe that a family, or any guest or other person under the family's control, (A) commits or committed any criminal activity including violent criminal activity or drug-related criminal activity including, but not limited to, manufacture or production of methamphetamine; (B) commits alcohol abuse (or pattern of abuse) that interferes with the health, safety or right to peaceful enjoyment of the premises by other residents; (C) is fleeing to avoid prosecution, or custody or confinement after

conviction, for a crime or attempt to commit a crime, or is violating a condition of probation or parole; or (D) is subject to a lifetime registration requirement under a State sex offender registration program.

(e) ELIGIBILITY ACTIVITIES. -

(1) Activities assisted under this section may include only:

(A) tenant-based rental housing assistance;

(B) project-based voucher assistance under paragraph (2);

(C) homeownership assistance for first-time homebuyers under paragraph (3);

(D) costs of administering grant amounts under this section, except that such costs shall not exceed 7 percent of total subsidy amounts;

(E) other activities or performance bonuses, as specified by the Secretary, in support of tenant-based rental housing, project-based voucher assistance, homeownership assistance, and self-sufficiency activities authorized under this section; and;

(F) amounts to be used by the Secretary for purposes of program evaluation, management information systems, and technical assistance.

(2) PROJECT-BASED VOUCHER ASSISTANCE. -

(A) IN GENERAL. -A public housing agency may use amounts provided under this section to enter into a housing assistance payments contract with respect to eligible units for a period of time specified by the PHA in the contract.

(B) PERCENTAGE LIMITATION. -Not more than 20 percent of the funding made available to the public housing agency under this section may be attached to structures pursuant to this paragraph.

(C) RESIDENT CHOICE. -Each low-income family occupying a dwelling unit assisted under the contract may move from the housing at any time after the family has occupied the assisted dwelling unit for 12 months. Upon such a move, the public housing agency shall provide the low-income family with tenant-based rental assistance under this section or such other tenant-based rental assistance that is comparable. If such rental assistance is not immediately available to fulfill this requirement, the public housing agency must provide the family with the next voucher or other tenant-based rental assistance amounts that become available.

(D) PAYMENT FOR VACANT UNITS. -The public housing agency may, in its discretion, continue to provide assistance under the contract, for a reasonable period not exceeding 60 days, for a dwelling unit that becomes vacant, but only if (i) the vacancy was not the fault of the owner of the dwelling unit; and (ii) the owner takes every reasonable action to minimize the likelihood and extent of any such vacancy. Rental assistance may not be provided for a vacant unit after the expiration of such period.

(3) HOMEOWNERSHIP ASSISTANCE FOR FIRST-TIME HOMEBUYERS. -

(A) IN GENERAL. -A public housing agency may provide tenant-based assistance under this section to assist a first-time homebuyer that purchases an eligible unit with their monthly homeownership expenses.

(B) FAMILY ELIGIBILITY. -In order to receive homeownership assistance under this section, the family must qualify as a first-time homebuyer, participate in a homeownership counseling program provided by the agency, and meet any other initial or continuing requirements established by the public housing agency.

(C) DOWNPAYMENT ASSISTANCE. -A public agency may, in lieu of providing monthly assistance payments under this paragraph, provide assistance for the family in the form of a single onetime grant to be used only as a contribution toward the downpayment and reasonable closing costs required in connection with the purchase of a dwelling unit. The amount of a one-time downpayment grant may not exceed \$10,000.

(f) AMOUNT OF ASSISTANCE. -

(1) IN GENERAL. -Subject to paragraphs (2), (3), and (4), any monthly assistance payment for a family receiving housing assistance pursuant to this section shall be determined by the public housing agency administering such assistance.

(2) MINIMUM RENTAL AMOUNT. -Public housing agencies shall establish a minimum monthly rental amount to be paid by the family.

Housing Certificate Fund

(3) RENT REASONABLENESS.-The rent for dwelling units assisted under this section shall be reasonable and appropriate in comparison with rents charged for dwelling units of a modest nature in the private, unassisted local market. Public housing agencies shall review rents not less than annually to ensure that they meet this rent reasonableness standard.

(4) MAXIMUM SUBSIDY.-Public housing agencies shall establish maximum subsidy levels for housing assistance under this section that are reasonable and appropriate for the market area.

(g) AUTHORIZATION, ALLOCATION AND DISTRIBUTION OF FUNDS.-

(1) For purposes of administering the program under this section, and subject to appropriations, the Secretary shall allocate available amounts as follows:

(A) ALLOCATIONS FOR FISCAL YEAR 2005.-For fiscal year 2005, each public housing agency may receive an amount proportionate to its annual 2004 Housing Choice Voucher funding for housing assistance and administrative expenses, adjusted for inflation and subject to validation.

(B) ADJUSTMENTS TO ANNUAL GRANT AMOUNTS IN SUBSEQUENT FISCAL YEARS.-

(i) The Secretary shall, by regulation issued not later than 18 months after the date of enactment of this section, establish a formula to allocate and award any new, incremental grant funding which is made available by Congress under this section and for the purpose of reallocating, any unutilized amounts made available under this section.

(ii) In establishing the formula, the Secretary shall consider factors reflecting the need of low-income families in the jurisdictions of the public housing agencies administering the grants, including the following factors:

(I) the number of families receiving housing assistance under this section;

(II) the extent of poverty;

(III) the cost of housing;

(IV) the performance of PHAs in administering grant amounts under this section; and

(V) other objectively measurable conditions as the Secretary may specify.

(2) The Secretary is authorized to allocate additional amounts made available from appropriations to public housing agencies for tenant-protection assistance as authorized by section 8(t) of the United States Housing Act of 1937 (42 U.S. C. 1437f(t)). Such assistance to a family shall be for one year. Thereafter, these amounts shall be included in the public housing agencies' subsequent grant for the flexible voucher program. After the one-year period, section 8(t) shall not apply to these amounts and any vouchers issued to the family shall be subject to the provisions of this section.

(3) There are authorized to be appropriated such sums as may be necessary for carrying out this subsection each of fiscal years 2005 through 2010.

(h) ENVIRONMENTAL REVIEW.-

Activities authorized under this Act are categorically excluded from the National Environmental Protection Act.

(i) INSPECTION OF UNITS.-

(1) IN GENERAL.-The Secretary shall require, with respect to any dwelling unit assisted pursuant to this section, that the public housing agency administering housing assistance inspect each unit within 60 days of the initial assistance payment made to determine that the dwelling unit meets the housing quality standards under paragraph (2). Such dwelling unit must meet such standards in order to receive continued assistance payments.

(2) HOUSING QUALITY STANDARDS.-All dwelling units assisted by a public housing agency under this section shall, at the discretion of the public housing agency, meet either applicable State and local housing quality standards and code requirements or the housing quality standards established by the Secretary.

(3) RE-INSPECTIONS.-Each public housing agency administering housing assistance under this section shall determine that all occupied dwelling units assisted by such public housing agency pursuant to this section are maintained in accordance with the standards described under paragraph (2). Every dwelling unit assisted by the public housing agency shall be inspected when it is

first leased, pursuant to paragraph (1). Thereafter, each public housing agency shall annually inspect at least 25 percent of its units.

(4) CORRECTIVE ACTIONS.-No further assistance payment may be made pursuant to this section for a dwelling unit which fails to meet the standards under paragraph (2).

(j) PORTABILITY.-

(1) IN GENERAL.-Any family receiving assistance for at least 12 months under this section or under section (8)(o) of the United States Housing Act of 1937 (42 U.S. C. 1437f(o)) that has not transferred any such assistance to a receiving public housing agency within the previous twelve months may receive assistance to lease an eligible dwelling unit if the dwelling unit to which the family moves is within any area in which a program is being administered under this section.

(2) PROCEDURES.-The Secretary may establish procedures to implement the requirements of this section.

(k) COMPLIANCE.-

(1) COMPLIANCE MONITORING.-The Secretary shall make such reviews and audits as may be necessary or appropriate to determine whether the public housing agency has carried out those activities and objectives, including all things that have been certified to, in accordance with the requirements of this section and other applicable laws, whether it has the continuing capacity to undertake these activities in a timely and effective manner, and whether it has met the performance standards established by the Secretary pursuant to subsection (c)(1).

(2) COMPLIANCE ACTIONS.-In addition to any other actions authorized under this or any other applicable laws, if the Secretary finds that a public housing agency receiving a grant under this section has failed to comply with any provision of this section, including any performance standard established by the Secretary pursuant to this section, and until the Secretary is satisfied that there is no longer any such failure to comply, the Secretary may:

(A) terminate grant payments under this section to the public housing agency and provide for alternative administration of such grant amounts;

(B) withhold from the public housing agency amounts from the total allocation that would otherwise be available to the public housing agency under this section;

(C) reduce the amount of future grants to the public housing agency by an amount equal to the amount of such grants that were not expended in accordance with this section;

(D) limit the availability of grant amounts provided to the public housing agency to programs and activities under this section not affected by such failure to comply;

(E) withhold from the public housing agency other amounts allocated for the public housing agency under other programs administered by the Secretary;

(F) require such changes in public housing agency policy, consistent with other provisions of this section, as determined necessary to ensure compliance;

(G) refer the matter to the Attorney General of the United States for such relief as may be appropriate, including an action to recover the amount of assistance furnished under this section which was not used in accordance with it; or

(H) order other corrective action with respect to the public housing agency.

(1) ADMINISTRATIVE FEES, PERFORMANCE-BASED FEES, AND INCENTIVE BONUSES.-

(1) IN GENERAL.-The Secretary shall establish a base administrative fee, a performance-based fee, and incentive bonuses for public housing agencies administering assistance under this section. A public housing agency may earn additional administrative fees based on its performance in administering programs under this section.

(2) BASE ADMINISTRATIVE FEE.-The base administrative fee for all public housing agencies shall not exceed 7 percent of the total subsidy amount made to the public housing agency under this section.

(3) PERFORMANCE-BASED FEES.-

(A) The amount of the performance-based fees paid to a public housing agency shall reflect the public housing agency's performance of administrative tasks, as measured by performance standards determined by the Secretary.

Housing Certificate Fund

(B) The Secretary shall establish the method for determining performance-based fees on an annual basis and shall have the authority to modify the method and fee levels from time to time.

(4) INCENTIVE BONUSES.-

(A) The Secretary may provide incentive bonuses to public housing agencies.

(B) The Secretary shall establish the method for determining incentive bonuses and shall have the authority to determine, and modify from time to time: (i) the method and standards for determining incentive bonuses; and (ii) bonus levels, based on public housing agency performance as measured by the standards determined by the Secretary.

(m) IMPLEMENTATION.-

(1) INTERIM IMPLEMENTATION.-Notwithstanding any other provision of law, the Secretary shall publish a notice in the Federal Register not later than 180 days after enactment of this Act describing the immediate implementation of this program on an interim basis.

(2) FINAL IMPLEMENTATION.-For the purposes of final implementation of this program, the Secretary shall issue a proposed rule and, not later than 18 months after enactment, the Secretary shall issue a final rule implementing the program.

(n) CONDITIONS.-This section shall not be construed to limit the ability of a public housing agency to condition the assistance provided under this section in accordance with all applicable statutes.

Explanation of Changes

- Deletes language determining the basis for providing renewal funding for expiring section 8 tenant-based annual contributions contracts for each PHA.
- Adds language providing renewal funding for expiring section 8 tenant-based annual contributions contracts for each PHA based on a set dollar amount for housing assistance payments determined in fiscal year 2004 and adjusted as warranted.
- Deletes language providing the eligible uses of the central fund.
- Adds language providing that the central fund amounts are to be used for emergencies such as natural disasters and unforeseen and validated market changes.
- Adds language making HOPE VI tenant protection needs an eligible use.
- Deletes the provision providing separate funding for Family Self-Sufficiency Coordinators.
- Deletes language providing for the distribution of administrative fees.
- Adds language that the amount provided for administrative fees will be for performance-based fees and incentive bonuses.
- Adds language adding the tenant protection set-aside to the funds of which the Secretary may transfer up to 15 percent to and from.
- Adds language establishing the Flexible Voucher Program.

Housing Certificate Fund

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Crosswalk of 2003 Availability
(Dollars in Thousands)

<u>Budget Authority</u>	<u>2003 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2003 Resources</u>
Contract Renewals	\$15,278,370	-\$110,659	...	...	\$410,303	\$15,578,014
Administrative Fees	1,072,257	...	...	...	...	1,072,257
Section 8 Rental Assistance	234,017	...	...	...	128,489	362,506
Central Reserve	391,922	...	...	...	...	391,922
Contract Administrators	196,000	-1,274	...	...	93,064	287,790
Section 8 Amendments .....	...	...	...	...	22,553	22,553
Working Capital Fund	3,000	-19	...	...	...	2,981
Incremental Vouchers .....	...	...	...	...	271	271
Non-Elderly Disabled .....	...	...	...	...	3	3
Section 8 Preservation Amendments ...	...	...	...	...	1,762	1,762
Welfare-to-Work .....	...	...	...	...	1	1
Section 8 Counseling .....	...	...	...	...	1,857	1,857
Family Self-Sufficiency Coordinators	48,000	...	...	...	...	48,000
Jobs Plus Demonstration .....	...	...	...	...	5,618	5,618
Other .....	...	...	...	...	2,024	2,024
Preservation .....	...	...	...	...	93	93
Recaptures .....	...	...	...	...	2,882,516 ^a	2,882,516
Rescission of Section 8 Balances	<u>...</u>	<u>-1,173,707</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>-1,173,707</u>
Total	17,223,566	-1,285,659	...	...	3,548,554	19,486,461

a/ Includes \$1.272 billion in fiscal years 2002 recaptures and \$1.6 billion in fiscal years 2003 recaptures. Excludes \$30.78 million in source year 74 contract authority.

Housing Certificate Fund

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Crosswalk of 2004 Changes
(Dollars in Thousands)

<u>Budget Authority</u>	<u>2004 President's Budget Request</u>	<u>Congressional Appropriations Action on 2004 Request</u>	<u>2004 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2004 Resources</u>
Contract Renewals	\$16,202,011	\$17,635,131	-\$104,047	...	\$2,451,446	\$19,982,530
Administrative Fees	1,192,382	1,242,000	-7,328	...	359,145	1,593,817
Section 8 Rental Assistance	252,203	206,495	-1,218	...	181,665	386,942
Central Reserve	609,000	136,846	-807	...	286,588	422,627
Contract Administrators	100,000	100,000	-590	...	117,668	217,078
Section 8 Amendments .....	...	...	...	...	33,286	33,286
Working Capital Fund	3,010	3,010	-18	...	...	2,992
Incremental Vouchers .....	...	...	...	...	271	271
Non-Elderly Disabled .....	...	...	...	...	...	...
Section 8 Preservation Amendments ...	...	...	...	...	...	...
Welfare-to-Work .....	...	...	...	...	...	...
Section 8 Counseling .....	...	...	...	...	866	866
Family Self-Sufficiency Coordinators	72,000	48,000	-283	...	48,000	95,717
Jobs Plus Demonstration .....	...	...	...	...	500	500
Other .....	...	...	...	...	...	...
Preservation .....	...	...	...	...	...	...
Recaptures .....	...	...	...	...	300,000 ^a	300,000
Rescission of Section 8 Balances	<u>-1,372,000</u>	<u>...</u>	<u>-2,844,000</u>	<u>...</u>	<u>...</u>	<u>-2,844,000</u>
Total Changes	17,058,606	19,371,482	-2,958,291	...	3,779,435	20,192,626

a/ Estimated fiscal year 2004 recapture.

Housing Certificate Fund-Contract Renewal Estimates
Table 1

	UNITS	AVERAGE COST	FUNDING REQUIREMENTS
Fiscal Year 2005:			
Sections 202/8 renewed at current rents	132,167	\$ 6,088	\$ 804,585,061
New Construction/Substantial Rehabilitation	392,608	5,721	2,246,164,863
Loan Management Set-Aside	326,759	5,283	1,726,328,548
Property Disposition	40,306	7,259	292,568,469
Preservation	50,045	6,245	312,542,322
Mod Rehab.	7,755	4,773	37,011,833
Housing Tenant Protection	(60,600)	5,240	(317,559,416)
Reduction in Erroneous Payments	<u>NA</u>	<u>NA</u>	<u>(101,641,679)</u>
Subtotal Housing	889,040	NA	5,000,000,000
Vouchers/Moderate Rehabilitation	NA	NA	11,900,000,000
Moderate Rehabilitation SRO	<u>6,903</u>	<u>NA</u>	<u>20,000,000</u>
Total FY 2005 Contract Renewals	895,943	NA	16,920,000,000

Housing Certificate Fund
Program Activity (Including Contract Renewals)
Table 2

	<u>Units</u>	<u>Per Unit Cost</u>	<u>Term</u>	<u>Obligations</u>
FY 2002:				
Incremental Rental Assistance	17,990	NA	1 \$	103,907,943
Non-Elderly Disabled	6,396	NA	1	39,997,183
Tenant Protections	25,683	NA	1	145,177,146
Regional Opportunity Counseling	NA	NA	1	10,000,000
Section 8 Amendment	NA	NA	1	359,437,574
Welfare-to-Work	NA	NA	1	256,746
Section 8 Preservation Amendment	NA	NA	1	...
Preservation Prepayment Enhanced Vouchers	NA	NA	1	306,518
Section 8 Counseling	NA	NA	1	1,400,000
Job Plus Demonstration	NA	NA	1	...
Working Capital Fund	NA	NA	1	13,400,000
Other	NA	NA	1	...
Contract Administrators	NA	NA	1	147,618,027
Section 514 Technical Assistance	NA	NA	1	8,322,689
HOME (City of New Rochelle)	NA	NA	1	4,592,556
Contract Renewals				
PIH	1,957,522	NA	1	11,532,703,086
CPD-Mod. Rehab. SRO	2,616	NA	1	15,209,064
Housing	747,093	NA	1	4,025,534,146
Recaptures/Reuse	NA	NA	NA	[640,000,000]
Subtotal, Contract Renewals	2,707,231			15,573,446,296
 Total, FY 2002 Obligations	 2,757,300			 16,407,862,678
 Total FY 2002 Housing Certificate Fund Unobligated Funds:				 1,738,035,915

**Housing Certificate Fund
Program Activity (Including Contract Renewals)
Table 2**

	<u>Units</u>	<u>Per Unit Cost</u>	<u>Term</u>	<u>Obligations</u>
FY 2003:				
Tenant Protections	19,265	NA	1 \$	180,840,111
Section 8 Amendment	NA	NA	1	218,529,794
Section 8 Counseling	NA	NA	1	990,702
Job Plus Demonstration	NA	NA	1	1,100,000
Working Capital Fund	NA	NA	1	2,980,500
Contract Administrators	NA	NA	1	170,121,208
Central Fund	NA	NA	1	105,334,492
Administrative Fees	NA	NA	1	713,112,316
Contract Renewals				
PIH	NA	NA	1	10,270,582,114
CPD-Mod. Rehab. SRO	3,645	NA	1	11,790,999
Housing	<u>821,131</u>	<u>NA</u>	<u>1</u>	<u>4,331,642,899</u>
Subtotal, Contract Renewals	824,776			14,614,016,012
 Total, FY 2003 Obligations	 844,041			 16,007,025,135
 Total FY 2003 Housing Certificate Fund Unobligated Funds :				 3,479,435,449

**Housing Certificate Fund
Program Activity (Including Contract Renewals)
Table 2**

	<u>Units</u>	<u>Per Unit Cost</u>	<u>Term</u>	<u>Budget Authority</u>
FY 2004:				
Tenant Protections--Housing	22,117	\$ 6,523	1	\$ 143,418,003
Tenant Protections--PIH	9,539	6,523	1	61,858,677
Contract Administrators	NA	NA	1	99,410,000
Administrative Fee	NA	NA	1	1,234,672,200
Central Reserve	NA	NA	NA	136,038,625
Family Self Sufficiency Coordinators	NA	NA	NA	47,716,800
Working Capital Fund	NA	NA	1	2,992,241
Contract Renewals				
PIH	1,979,877	6,523	1	12,838,538,427
CPD-Mod. Rehab. SRO	5,014	4,690	1	23,376,918
Housing	<u>865,678</u>	NA	1	<u>4,669,168,129</u>
Subtotal, Contract Renewals	2,850,569			17,531,083,474
Subtotal, FY 2004	2,882,225	NA		19,257,190,020
Rescission				(2,844,000,000)
Total, FY 2004 Housing Certificate Fund	2,882,225			16,413,190,020

Note: Amounts are net of .59% Across the Board rescission.

**Housing Certificate Fund
Program Activity (Including Contract Renewals)
Table 2**

	<u>Units</u>	<u>Per Unit Cost</u>	<u>Term</u>	<u>Budget Authority</u>
FY 2005:				
Tenant Protections--Housing & CPD	15,906	\$ 6,287	1	\$ 100,000,000
Tenant Protections--PIH	10,021	6,287	1	63,000,000
Contract Administrators	NA	NA	1	101,900,000
Administrative Fee	NA	NA	1	1,176,000,000
Central Reserve	NA	NA	NA	100,000,000
Working Capital Fund	NA	NA	1	4,904,000
Contract Renewals				
PIH	NA	NA	1	11,900,000,000
CPD-Mod. Rehab. SRO	6,903	NA	1	20,000,000
Housing	889,040	NA	1	5,000,000,000
Reduction in Erroneous Payments	<u>NA</u>	NA	NA	<u>[(100,000,000)]</u>
Subtotal, Contract Renewals	895,943			16,920,000,000
Subtotal, FY 2005 Housing Certificate Fund	921,870			18,465,804,000
Rescission				(1,557,000,000)
Total, FY 2005 Housing Certificate Fund				16,908,804,000