

PUBLIC AND INDIAN HOUSING  
PUBLIC HOUSING OPERATING FUND  
2006 Summary Statement and Initiatives  
(Dollars in Thousands)

PUBLIC HOUSING OPERATING FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2004 Appropriation .....	\$3,600,000	\$4,824	-\$21,240	\$3,583,584	\$3,580,984	\$3,434,289
2005 Appropriation/Request .....	2,458,000	2,600	-19,664	2,440,936	2,440,936	3,600,000
2006 Request .....	<u>3,407,300</u>	...	...	<u>3,407,300</u>	<u>3,407,300</u>	<u>3,403,000</u>
Program Improvements/Offsets .....	+949,300	-2,600	+19,664	+966,364	+966,364	-197,000

a/ Includes \$819,228 in recaptures.

**Summary Statement**

The Budget proposes an appropriation of \$3.407 billion for the Public Housing Operating Fund for fiscal year 2006. These funds will enable approximately 3,160 Public Housing Agencies (PHAs) to provide decent, safe, and sanitary housing for lower income families. This request reflects the requirements for fiscal year 2006 only.

The amounts provided in fiscal year 2005 reflect a one-time savings initiated by the Congress by requiring that all PHAs receive funds on a calendar year basis. Therefore, the lower amount is reflected in the 2006 and out-year baseline estimates for the program. Outlays were not affected by the shift in timing.

The Budget does not reflect the Harvard Cost Study recommendations and the resulting formula for the Operating Fund rule that was developed under negotiated rulemaking. The Department affirms its commitment to the asset-based principles incorporated in the results of the negotiated rule and will be working to refine the proposal during the year.

**Initiative**

Voluntary Graduation Incentive Bonus Initiative. Public housing is intended to be a transitional program and not a permanent institution for families in need. PHAs are encouraged to increase graduation turnover rates so that more families have the opportunity to benefit from limited housing resources. The incentive bonus will be awarded to PHAs that exceed the baseline for number of families that have exited public housing. Eligibility thresholds will be established incorporating size and other program factors. For 2005, this program is funded at \$9.9 million. For 2006, \$10 million is requested for this program.

Public Housing Operating Fund

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

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Operating Subsidy .....	\$3,568,819	\$4,824	\$3,573,643	\$3,571,043	\$2,420,480	\$2,600	\$2,423,080	\$3,397,300
Department of Justice .	9,941	...	9,941	9,941	7,936	...	7,936	...
Voluntary Graduation								
Incentive Award .....	...	...	...	...	<u>9,920</u>	...	<u>9,920</u>	<u>10,000</u>
Total Public Housing Operating Fund .....	3,578,760	4,824	3,583,584	3,580,984	2,438,336	2,600	2,440,936	3,407,300

<u>FTE</u>	<u>2004 Actual</u>	<u>2005 Estimate</u>	<u>2006 Estimate</u>
Headquarters .....	73	63	63
Field .....	<u>83</u>	<u>84</u>	<u>85</u>
Total .....	156	147	148

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

<b>Operating Subsidy</b>	<b><u>Amount</u></b>
2004 Appropriation .....	\$3,568,819
2005 Appropriation/Request .....	2,420,480
2006 Request .....	<u>3,397,300</u>
Program Improvements/Offsets .....	+976,820

**Proposed Actions**

Of the \$3.407 billion requested for fiscal year 2006, the Department proposes to use \$3.397 billion for operating subsidies for PHAs. Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses of their owned dwellings in accordance with Section 9 of the United States Housing Act of 1937, as amended. In addition, \$10 million is requested for incentive funds for PHAs that move program participants away from dependency on public housing assistance programs within the current regulatory and statutory constraints. The 2006 Budget request reflects the requirements of operating subsidies for fiscal year 2006 only. No portion of the request will be used for prior fiscal year shortfalls.

The amounts provided in fiscal year 2005 reflect a one-time savings initiated by the Congress by requiring that all PHAs receive funds on a calendar year basis. Therefore, the lower amount is reflected in the 2006 and out-year baseline estimates for the program. Outlays were not affected by the shift in timing. However, the amount requested for fiscal year 2006 will provide approximately the same percentage as fiscal year 2005 enacted.

Public Housing Operating Fund

The table below reflects the funding for the primary elements comprising the proposed fiscal year 2006 Budget request.

	ACTUAL <u>2004</u>	ESTIMATE <u>2005</u> (Dollars in Millions)	ESTIMATE <u>2006</u>
Non Utility Expense Level (AEL) a/.....	\$4,080	\$4,163	\$4,283
Utilities.....	1,292	1,359	1,376
Less: Tenant Income.....	<u>-2,346</u>	<u>-2,399</u>	<u>-2,481</u>
Public Housing Operating Fund Base.....	3,026	3,123	3,178
Alternative Subsidy Projects.....	134	138	140
MTW Block Grant, PHA's not in Base.....	345	356	362
Non-Dwelling Units.....	10	10	10
Elderly/Disabled Coordinators.....	10	26	27
Unit Reconfigurations.....	21	22	22
Transition funding for Demolitions (Phase Down).....	36	36	38
Resident Participation.....	25	25	25
Costs attributable to deprogrammed units.....	10	10	10
Energy-Add On for Loan Amortization.....	11	11	12
Long-Term Vacant Units.....	3	3	3
Other Approved & Federal Law & Reg.....	6	6	6
Mutual Help and Turnkey Units.....	2	2	2
Conversion of Homeownership Units.....	<u>0</u>	<u>0</u>	<u>2</u>
Subtotal - Operating Fund Base.....	<b>3,639</b>	<b>3,768</b>	<b>3,837</b>
Less Rescission.....	-21	-20	0
Unfunded Proration.....	<u>-49</u>	<u>-335</u>	<u>-440</u>
Total Funded.....	<b>3,569</b>	<b>3,413</b>	<b>3,397</b>
Calendar Year Shift--FY 2005.....	0	-992	0
Total .....	<b>3,569</b>	<b>2,421</b>	<b>3,397</b>
Set-asides within the Operating Fund:			
Voluntary Graduation Incentive Awards.....	0	10	10
Weed & Seed Program.....	10	8	0
Total Budget Year Enacted/Request.....	<b>3,579</b>	<b>2,439</b>	<b>3,407</b>
Carryover.....	4	2	0
Total Resources Available.....	<b>3,583</b>	<b>2,441</b>	<b>3,407</b>

a/ Includes FICA, Unemployment, and Audit Expenses.

Public Housing Operating Fund

Specific factors affecting the fiscal year 2006 operating subsidy estimates are:

1. Economic Assumptions. The fiscal year 2006 estimate incorporates the most recent economic assumptions about inflation, and presumes a 2 percent increase in non-utility costs, and a 0.1 percent decrease in utility rates over the current 2005 estimate. The calculation of individual PHA subsidy formula requirements includes the use of an inflation factor, which is a weighted average percentage increase in local government employee compensation and non-wage expenses.
2. Adjustments to Operating Subsidy Requirements. The fiscal year 2006 estimate reflects adjustments in operating subsidy requirements for various HA income and expense factors based on existing procedures and regulations affecting tenant rent payments and HA operating costs. These adjustments reflect the following factors:
  - a. Alternative Subsidy Projects. Pursuant to the Interim Operating Fund rule, the interim formula has special provisions relating to housing owned by Public Housing Agencies (PHAs) in the Virgin Islands, Puerto Rico, Guam, and Alaska due to the unique characteristics of these PHAs.
  - b. Non-Dwelling Units. The estimate reflects additional operating subsidies for the cost of funding units removed from the dwelling rental inventory for non-dwelling use to support resident economic self-sufficiency.
  - c. Elderly/Disabled Service Coordinators. The estimate reflects funding for the annual renewal of the public housing elderly and/or disabled service coordinators.
  - d. Unit Reconfigurations. The estimate for unit reconfigurations include s the costs resulting from Section 118 of the 1987 HCD Act requirement, which eliminates subsidy reductions due to unit reconfigurations (breakthroughs) where the same number of people can reside in the new larger unit formed by combining two or more smaller units.
  - e. Transition Funding for Demolition (Phase Down). A provision of the Operating Fund provides a short transition period of funding for HAs that have received approval to demolish units, and have not received Section 8 vouchers for relocation and/or replacement purposes. The purpose of the provision is to encourage and support efforts by HAs to reduce overhead costs in a planned and orderly manner when the inventory of units is reduced by demolition.
  - f. Resident Participation. PHAs are eligible to receive \$25 per occupied unit on an annual basis for this function. These funds will be used to support existing as well as new initiatives associated with resident participation.
  - g. Energy Add on for Loan Amortization. As an incentive toward energy conservation, this add-on covers the loan principal and interest payments of the energy conservation measures incurred by a PHA in accordance with regulations.

Public Housing Operating Fund

PHA REVENUE AND EXPENDITURE PATTERN

Based on fiscal year 2004 historical data, the table below represents an estimated pattern of PHAs expenditures from revenue sources such as rental income, operating subsidy, investment, and other income. Such expenditure may vary substantially for individual authorities.

**Public Housing Authorities' Operating Revenues**  
(Dollars in Millions)

<u>Category</u>	<u>Annual Revenue</u>	<u>Percent of Total</u>
Operating Subsidies	\$3,407	55%
Dwelling Rental	2,429	40%
Investment Income	66	1%
Other Income	232	4%
Total Operating Revenue	6,134	100%

**Public Housing Authorities' Expenditures (Based on Current Formula Requirements)**  
(Dollars in Millions)

<u>Category</u>	<u>Annual Expenditures</u>	<u>Percent of Total</u>
Utilities	\$1,334	22%
Administration	1,728	28%
General Operating Expenses	533	9%
Maintenance	2,216	36%
Tenant Services	152	2%
Protective Services	165	3%
Capital Expenditures	6	0%
Operating Reserves	0	0%
Total Operating Expenses	6,134	100%

Operating Subsidies. Includes operating funds received during the year.

Dwelling Rental. Includes tenant rent.

Investment Income. Includes income from investments.

Other Income. Includes income from other sources, such as, rental income from non-dwelling space or facility, income from vending machines, etc.

Utilities. Includes water, electricity, gas, fuel, and related labor expenses.

Administration. Includes administrative salaries, legal expenses, staff training, travel, accounting fees, auditing fees, sundry and outside management costs.

General Operating Expenses. Includes insurances, payments made to local governments in lieu of taxes, terminal leave payments, employees benefit contributions, collection losses, interest on administrative and sundry notes, and other general expenses.

Public Housing Operating Fund

Ordinary Maintenance and Operations. Consists of expenses for labor, materials, contracts and garbage fees associated with the day-to-day operation of the public housing authority.

Tenant Services/Resident Participation Activities. Covers salaries of PHA staff that provide tenant services, as well as recreation, publication, contract costs, training, and other expenses.

Protective Services. Includes expenses for labor, materials, and contract costs.

Capital Expenditures. Includes extraordinary maintenance, casualty losses and property betterments (e.g. roofs and furnaces).

Operating Reserves. Provides operating funds, and is a reserve for emergencies. PHAs can use the funds for any eligible budgeted expenses.

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

<b>Department of Justice</b>	<u>Amount</u>
2004 Appropriation .....	\$9,941
2005 Appropriation.....	7,936
2006 Request .....	---
Program Improvements/Offsets .....	-7,936

**Proposed Actions**

The Department is not requesting any funds for this program for fiscal year 2006. Anti-crime/anti-drug activities is currently an eligible activity under the Operating Fund program. Leaving the funds within the overall formula program gives PHAs' the discretion to allocate funds to anti-crime/anti-drug activities or other activities, as PHAs deem appropriate.

The Department of Justice's Executive Office of Weed and Seed (EOWS) invites current Weed and Seed sites that have public, Indian and Federally assisted housing to apply for up to \$50,000 to implement the Weed and Seed Program. A Weed and Seed Funding Application Kit for Continuation Sites was used for awarding these grants. HUD provided a list of HUD-funded public and Indian housing authorities locations to DOJ. Weed and Seed sites that applied for funding provided documentation to EOWS designating their status as public, Indian or assisted housing agencies.

**Activities Supported by HUD Funding to DOJ**

**Fiscal Year 2004**  
(Dollars in Thousands)

Institute for Law & Justice, Alexandria, VA (10 Specialized Sites - Oakland, CA; Kansas City, MO; Detroit, MI; South Dakota (Indian Reservation), New Orleans, LA; Washington, DC; San Juan, PR; Atlanta, GA; New York, NY; Houston, TX)(Crime Prevention, Apprehension, Intervention & Prevention Initiatives) .....	\$6,400
Local Initiatives Support Corporation, New York, NY (Crime Prevention and Violent Crime Reduction) .....	400
The Urban Institute, Washington, DC (Evaluation of Specialized Anti-Gang and Violent Crime Initiatives).....	741
Office of Community Policing Services (COPS), Washington, DC (Faith-based Intervention and Crime Prevention)....	600
United Way of Anchorage, Anchorage, AL (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution)..	50
City of Montgomery, Montgomery, AL (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Sunnyside Neighborhood Assn., Flagstaff, AZ (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
LAPD, Southeast Area, Los Angeles, CA (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution)...	50
City of Hartford, CT (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
Housing Authority of Brevard County, FL (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution)..	50
YMCA of Honolulu, HI (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
City of Des Moines, IA (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Hoyleton Youth and Family Services, Village of Washington Park, IL (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
City of Indianapolis, IN (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Massachusetts Dept of the Attorney General, Boston, MA (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Project Garrison, Baltimore, MD (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50



Public Housing Operating Fund

Activities Supported by HUD Funding to DOJ (Continued)

Fiscal Year 2004  
(Dollars in Thousands)

Volunteers of America, Androscoggin and Sagadahoc County, ME (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	\$50
City of Inkster, Inkster, MI (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Minnesota Dept. of Public Safety, Cass Lake, MN (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Jackson, MS (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
City of Burlington, NC (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Gastonia HA, NC (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Greensboro HA, NC (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
City of High Point, NC (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Nebraska Justice Center, Thurston County, NE (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
Community Agencies Corp. of NJ, Newark, NJ (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
Home Headquarters Inc, Syracuse, NY (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
Albany HA, NY (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Niagara Falls HA, Buffalo, NY (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
City of Buffalo, NY (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Spirit of Peace Community Development Corp., Dayton, OH (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
Oklahoma City (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Philadelphia Managing Directors Office, PA (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
ML King Community Development Corp., Chattanooga, TN (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
Dyersburg Police Dept., TN (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
HA of City of Laredo, TX (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
Southfair Community Development, Dallas, TX (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
Salt Lake City, UT (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
Virgin Islands Housing Authority, St. Thomas, VI (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution) .....	50
City of Toppenish, WA (Anti-Violent and Drug Crime Prevention, Intervention, and Prosecution).....	50
Total	<u>9,941</u>

Public Housing Operating Fund

Resource Allocation

	Estimate <u>FY 2004</u>	Estimate <u>FY 2005</u>
(Dollars in Thousands)		

Anti-Drug Resources by Function:

Intelligence.....	...	...
Interdiction.....	...	...
Investigations.....	\$4,805	\$3,835
Prevention.....	1,415	1,131
Prosecution.....	2,150	1,716
Research & Development.....	500	399
State & Local Assistance.....	500	399
Outreach & Education.....	500	399
Treatment.....	<u>71</u>	<u>57</u>
Total.....	9,941 a/	7,936

a/ The DOJ does not have actual data at this time. Thus, drug resources by function for 2004 reflects the estimates included in the 2005 Budget.

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

<b>Voluntary Graduation Incentive Award</b>	<u><b>Amount</b></u>
2004 Appropriation .....	...
2005 Appropriation.....	\$9,920
2006 Request .....	<u>10,000</u>
Program Improvements/Offsets .....	+80

**Proposed Actions**

The Department is requesting \$10 million for a Public Housing Voluntary Graduation Incentive Award program. This proposal will emphasize the concept that assisted housing is intended to be a transition and not a permanent institution for families. Public and assisted housing is a scarce resource needed by many families but available only to some. In allocating such a resource, the Federal government has an interest in ensuring that as many people as are eligible have an opportunity to participate. PHAs are encouraged by this incentive to increase graduation rates so that more families have the opportunity to benefit from limited housing resources. The incentive will be awarded to PHAs that exceed a baseline number of families that have exited public housing. Eligibility thresholds will be established for housing authorities depending on size and other program factors.

The Department will make this bonus funding available through a Notice of Funding Availability (NOFA) in fiscal year 2005. The Department will publish a NOFA for the graduation incentive program providing specific standards and application procedures for qualified public housing authorities to access this funding opportunity.

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

Program Name: <b>OPERATING FUND</b>					
Program Mission: The Public Housing Operating Fund provides operating subsidy payments to approximately 3,160 PHAs with a total of over 1.2 million units under management. Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses of their owned or managed dwellings.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2004 Plan	2004 Plan	2005 Plan	2006 Plan
The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced.	RHIIPS, PDR&R Draft Final Report, Quality Control for Rental Assistance Subsidies Determinations dated December 5, 2003	30% reduction in payment errors from initial baseline.	71% reduction in overpayments errors rates from initial baseline.	50% reduction payment errors rates from initial baseline.	Percentage to be determined.
Family Self-Sufficiency Program	PIC	12,371 families average escrow \$4,925.	NA	12,990 families average escrow \$4,975	To be determined
By 2008, increase the proportion of those entering HUD's public housing assistance program that "graduate" from assistance within 5 years (or receive continuing assistance as homeowners) because their income is sufficient to pay for adequate housing.	PIC	NA	Still testing methodologies to establish fiscal year 2004 baseline.	Baseline will be determined based on fiscal year 2004 actuals in conjunction with the approach for the graduation incentive provided in the fiscal year 2005 budget.	To be determined from fiscal year 2004 baseline.

NA = Not Available.

**Explanation of Indicators**

Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses or their owned or managed dwellings.

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

The rental housing assistance program (public housing, Housing Choice Vouchers and project-based assistance program) constitute HUD's largest appropriated activity, with approximately \$26 billion in expenditures in fiscal year 2004 to serve over 4.8 million households. Based on studies of year 2000 program activity, HUD estimated that 60 percent of all subsidized rent calculations were done in error, and that there were approximately \$3.2 billion in gross erroneous payments and \$2 billion in net annual subsidy overpayments attributed to the combination of program administration errors and tenant underreporting of income upon which the subsidy is based.

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

In fiscal year 2004, HUD surpassed its 30 percent reduction goal for the estimated \$2.013 billion in net annual rental assistance overpayments, achieving a reduction of 71 percent. This goal was established based on fiscal year 2000 estimates of improper payments attributed to both housing administrator errors in subsidy determinations and tenant underreporting of income upon which benefits are based.

Furthermore, 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. A separate assessment of budget impacts is planned for fiscal year 2005. To the extent there are outlays savings resulting from HUD's program integrity improvement efforts, HUD plans to work with OMB and the Congress to explore mechanisms for recapture and use of the funds to assist additional households in need. In any event, HUD's goal is to better assure that the right benefits go to the right persons. HUD is also expanding its error measurement process to include a third and final component covering the accuracy of assistance billings and payments. Billing error estimates for public housing and voucher programs will be completed for reporting in fiscal year 2005.

In fiscal year 2006, HUD will continue to implement RHIIP to meet performance targets and continue to strengthen HUD's capacity for proper oversight of the rental housing assistance programs.

The Department will implement the new authority provided by the Congress in the fiscal year 2004 Appropriations Act, to provide PHAS with another tool to verify tenant incomes with HHS' National Directory of New Hires database. This should improve accuracy and timeliness over the old form letter that had been sent to employers. If successful, HUD intends to remove the mandatory paper form letter requirement to employers, thus providing more privacy and dignity to tenants in the verification of income.

**PUBLIC AND INDIAN HOUSING  
PUBLIC HOUSING OPERATING FUND  
Justification of Proposed Changes in Appropriations Language**

The 2006 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.

For [2005] 2006 payments to public housing agencies for the operation and management of public housing, as authorized by section 9(e) of the United States Housing Act of 1937, as amended (42 U.S.C. 1437g(e)), \$3,407,300,000 [\$2,458,000,000] of which \$10,000,000 in bonus funds shall be provided to public housing agencies that assist program participants in moving away from dependency on housing assistance programs: [*Provided*, That of the total amount provided under this heading, \$8,000,000 shall be for programs, as determined appropriate by the Attorney General, which assist in the investigation, prosecution, and prevention of violent crimes and drug offenses in public and federally-assisted low-income housing, including Indian housing, which shall be administered by the Department of Justice through a reimbursable agreement with the Department of Housing and Urban Development] *Provided further*, That, any such 2005 payment shall be provided in an amount sufficient to cover only the period beginning with the start of a public housing agency's fiscal year and ending on December 31, 2005:] *Provided [further]*, That for fiscal year 2006 and all fiscal years thereafter, the Secretary shall provide assistance under this heading to public housing agencies on a calendar year basis: *Provided further*, That, in fiscal year [2005] 2006 and all fiscal years hereafter, no amounts under this heading in any appropriations Act may be used for payments to public housing agencies for the costs of operation and management of public housing for any year prior to the current year of such Act: *Provided further*, That no funds may be used under this heading for the purposes specified in section 9(k) of the United States Housing Act of 1937, as amended. (*Department of Veteran Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, fiscal year [2005] 2006*)

**Explanation of Changes**

Deletes language providing \$8 million for the Attorney General to assist in the investigation, prosecution, and prevention of violent crimes and drug offenses in public and federally assisted low-income housing, including Indian housing, which will be administered through the Department of Justice through a reimbursable agreement with HUD.

Adds language providing \$10,000,000 million for the Voluntary Graduation Incentive Bonus initiative, which provides bonus funds to PHAS that move program participants away from dependency on public housing assistance programs.

Deletes reference to fiscal year 2005 and add reference to fiscal year 2006.

Deletes 2005 appropriated amount of \$2,458,000,000 and adds 2006 requested amount of \$3,407,300,000.

Public Housing Operating Fund

PUBLIC AND INDIAN HOUSING  
 PUBLIC HOUSING OPERATING FUND  
 CROSSWALK OF 2004 AVAILABILITY  
 (Dollars In Thousands)

<u>Budget Activity</u>	<u>2004 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2004 Resources</u>
Operating Subsidy .....	\$3,590,059	-\$21,240	...	...	\$4,824	\$3,573,643
Department of Justice .....	9,941	...	...	...	...	9,941
Voluntary Graduation Incentive Award	...	...	...	...	...	...
Total .....	3,600,000	-21,240	...	...	4,824	3,583,584

Public Housing Operating Fund

PUBLIC AND INDIAN HOUSING  
 PUBLIC HOUSING OPERAING FUND  
 Crosswalk of 2005 Changes  
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2005 President's Budget Request</u>	<u>Congressional Appropriations Action on 2005 Request</u>	<u>2005 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2005 Resources</u>
Operating Subsidy .....	\$2,458,000	\$2,440,144	-\$19,664	...	\$2,600	\$2,423,080
Department of Justice .....	...	7,936	...	...	...	7,936
Voluntary Graduation Incentive Award	<u>15,000</u>	<u>9,920</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>9,920</u>
Total Changes .....	2,473,000	2,458,000	-19,664	...	2,600	2,440,936



Public Housing Operating Fund

State/Territory	FY 2004	Estimated FY 2005 obligations from			2006 State	
	Actual <u>Obligation</u>	Previous <u>Authority</u>	New <u>Auth</u>	<u>Tota</u>	FY 2006 <u>Obligation</u>	Estimated % of Total Based on <u>Program Formula</u>
				(Dollars in Thousands)		
Alabama.....	\$114,280	\$83	\$77,460	\$77,543	\$108,418	3.1819%
Alaska.....	8,165	6	5,534	5,540	7,768	0.2280%
Arizona.....	17,025	12	11,540	11,552	16,197	0.4754%
Arkansas.....	26,591	19	18,024	18,043	25,297	0.7424%
California.....	115,964	84	78,601	78,685	110,322	3.2378%
Colorado.....	17,843	13	12,094	12,107	16,975	0.4982%
Connecticut.....	52,403	38	35,519	35,557	49,853	1.4631%
Delaware.....	9,878	7	6,695	6,702	9,397	0.2758%
District of Columbia.....	50,351	37	34,128	34,165	47,901	1.4058%
Florida.....	94,139	69	63,808	63,877	89,559	2.6284%
Georgia.....	118,969	87	80,638	80,725	113,181	3.3217%
Hawaii.....	11,218	8	7,604	7,612	10,672	0.3132%
Idaho.....	1,109	1	752	753	1,055	0.0310%
Illinois.....	257,384	187	174,457	174,644	244,861	7.1864%
Indiana.....	42,621	31	28,889	28,920	40,547	1.1900%
Iowa.....	5,534	4	3,751	3,755	5,265	0.1545%
Kansas.....	15,997	12	10,843	10,855	15,219	0.4467%
Kentucky.....	50,955	37	34,538	34,575	48,476	1.4227%
Louisiana.....	65,589	48	44,457	44,505	62,398	1.8313%
Maine.....	9,023	7	6,116	6,123	8,584	0.2519%
Maryland.....	73,061	53	49,521	49,574	69,506	2.0399%
Massachusetts.....	103,529	75	70,173	70,248	98,492	2.8906%
Michigan.....	50,224	37	34,042	34,079	47,780	1.4023%
Minnesota.....	40,869	30	27,701	27,731	38,881	1.1411%
Mississippi.....	27,205	20	18,440	18,460	25,881	0.7596%
Missouri.....	37,311	27	25,290	25,317	35,496	1.0418%
Montana.....	4,235	3	2,871	2,874	4,029	0.1182%
Nebraska.....	11,289	8	7,652	7,660	10,740	0.3152%
Nevada.....	15,892	12	10,772	10,784	15,119	0.4437%
New Hampshire.....	6,522	5	4,421	4,426	6,205	0.1821%
New Jersey.....	162,979	119	110,468	110,587	155,050	4.5505%

Public Housing Operating Fund

State/Territory	FY 2004 Actual <u>Obligation</u>	Estimated FY 2005 obligations from			2006 State	
		Previous <u>Authority</u>	New		FY 2006 Estimated <u>Obligation</u>	Estimated % of Total Based on <u>Program Formula</u>
			<u>Auth</u>	<u>Tota</u>		
						(Dollars in Thousands)
New Mexico.....	\$8,992	\$7	\$6,095	\$6,102	\$8,555	0.2511%
New York.....	842,771	611	571,234	571,845	801,767	23.5309%
North Carolina.....	100,181	73	67,903	67,976	95,307	2.7971%
North Dakota.....	1,969	1	1,335	1,336	1,873	0.0550%
Ohio.....	166,035	121	112,540	112,661	157,957	4.6358%
Oklahoma.....	25,891	19	17,549	17,568	24,631	0.7229%
Oregon.....	16,502	12	11,185	11,197	15,699	0.4607%
Pennsylvania.....	254,569	185	172,549	172,734	242,485	7.1166%
Rhode Island.....	20,302	15	13,761	13,776	19,314	0.5668%
South Carolina.....	30,904	23	20,947	20,970	29,400	0.8629%
South Dakota.....	2,169	2	1,470	1,472	2,063	0.0605%
Tennessee.....	93,196	68	63,169	63,237	88,662	2.6021%
Texas.....	120,730	88	81,832	81,920	114,856	3.3709%
Utah.....	4,335	3	2,938	2,941	4,124	0.1210%
Vermont.....	2,556	2	1,732	1,734	2,432	0.0714%
Virginia.....	65,549	48	44,430	44,478	62,360	1.8302%
Washington.....	36,253	26	24,573	24,599	34,489	1.0122%
West Virginia.....	16,935	12	11,479	11,491	16,111	0.4728%
Wisconsin.....	18,808	14	12,748	12,762	17,893	0.5251%
Wyoming.....	1,219	1	826	827	1,160	0.0340%
American Samoa.....				0		0.0000%
Guam.....	3,600	3	2,440	2,443	3,425	0.1005%
Northern Mariana Islands.....				0		0.0000%
Puerto Rico.....	100,493	73	68,115	68,188	95,604	2.8059%
Freely Associated States.....				0		0.0000%
Virgin Islands.....	18,930	14	12,831	12,845	18,009	0.5285%
Indian Tribes.....				0		0.0000%
Undistributed.....				0		
Other (DOJ Anti-Drug)	9,941	0	7,936	7,936		0.0000%
Other (Bonus Funds)			9,920	9,920	10,000	0.2935%
Total.....	3,580,984	2,600	2,438,336	2,440,936	3,407,300	1 a/

Footnotes:

a/ Excludes undistributed obligations.